

# ARTHUR ANDERSEN

## Banner New Homes 2 PLC

Accounts for the year ended 31 March 1998  
together with directors' and auditors' reports

Registered number: 02865395



## Banner New Homes 2 Plc Form of Proxy

Before completing this proxy form, please read the explanatory notes below:

I/We hereby appoint the Chairman of the meeting or \_\_\_\_\_  
(See Note 1) as my/our proxy to attend and, on a poll, vote on my/our behalf at the Annual General Meeting of the Company to be held on 10th September 1998 and at any adjournment of the meeting.

In relation to the resolution to be proposed at the meeting, which is referred to in the notice of the meeting, I/we wish my/our proxy to vote as indicated here (see note 3).

	For	Against
1	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>

Date: \_\_\_\_\_ 1998

Signature: \_\_\_\_\_

Name in block capitals: \_\_\_\_\_

Address in block capitals: \_\_\_\_\_

### NOTES

1. The Form of Proxy enables you to appoint either the Chairman of the meeting or someone else of your choice as your proxy. For convenience, the appointment of the Chairman has already been included and, if you wish to make this appointment, you need not make any changes to the form. If you wish to appoint someone else as your proxy, you should delete the words 'the Chairman of the meeting or' on the form and insert the name and address of the person you wish to appoint as your proxy in the space provided.
2. The form enables you to instruct your proxy how to vote in the event of a poll on the resolution to be proposed at the general meeting; the resolution is set out in the Notice of Meeting. The proxy will vote (or abstain from voting) as he or she thinks fit on any other business (including amendments to the resolutions) which may properly come before the meeting.
3. Please tick the appropriate box to indicate whether you wish your votes to be cast 'For' or 'Against' the resolutions. If you wish to abstain please write 'Abstain' across the boxes. Unless you give specific instructions on how to vote on the resolutions, your proxy will be able, at his or her discretion, either to vote 'For' or 'Against' the resolutions or to abstain from voting.
4. Before posting the form, please check that you have signed it. In the case of joint holders, any one of you may sign.
5. To be valid, this form of proxy, and any power of attorney or other authority under which it is executed (or an office copy of any such power of authority under which it is executed or an office copy of any such power of authority or a copy certified notarially) should be returned so as to arrive by 11am on 8th September 1998 at the Independent Registrars Group Limited.
6. If the appointer is a corporation, the Form of Proxy should be executed under its common seal or signed on its behalf by an officer or attorney duly authorised by the corporation. The appropriate power of attorney or other authority should be returned with the form.
7. If you do not return the Form of Proxy and do not attend the general meeting yourself, your votes will not be cast at the meeting.


## Notice of meeting

Notice is hereby given that the Annual General Meeting of Banner New Homes 2 PLC will be held at Riverside House, Riverside, Wooburn Green, High Wycombe, Bucks HP10 0TJ on 10 September 1998 at 11.15 am for the following purposes:

### Ordinary business

1. To receive and adopt the directors' report and the audited accounts for the year ended 31 March 1998.
2. To reappoint Arthur Andersen as the company's auditors and to authorise the directors to fix their remuneration.

By order of the Board

A handwritten signature in black ink, appearing to be 'RG Werth', written over a horizontal line.

RG Werth  
Director

14 July 1998

A member entitled to attend and vote at the above meeting may appoint a proxy or proxies to attend and vote on a poll instead of himself. A proxy need not be a member of the company. The instrument appointing a proxy must be lodged at the company's transfer office, The Independent Registrars Group Limited, not less than 48 hours before the time fixed for the meeting.

There will be available at the registered office of the company on any weekday (except Bank Holidays) during normal business hours a statement of the holdings and the transactions of each director and his family in the share capital of the company. Such documents will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

## Directors and Officers

### Directors

SJ Crossley (Chairman)  
RG Werth, Bsc (Hons) ACA  
JM Carr, FRICS  
EK Ford

### Secretary and Registered Office

RG Werth  
2 Bloomsbury Street  
London WC1B 3ST

### Auditors

Arthur Andersen  
3 Victoria Square  
Victoria Street  
St Albans  
Herts AL1 3TF

### Bankers

National Westminster Bank PLC  
South Herts Business Centre  
10 St Peter's Street  
St Albans  
Herts AL1 3LY

### Registrars

The Independent Registrars Group Limited  
Balfour House  
390/398 High Road  
Ilford  
Essex IG1 1NQ

## Chairman's statement

During the year ended 31 March 1998 turnover fell from £1.88m to £0.7m which produced a profit before tax of £77,024 (1997 - £129,242).

During the year the Company sold flats in Oxford and a detached house in Arkley.

The Company acquired a site in Whittlebury for 12 x 3 / 4 bedroom houses and a plot in Beaconsfield for a 5 bedroom house.

You Board is aware that the Company is now approaching January 1999 when the Put and Call Option Agreements are capable of being exercised. The agreements are subject to the conditions summarised in the Prospectus issued on 24 November 1993.

SJ Crossley  
Chairman

14 July 1998

# Directors' report

For the year ended 31 March 1998

## Accounts

The directors present their report and accounts for the year ended 31 March 1998.

## Directors' Responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Principal activities

The principal activity of the company during the year was housebuilding.

## Supplier payment policy

The company's normal payment policy is to pay suppliers at the end of the month following that in which the supplier's invoice is dated and the company abides by this policy. This policy is made known to all suppliers on written request.

The average period for payment of trade creditors during the year was 153 days. This is based on year end trade creditors, excluding subcontractor retentions, of £105,911 and gross purchases using trade credit in the year of £251,283. This calculation is distorted due to a large proportion of the year's management charges being billed in the last month of the year. Excluding the management charges, the average period of payment of trade creditors during the year was 115 days.

## Year 2000

The cost of converting computer software to deal with the year 2000 date change is not expected to be material. It is planned that this project will be largely completed by the end of 1998.

## Directors' report (continued)

### Review of the business

The profit and loss account is set out on page 7 and shows the profit for the year. A review of the company's performance and prospects is set out in the Chairman's statement on page 3.

The directors do not recommend the payment of a dividend.

### Directors and their interests

The directors of the company during the year and their beneficial interests in the share capital of the company at the beginning and end of the financial year were:

	50p ordinary shares	
	1998	1997
SJ Crossley	1,000	1,000
RG Werth	-	-
JM Carr	1,000	1,000
EK Ford	-	-

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Arthur Andersen be reappointed as auditors of the company will be put to the Annual General Meeting.

By order of the Board,



RG Werth  
Director

14 July 1998

# ARTHUR ANDERSEN

## Auditors' report

St Albans

To the Shareholders of Banner New Homes 2 PLC:

We have audited the accounts on pages 7 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

### Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 March 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



14 July 1998

Arthur Andersen

Chartered Accountants and Registered Auditors

3 Victoria Square

Victoria Street

St Albans AL1 3TF



## Profit and loss account

For the year ended 31 March 1998

	Notes	1998 £	1997 £
Turnover	2	705,450	1,879,150
Cost of sales		<u>(560,806)</u>	<u>(1,610,976)</u>
Gross profit		144,644	268,174
Administrative expenses		(62,266)	(139,158)
Other operating income		<u>216</u>	<u>793</u>
Operating profit		82,594	129,809
Interest receivable and similar income	3	9,732	8,052
Interest payable and similar charges	4	<u>(15,302)</u>	<u>(8,619)</u>
Profit on ordinary activities before taxation	5	77,024	129,242
Tax on profit on ordinary activities	7	<u>(18,943)</u>	<u>(31,000)</u>
Retained profit for the financial year	16	58,081	98,242
Retained profit brought forward		<u>117,380</u>	<u>19,138</u>
Retained profit carried forward		<u>175,461</u>	<u>117,380</u>

All operations of the company continued throughout both years and no operations were acquired or discontinued in either year under review.

The company has no recognised gains and losses in either year other than the results for each year.

The accompanying notes form an integral part of this profit and loss account.

# Balance sheet

31 March 1998

	Notes	1998 £	1997 £
<b>Current assets</b>			
Stocks	8	998,534	375,027
Debtors	9	18,393	18,977
Cash at bank and in hand		-	492,700
		<u>1,016,927</u>	<u>886,704</u>
Creditors: amounts falling due within one year	10	(256,697)	(184,555)
Net assets		<u>760,230</u>	<u>702,149</u>
<b>Capital and reserves</b>			
Called up share capital	11	315,000	315,000
Share premium account	12	269,769	269,769
Profit and loss account		<u>175,461</u>	<u>117,380</u>
Equity shareholders' funds	16	<u>760,230</u>	<u>702,149</u>

The accounts on pages 7 to 13 were approved by the board of directors on 14 July 1998 and signed on their behalf by:



RG Werth  
Director

The accompanying notes form an integral part of this balance sheet.

## Cash flow statement

For the year ended 31 March 1998

	Notes	1998 £	1997 £
Net cash (outflow)/inflow from operating activities	14	(487,171)	860,100
Returns on investments and servicing of finance			
Interest received		9,732	8,052
Interest paid		<u>(15,302)</u>	<u>(8,619)</u>
Net cash outflow from returns on investments and servicing of finance		(5,570)	(567)
UK Corporation tax (paid)/refunded		<u>(31,018)</u>	<u>4,036</u>
Cash (outflow)/inflow before management of liquid resources and financing and (decrease)/increase in cash in the year	15	<u>(523,759)</u>	<u>863,569</u>

The accompanying notes form an integral part of this cash flow statement.

## Notes to accounts

31 March 1998

### 1 Accounting policies

The principal accounting policies are summarised below and they have all been applied consistently throughout the year and the preceding year.

#### a) Accounting convention

These accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

#### b) Turnover

Turnover represents sales from interests in land and development properties to outside customers at a completion price (net of VAT) and is recognised on completion.

#### c) Stocks

Stocks, including land held for development and work in progress, have been valued at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

#### d) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

### 2 Turnover and profits

Turnover and profits wholly arise from housebuilding in the United Kingdom.

### 3 Interest receivable and similar income

	1998	1997
	£	£
Bank interest	<u>9,732</u>	<u>8,052</u>

### 4 Interest payable and similar charges

Bank overdraft	<u>15,302</u>	<u>8,619</u>
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## Notes to accounts (continued)

### 5 Profit on ordinary activities before taxation is stated after charging:

	1998	1997
	£	£
Auditors' remuneration for audit services	3,725	3,750
Hire of plant and machinery	6,348	11,875

Amounts paid to the Auditors and their associates by the company in respect of non-audit services were £900 (1997: £750).

### 6 Directors' emoluments and employees

No director received any emoluments during the year.

During the year the company paid £989 (1997: £989) to Teather and Greenwood for the management services of Mr EK Ford and £972 (1997: £972) to Pulver Carr Partnership for the management services of Mr JM Carr. In 1997, the company also paid £367 to Teather and Greenwood for the management services of Mr J H Delmar-Morgan.

Other than the directors the company had no employees during the year (1997: no employees other than directors).

### 7 Taxation

	1998	1997
	£	£
Under provision in prior years	18	-
UK Corporation tax at 21% (1997: 24%)	18,925	31,000
	<u>18,943</u>	<u>31,000</u>

### 8 Stocks

Land held for development	310,474	259,238
Work in progress	688,060	-
Finished units	-	115,789
	<u>998,534</u>	<u>375,027</u>

### 9 Debtors

Trade debtors	-	2,975
Other debtors	18,393	16,002
	<u>18,393</u>	<u>18,977</u>

## Notes to accounts (continued)

### 10 Creditors: amounts falling due within one year

	1998	1997
	£	£
Bank loans and overdrafts	31,059	-
Trade creditors	193,213	118,790
Corporation tax	18,925	31,000
Other creditors	-	6,510
Accruals and deferred income	13,500	28,255
	<u>256,697</u>	<u>184,555</u>

The bank loans and overdraft are secured by fixed and floating charges over the company's assets.

### 11 Called up share capital

#### Authorised

2,000,000 ordinary shares of 50p each	<u>1,000,000</u>	<u>1,000,000</u>
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#### Allotted, issued and fully paid

630,000 ordinary shares of 50p each	<u>315,000</u>	<u>315,000</u>
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### 12 Share premium account

1 April 1997 and 31 March 1998	<u>269,769</u>
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### 13 Directors' material interests in transactions

Mr SJ Crossley and Mr RG Werth are directors and shareholders of Banner Homes Group PLC. Under a management agreement dated 24 November 1993 between the two companies Banner Homes Group PLC was entitled to receive management fees amounting to £11,648 (1997: £15,730) in the year and Banner Management Limited, a subsidiary of Banner Homes Group PLC, was entitled to recover direct expenses which amounted to £42,000 (1997: £115,000). The amount owed to Banner Homes Group PLC at 31 March 1998 was £7,265 (1997: £18,841) and the amount owed to Banner Management Limited at 31 March 1998 was £33,950 (1997: £62,275). In addition the company has carried out secured contracting for Banner Homes Limited, a subsidiary of Banner Homes Group PLC in the ordinary course of business. Turnover from secured contracting amounted to £nil (1997: £1,383) in the year.

## Notes to accounts (continued)

### 14 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1998	1997
	£	£
Operating profit	82,594	129,809
(Increase)/decrease in stocks	(623,507)	655,274
Decrease/(increase) in debtors	584	(15,390)
Increase in creditors	53,158	90,407
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(487,171)</b>	<b>860,100</b>

### 15 Analysis and reconciliation of net funds/(debt)

#### a) Analysis of changes in net funds/(debt)

	At 1 April 1997	Cash flows	At 31 March 1998
	£	£	£
Cash in hand at bank	492,700	(492,700)	-
Bank loans and overdrafts repayable on demand	-	(31,059)	(31,059)
<b>Net funds/(debt)</b>	<b>492,700</b>	<b>(523,759)</b>	<b>(31,059)</b>

#### b) Reconciliation of net cash flow to movement in net funds/(debt)

	1998
	£
Decrease in cash in the year	(523,759)
Net funds at 1 April 1997	492,700
<b>Net debt at 31 March 1998</b>	<b>(31,059)</b>

### 16 Reconciliation of movements in shareholders' funds

	1998	1997
	£	£
Profit for the financial year	58,081	98,242
Opening shareholders' funds	702,149	603,907
<b>Closing shareholders' funds</b>	<b>760,230</b>	<b>702,149</b>