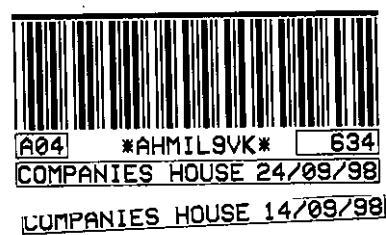


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**AMEY HOMES LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 1996**



**AMEY HOMES LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 31 December 1996

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# **AMEY HOMES LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors have presented previously their report and financial statements for the year ended 31 December 1996 which were distributed to members and filed with the Registrar of Companies. The company had taken advantage previously of the exemption, provided to it under Financial Reporting Standard 1 - Cash flow statements (revised 1996) issued by the Accounting Standards Board ("FRS1"), from preparing a cash flow statement as a result of the company being a subsidiary company. Subsequent to issuing such report and financial statements, the directors determined that it would be in the best interests of the company to include a cash flow statement and associated notes in accordance with FRS1 within such financial statements.

Therefore, the directors now present their report together with financial statements for the year ended 31 December 1996 including cash flow information in accordance with FRS1.

### **Principal activities**

The company operates principally as a residential property developer.

### **Business review**

There was a profit for the year after taxation amounting to £225,885 (1995: loss £373,880). The directors do not recommend payment of a dividend and the profit has therefore been transferred to reserves.

### **Directors**

The membership of the Board at 31 December 1996 is set out below. All directors served throughout the year.

D A Cawthorne  
E A King  
I S Lyons  
M G Watling

N Ashley resigned as a director on 1 January 1996. D A Cawthorne resigned with effect from 1 March 1997. G J McCormack was appointed on 1 March 1997.

The interests of the directors who are directors of the parent company are disclosed in that company's financial statements.

Neither I S Lyons nor M G Watling held any shares in the parent undertaking at 31 December 1996 or 31 December 1995. Their interests in options for shares in the parent company are set out in note 11.

# AMEY HOMES LIMITED

## REPORT OF THE DIRECTORS

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### Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



A E Mantz  
Secretary  
14 September 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
AMEY HOMES LIMITED**

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on pages 4 to 5.

**Respective responsibilities of directors and auditors**

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

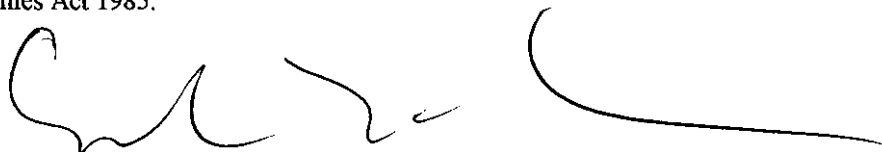
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Explanatory paragraph**

We reported on 25 March 1997 on the financial statements prepared by the company which were approved by the directors of the company on 21 March 1997. As explained in note 19, those financial statements did not include a cash flow statement and associated notes in accordance with Financial Reporting Standard 1 - Cash flow statements (revised 1996) issued by the Accounting Standards Board ("FRS1") since the company had taken advantage of the exemption available to it under FRS1 as a subsidiary company. As also explained in note 19, the directors have determined that it would be in the best interests of the company to include a cash flow statement and associated notes in accordance with FRS1 within the company's financial statements. Accordingly, the directors have revised the financial statements to include a cash flow statement and associated notes (note numbers 19 to 21).

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

OXFORD  
14 September 1998

# AMEY HOMES LIMITED

## PRINCIPAL ACCOUNTING POLICIES

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### **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

The company has taken advantage of the exemption from disclosure of transactions with related parties on the grounds that it is a wholly owned subsidiary and the financial statements of its parent company are publicly available.

### **TURNOVER**

Turnover and profit are recognised at the date of legal completion of contracts.

### **DEPRECIATION**

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold improvements	Lease term
Fixtures and fittings and equipment	3 to 4 years

### **WORK IN PROGRESS**

Housing developments in progress, representing land and related construction costs, are stated at the lower of cost and net realisable value.

### **DEFERRED TAXATION**

Deferred tax is the taxation attributable to timing differences between profits or losses computed for taxation purposes and results as stated in the financial statements.

Deferred tax is provided for to the extent that it is probable that a liability or asset will crystallise and not provided for to the extent that it is probable that a liability or asset will not crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.

### **CONTRIBUTIONS TO PENSION FUNDS**

#### **Defined benefit scheme**

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

## **AMEY HOMES LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

#### **INTEREST**

Interest is charged to the profit and loss account as incurred.

**AMEY HOMES LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1996

	Note	1996 £	1995 £
<b>Turnover</b>	1	9,747,150	3,455,069
Cost of sales		(8,502,802)	(2,919,210)
Gross profit		1,244,348	535,859
Administrative expenses		(614,213)	(634,475)
<b>Operating profit</b>		630,135	(98,616)
Interest payable and similar charges	2	(287,636)	(275,860)
<b>Profit on ordinary activities before taxation</b>	1	342,499	(374,476)
Tax on profit on ordinary activities	4	(116,614)	596
<b>Profit transferred to reserves</b>	12	225,885	(373,880)

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.



# AMEY HOMES LIMITED

## BALANCE SHEET AT 31 DECEMBER 1996

	Note	1996 £	1996 £	1995 £	1995 £
<b>Fixed assets</b>					
Tangible assets	5		16,624		28,472
<b>Current assets</b>					
Stocks	6	5,151,278		9,887,277	
Debtors	7	128,711		81,075	
Cash at bank and in hand		815,745		523,224	
		6,095,734		10,491,576	
<b>Creditors: amounts falling due within one year</b>	8	(2,123,589)		(7,256,313)	
<b>Net current assets</b>			3,972,145		3,235,263
<b>Total assets less current liabilities</b>			3,988,769		3,263,735
<b>Creditors: amounts falling due after more than one year</b>	9		(1,592)		(2,443)
			3,987,177		3,261,292
<b>Capital and reserves</b>					
Called up share capital	10		4,000,000		3,500,000
Profit and loss account	12		(12,823)		(238,708)
<b>Shareholders' funds</b>	13		3,987,177		3,261,292

The financial statements were approved by the Board of Directors on 14 September 1998.

Director

*B. Staples,*

**AMEY HOMES LIMITED****CASH FLOW STATEMENT**

For the year ended 31 December 1996

	Note	1996 £	1995 £
<b>Net cash inflow from operating activities</b>	19	<b>3,824,518</b>	<b>(5,299,376)</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		<u>(287,636)</u>	<u>(275,860)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(287,636)</u>	<u>(275,860)</u>
<b>Taxation</b>		<b>(114)</b>	<b>(2,265)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		<u>-</u>	<u>(21,716)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>-</u>	<u>(21,716)</u>
<b>Financing</b>			
Issue of shares		<b>500,000</b>	<b>2,500,000</b>
Net new borrowings/(repayment of borrowings)		<u>(3,744,247)</u>	<u>3,237,808</u>
<b>Net cash inflow/(outflow) from financing</b>		<u>(3,244,247)</u>	<u>5,737,808</u>
<b>Increase in cash</b>	20	<u><b>292,521</b></u>	<u><b>138,591</b></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

# AMEY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:

	1996 £	1995 £
Auditors' remuneration	2,500	2,500
Depreciation and amortisation:		
Tangible fixed assets, owned	11,848	10,984
Hire of plant and machinery	66,684	86,254
Other operating lease rentals	30,500	25,300

### 2 NET INTEREST

	1996 £	1995 £
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	251,376	269,441
Interest payable to group undertakings	36,260	6,419
	287,636	275,860

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1996 £	1995 £
Wages and salaries	283,472	342,711
Social security costs	22,929	28,626
Other pension costs	21,543	27,532
	327,944	398,869

The average number of employees of the company during the year was 14 (1995: 15 ).

Remuneration in respect of directors was as follows:

	1996 £	1995 £
Management remuneration	114,901	94,658

The emoluments of the directors, excluding pension contributions, were as follows:

	1996 £	1995 £
The highest paid director	58,471	55,040

# AMEY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

	1996 Number	1995 Number
Nil - £5,000	3	3
£35,001 - £40,000	-	1
£45,001 - £50,000	1	-
£55,001 - £60,000	1	1

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	1996 £	1995 £
UK Corporation tax at 33% (1995: 33%)	116,500	-
Adjustment in respect of prior periods	114	(596)
	<u>116,614</u>	<u>(596)</u>

### 5 TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures and fittings £	Total £
Cost			
At 1 January 1996	2,857	40,020	42,877
Depreciation			
At 1 January 1996	286	14,119	14,405
Provided in the year	285	11,563	11,848
	<u>571</u>	<u>25,682</u>	<u>26,253</u>
Net book amount at 31 December 1996	<u>2,286</u>	<u>14,338</u>	<u>16,624</u>
Net book amount at 31 December 1995	<u>2,571</u>	<u>25,901</u>	<u>28,472</u>

**AMEY HOMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1996

**6 WORK IN PROGRESS**

	1996 £	1995 £
Land held for development	-	1,889,914
Housing developments in progress	5,151,278	7,997,363
	<u>5,151,278</u>	<u>9,887,277</u>

**7 DEBTORS**

	1996 £	1995 £
Trade debtors	12,396	1,548
Amounts owed by group undertakings	-	3,806
Other debtors	21,012	65,260
Prepayments and accrued income	95,303	10,461
	<u>128,711</u>	<u>81,075</u>

**8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1996 £	1995 £
Bank loans and overdrafts	1,442,453	5,186,700
Trade creditors	393,905	723,333
Amounts owed to group undertakings	118,323	1,137,825
Corporation tax	116,500	-
Social security and other taxes	770	7,435
Accruals and deferred income	51,638	201,020
	<u>2,123,589</u>	<u>7,256,313</u>

The bank loans are secured by a fixed charge over the relevant land under development. Repayment of loans are phased in accordance with plot sales anticipated to occur during 1997. The loans bear interest at 1.5% over Barclays base rate.

**9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1996 £	1995 £
Other creditors	<u>1,592</u>	<u>2,443</u>

**AMEY HOMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1996

**10 SHARE CAPITAL**

	1996 £	1995 £
Authorised Ordinary £1 shares	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid Ordinary £1 shares	<u>4,000,000</u>	<u>3,500,000</u>

Allotments during the year

The company made an allotment of 500,000 ordinary £1 shares at par to its parent undertaking, Amey plc, on 11 January 1996.

**11 SHARE OPTIONS**

The interests of the directors, who are not also directors of the parent company, in options for shares in the parent company were as follows:

	At 1/1/96	Number of options exercised	At 31/12/96	Exercise price £	Date from which exercisable	Expiry date
I S Lyons	10,302	-	10,302	1.61	9/6/97	8/6/04
I S Lyons	14,870	-	14,870	1.16	26/5/00	25/5/02
M G Watling	3,290	-	3,290	1.61	9/6/97	8/6/04
M G Watling	4,017	-	4,017	1.29	9/6/99	8/6/01
M G Watling	1,487	-	1,487	1.16	26/5/00	25/5/02

**12 PROFIT AND LOSS ACCOUNT**

	£
At 1 January 1996	(238,708)
Retained profit for the year	<u>225,885</u>
At 31 December 1996	<u>(12,823)</u>

# AMEY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

### 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit/(loss) for the financial year	225,885	(373,880)
Issue of shares	500,000	2,500,000
Net increase in shareholders' funds	725,885	2,126,120
Shareholders' funds at 1 January 1996	3,261,292	1,135,172
Shareholders' funds at 31 December 1996	3,987,177	3,261,292

### 14 LEASING COMMITMENTS

Operating lease payments amounting to £30,500 (1995: £30,500) are due within one year. These leases relate to land and buildings and expire between two and five years (1995: two and five years).

### 15 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1996 or 31 December 1995.

### 16 CONTINGENT LIABILITIES

The company has entered into a joint and several guarantee for £10 million, with its fellow subsidiaries, to guarantee the bank borrowings of the parent company, Amey plc.

There were no other contingent liabilities at 31 December 1996 or 31 December 1995 except for the provision of guaranteed performance bonds in the normal course of trade.

### 17 PENSIONS

Defined Benefit Scheme

The company is eligible to participate in a pension scheme operated by the group for the benefit of employees and directors. The assets of the scheme are administered by trustees in funds independent from those of the group.

Pension costs in respect of final salary benefits are assessed in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation was conducted as at 6 April 1996. The assumptions which have the most significant effect on the results of the valuation are a rate of interest of 9% per annum and a rate of general salary increase of 7% per annum.

The valuation showed that the market value of the scheme's assets at that date amounted to £19,621,000 and the actual actuarial valuation of the scheme's assets of £16,558,000 was sufficient to cover 115% of the benefits that had accrued to members.

**AMEY HOMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1996

**18 ULTIMATE PARENT UNDERTAKING**

The group of undertakings for which group accounts have been drawn up is that headed by Amey plc, the ultimate parent undertaking, which is registered in England and Wales. Copies of the group accounts are available from Amey plc, Sutton Courtenay, Abingdon, Oxon OX14 4PP.

**19 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	1996 £	1995 £
Operating profit/(loss)	630,135	(98,616)
Depreciation	11,848	10,984
(Increase)/decrease in stocks	4,735,999	(6,099,556)
(Increase)/decrease in debtors	(47,636)	118,163
Increase/(decrease) in creditors	(1,505,828)	769,649
Net cash inflow/(outflow) from continuing operating activities	<u>3,824,518</u>	<u>(5,299,376)</u>

The company had taken advantage previously of the exemption, provided to it under Financial Reporting Standard 1 - Cash flow statements (revised 1996) issued by the Accounting Standards Board ("FRS1"), from preparing a cash flow statement as a result of the company being a subsidiary company. Subsequent to issuing financial statements for the year ended 31 December 1996, the directors determined that it would be in the best interests of the company to include a cash flow statement and associated notes in accordance with FRS1 within such financial statements. Accordingly, the financial statements as presented previously have been revised to include the cash flow statement, as presented on page 8, and notes 19 to 21.

**20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1996 £	1995 £
Increase in cash in the year	292,521	138,591
Cash (inflow)/outflow from financing in the year	<u>3,744,247</u>	<u>(3,237,808)</u>
Change in net debt resulting from cashflows	<u>4,036,768</u>	<u>(3,099,217)</u>
Movement in net debt in the year	4,036,768	(3,099,217)
Net debt at 1 January 1996	<u>(4,663,476)</u>	<u>(1,564,259)</u>
Net debt at 31 December 1996	<u>(626,708)</u>	<u>(4,663,476)</u>



# AMEY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

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### 21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 1996 £	Cash flow £	At 31 December 1996 £
Cash in hand and at bank	523,224	292,521	815,745
Debt	(5,186,700)	3,744,247	(1,442,453)
	<u>(4,663,476)</u>	<u>4,036,768</u>	<u>(626,708)</u>