



TAY HOMES (NORTH WEST) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

REGISTERED NUMBER 2189721



TAY HOMES (NORTH WEST) LIMITED

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FOR THE YEAR ENDED 30 JUNE 1998

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TAY HOMES (NORTH WEST) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 June 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year continued to be that of residential estate developers and builders. The directors consider the state of affairs at the year end and the future prospects of the company to be satisfactory.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £954,046 (1997 - profit £195,397). The directors do not recommend the payment of a final dividend (1997 - £135,434). The retained deficit for the year will therefore be deducted from reserves.

DIRECTORS

The directors who held office during the year were:

Mr N A Stubbs (Chairman)

Mr M P Griffiths

Mr S Cranmer

Mr M D Ellis

Mr M Williams

Mr T G Winstanley

CHANGES IN FIXED ASSETS

The movements in fixed assets during the year are set out in note 6 to the financial statements.

YEAR 2000

The Company recognises the potential risks and uncertainties arising from the Year 2000 date change, the Year 2000 problem.

In order to identify potential problems, the Company's parent company established a Year 2000 project team which has carried out an assessment of the impact of the Year 2000 date change on the computer systems. As a result of this review, the directors are satisfied that all applications will be Year 2000 compliant by the 31 December 1998 deadline set. The Company has also sought confirmation from its suppliers that their computer systems will be upgraded, where necessary to ensure Year 2000 compliance.

The external costs associated with the Year 2000 project will be met by the parent company's 1999 development budget.

TAY HOMES (NORTH WEST) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

The interest of Mr Stubbs in the shares of the ultimate parent company, Tay Homes plc is shown in the financial statements of that company.

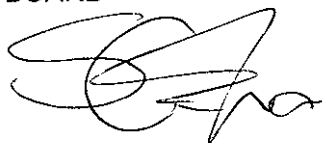
None of the other directors had any interest in the shares of group companies.

AUDITORS

Our auditors Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

S. G. Evans
Secretary
30th October 1998

A handwritten signature in black ink, appearing to be 'S. G. Evans', written over a circular stamp or seal.

TAY HOMES (NORTH WEST) LIMITED

DIRECTORS' RESPONSIBILITIES

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 June 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

TO THE MEMBERS OF TAY HOMES (NORTH WEST) LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

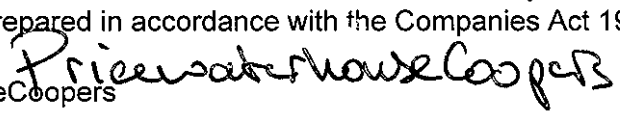
BASIS OF OPINION

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.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leeds
30th October 1998

TAY HOMES (NORTH WEST) LIMITED

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies of the company which have been consistently applied is set out below.

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis of accounting.

CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Tay Homes plc and the cash flows of the company are included in the consolidated cash flow statement of Tay Homes plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

BUSINESS EXPANSION SCHEME

During the year to 30 June 1993, the company sold properties to a Business Expansion Scheme (BES) company. At the time of the sale the company gave a cross guarantee to its parent company in respect of returns to investors under this scheme. As a consequence of this guarantee being in place, the sale of the properties to the BES company was not recognised in the company's financial statements and the properties were therefore held in the balance sheet at their original cost and the sales proceeds treated as deferred income. During the year the company has honoured its guarantee to the BES company and as a result the properties have either been sold or repurchased by the company.

TURNOVER

Turnover represents the sales value of new properties built and contracted for during the year together with income derived from dealing in land and property. All turnover derives from the company's principal activities and arises in the United Kingdom.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

DEPRECIATION

Depreciation is provided in equal annual instalments to write off the cost of tangible fixed assets over their estimated useful lives.

The following annual rates are used:

Motor vehicles	25%
Office furniture and equipment	10 - 33 1/3%
Site plant and equipment	15%
Site buildings	15%

LAND FOR DEVELOPMENT

Land for development represents all land contracted for stated at the lower of cost and net realisable value. Cost includes cost of purchase, legal fees and survey expenses.

TAY HOMES (NORTH WEST) LIMITED

ACCOUNTING POLICIES (CONTINUED)

STOCKS AND WORK IN PROGRESS

Stocks of materials have been valued at the lower of cost and net realisable value. Work in progress includes direct cost of labour, materials and site overheads. Head office overheads are not included.

DEFERRED TAXATION

The company provides for deferred taxation by the liability method on timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.

HIRE PURCHASE CONTRACTS

Assets purchased under hire purchase contracts are capitalised and depreciation is charged to the profit and loss account in accordance with the above accounting policy. Finance charges incurred on hire purchase contracts are charged to the profit and loss account on a straight line basis.

OPERATING LEASES

Costs in respect of operating leases are charged on a straight line basis over the lease term.

GOVERNMENT GRANTS

Revenue grants are released to the profit and loss account over the duration of the sites to which they relate. It is impractical to calculate the extent to which government grants have been released to the profit and loss account.

PENSION COST

The company makes contributions to the group's defined contribution scheme which provides retirement benefits for the executive employees of the company. The pension costs relating to the contributions payable to the scheme are charged to the profit and loss account as incurred.

TAY HOMES (NORTH WEST) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998

		<u>1998</u>	<u>1997</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
TURNOVER - continuing operations		25,264,585	22,343,099
Cost of sales - continuing operations		(23,854,667)	(20,194,905)
Exceptional cost of sales - continuing operations	10	<u>(174,048)</u>	<u>-</u>
GROSS PROFIT		1,235,870	2,148,194
Operating expenses - continuing operations	2	<u>(1,634,357)</u>	<u>(1,416,907)</u>
OPERATING (LOSS)/ PROFIT - continuing operations		(398,487)	731,287
Interest payable (net)	1	<u>(986,118)</u>	<u>(430,046)</u>
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(1,384,605)	301,241
Taxation credit / (charge)	3	430,559	(105,844)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(954,046)</u>	<u>195,397</u>
Dividends	5	-	(135,434)
(DEFICIT)/ PROFIT FOR THE YEAR		<u>(954,046)</u>	<u>59,963</u>
RETAINED PROFIT BROUGHT FORWARD		<u>2,355,654</u>	<u>2,295,691</u>
RETAINED PROFIT CARRIED FORWARD		<u>1,401,608</u>	<u>2,355,654</u>

The company has no recognised gains and losses other than those included within the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the deficit for the year stated above, and their historical cost equivalents.

TAY HOMES (NORTH WEST) LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 1998

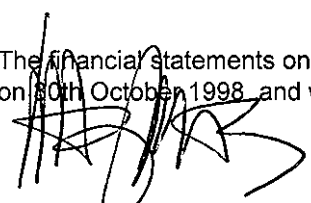
	<u>1998</u>	<u>1997</u>
	£	£
(Deficit)/ profit for the financial year	(954,046)	195,397
Dividends	-	(135,434)
Opening shareholders' funds	<u>2,355,656</u>	<u>2,295,693</u>
Closing shareholders' funds	<u>1,401,610</u>	<u>2,355,656</u>

TAY HOMES (NORTH WEST) LIMITED

BALANCE SHEET AT 30 JUNE 1998

		<u>1998</u>	<u>1997</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible assets	6	<u>497,064</u>	<u>323,528</u>
CURRENT ASSETS			
Land for development		8,929,366	4,662,428
Stocks and work in progress	7	7,170,543	6,201,732
Debtors	8	16,158,715	11,861,907
Cash in hand		800	800
		<u>32,259,424</u>	<u>22,726,867</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	9	<u>(29,305,131)</u>	<u>(20,217,127)</u>
NET CURRENT ASSETS		<u>2,954,293</u>	<u>2,509,740</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,451,357</u>	<u>2,833,268</u>
Creditors: amounts falling due after more than one year	9	(2,049,747)	(304,526)
Provisions for liabilities and charges	10	-	(173,086)
NET ASSETS		<u><u>1,401,610</u></u>	<u><u>2,355,656</u></u>
CAPITAL AND RESERVES			
Called-up share capital	11	2	2
Profit and loss account		<u>1,401,608</u>	<u>2,355,654</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>1,401,610</u></u>	<u><u>2,355,656</u></u>

The financial statements on pages 5 to 15 were approved by the board of directors on 30th October 1998 and were signed on its behalf by:


N.A. STUBBS DIRECTOR

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

	<u>1998</u> £	<u>1997</u> £
1. INTEREST PAYABLE (NET)		
On bank loans and overdrafts	985,862	409,139
Other interest payable	2,129	3,885
On hire purchase contracts	15,799	17,022
Interest receivable	(17,672)	-
	<u>986,118</u>	<u>430,046</u>
2. (LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
	<u>1998</u> £	<u>1997</u> £
(Loss)/ profit on ordinary activities before taxation is stated after charging/ (crediting):		
Depreciation on tangible fixed assets		
- owned assets	91,381	63,179
- assets held under hire purchase contracts	84,844	71,677
	<u>176,225</u>	<u>134,856</u>
Profit on sale of tangible fixed assets	(28,928)	(7,898)
Auditors' remuneration - audit	9,000	9,000
Group management charge	350,400	350,400
Other operating lease rentals	52,796	52,340
Hire of plant and machinery	<u>420,680</u>	<u>408,545</u>
Operating expenses relate to administrative costs.		
3. TAXATION (CREDIT)/ CHARGE		
U.K. Corporation Tax at 31% (1997 - 32.5%):		
Current	(436,543)	109,350
Deferred	5,525	(5,525)
Prior year	459	2,019
	<u>(430,559)</u>	<u>105,844</u>

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

(CONTINUED)

	<u>1998</u> £	<u>1997</u> £
4. DIRECTORS AND EMPLOYEES		
Staff costs during the year:		
Wages and salaries	1,790,782	1,230,570
Social security costs	165,432	111,343
Other pension costs (note 15)	<u>28,794</u>	<u>26,090</u>
	<u>Number</u>	<u>Number</u>
The average monthly number of persons employed by the company was:		
Administrative and management	45	36
Site personnel	<u>59</u>	<u>40</u>
	<u>104</u>	<u>76</u>
Staff costs include the following remuneration in respect of the directors of the company:	£	£
Aggregate emoluments	279,221	253,121
Company pension contributions to money purchase scheme.	28,794	26,090
	<u>308,015</u>	<u>279,211</u>
Benefits are accruing to 5 (1997 - 6) directors under money purchase schemes in respect of qualifying services.		
The directors' remuneration disclosed above includes amounts paid to:		
Highest paid director:		
Aggregate emoluments and benefits	82,593	76,370
Company pension contributions to money purchase scheme.	8,520	7,824
	<u>91,113</u>	<u>84,194</u>
5. DIVIDENDS		
Ordinary - final proposed £Nil (1997 - £67,717 per share)	<u>-</u>	<u>135,434</u>

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

(CONTINUED)

6. TANGIBLE FIXED ASSETS

	<u>Motor Vehicles & Equipment</u>	<u>Fixtures and Fittings</u>	<u>Total</u>
	£	£	£
Cost:			
At 1 July 1997	467,554	286,572	754,126
Additions	335,228	32,153	367,381
Intra group transfers	(5,700)	-	(5,700)
Disposals	(162,395)	-	(162,395)
At 30 June 1998	<u>634,687</u>	<u>318,725</u>	<u>953,412</u>
Depreciation:			
At 1 July 1997	247,176	183,422	430,598
Charge for year	138,303	37,922	176,225
Intra group transfers	(7,031)	-	(7,031)
Eliminated on disposals	(143,444)	-	(143,444)
At 30 June 1998	<u>235,004</u>	<u>221,344</u>	<u>456,348</u>
Net Book Value			
30 June 1998	<u>399,683</u>	<u>97,381</u>	<u>497,064</u>
30 June 1997	<u>220,378</u>	<u>103,150</u>	<u>323,528</u>

The net book value of tangible fixed assets includes an amount of £308,971 (1997 - £191,038) in respect of assets held under hire purchase contracts.

7. STOCKS AND WORK IN PROGRESS

	<u>1998</u>	<u>1997</u>
	£	£
Stocks and work in progress comprise:		
Materials and work in progress	4,214,781	3,257,852
Part exchange properties	2,955,762	2,283,868
BES properties	-	660,012
	<u>7,170,543</u>	<u>6,201,732</u>

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

(CONTINUED)

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
8. DEBTORS		
Amounts falling due within one year:		
Trade debtors	14,993,504	10,769,527
Amounts owed by fellow subsidiaries	59,396	173,734
Other debtors	319,003	184,095
Prepayments	786,812	729,026
Deferred tax (note 12)	-	5,525
	<u>16,158,715</u>	<u>11,861,907</u>
9. CREDITORS		
Amounts falling due within one year:		
Bank overdraft (secured - note 14)	11,626,254	3,073,054
Obligations under hire purchase contracts	101,926	76,051
Trade creditors	3,466,084	2,580,409
Land creditors	2,100,000	2,633,927
Deposits and retentions received	32,319	27,419
Amounts due to parent company	5,044,013	4,998,824
Amounts due to fellow subsidiaries	2,575,535	2,893,992
Corporation tax	109,808	35,949
Other taxation and social security	171,162	138,786
Other creditors	111,449	127,004
Accruals and provisions	3,966,581	2,971,700
BES deferred income	-	660,012
	<u>29,305,131</u>	<u>20,217,127</u>
Amounts falling due after more than one year:		
Obligations under hire purchase contracts	178,681	55,986
Trade creditors	97,066	248,540
Land creditors	1,774,000	-
	<u>2,049,747</u>	<u>304,526</u>
Hire purchase obligations repayable by instalments:		
In one year or less	101,926	76,051
Due over one year but within two years	96,079	28,794
Due over two years but within five years	82,602	27,192
	<u>280,607</u>	<u>132,037</u>

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

(CONTINUED)

10. PROVISIONS FOR LIABILITIES AND CHARGES

	BES Guarantee £
At 1 July 1997	173,086
Released in respect of the BES guarantee (see below)	(173,086)
At 30 June 1998	-

As a result of the sale of properties to a BES company during the year ended 30th June 1993 the Company gave a guarantee in respect of the level of returns to the BES company's investors. During the year, the scheme reached the end of its term, resulting in the Company repurchasing the properties from the BES company and making a payment under the guarantee. After deducting provisions of £173,086 made in previous years, there is a further charge to this year's profit and loss account of £174,048 in respect of these transactions, which has been treated as an exceptional item.

11. CALLED-UP SHARE CAPITAL

	1998	1997
Authorised:		
100 ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
Allotted, called-up and fully paid:		
2 ordinary shares of £1 each	<u>£2</u>	<u>£2</u>

12. DEFERRED TAXATION

There is no unprovided deferred tax liability at 30 June 1998.

The deferred tax asset recognised is made up as follows:	1998	1997
	£	£
Accelerated capital allowances	-	-
Other timing differences	-	5,525
	<u>-</u>	<u>5,525</u>

13. CONTINGENT LIABILITY

The company has given an unlimited guarantee in favour of National Westminster Bank plc, The Royal Bank of Scotland plc and The Co-operative Bank plc in respect of all monies due to the banks by the parent company and its fellow subsidiary undertakings. At 30 June 1998 the amounts outstanding under this guarantee totalled £19,627,156. The directors do not expect a loss to arise as a result of this guarantee.

The company has given counter indemnities and guarantees to bankers and the National House Building Council in respect of performance bonds in the normal course of business.

14. BANK SECURITY

The sums owed by the group to National Westminster Bank plc, The Royal Bank of Scotland plc and The Co-operative Bank plc are secured by fixed and floating charges over the developments and other unsecured assets of the group.

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

(CONTINUED)

15. PENSION COSTS

The company's parent company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the parent company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £28,794 (1997 - £26,090). No contributions (1997 - £1,560) were payable to the fund at the year end.

16. FINANCIAL COMMITMENTS

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998	1997
	£	£
Land and buildings:		
Expiring between two and five years	52,340	-
Expiring in over five years	-	52,340

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's ultimate parent company and controlling party is Tay Homes plc a company registered in England and Wales. Copies of the ultimate parent's consolidated financial statements may be obtained from The Secretary, Tay Homes plc, Tay House, 55 Call Lane, Leeds LS1 7BT.

18. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Tay Homes plc whose consolidated financial statements are publicly available. Consequently, there are no disclosures required for transactions or balances with any entity in the Tay Homes plc group of companies under the terms of Financial Reporting Standard No. 8.

During the year the company paid license fees totalling £78,910 (1997 - £70,456) to Taygate Showhomes Limited, for the use of showhouses, a joint venture between the company's parent, Tay Homes plc and Barclays Bank plc.

In addition, the company invoiced Taygate Showhomes Limited £18,633 (1997 - £10,728) for commissions on houses sold on its behalf.

At 30th June 1998 amounts payable to Taygate Showhomes Limited totalled £74,896 (1997 - £199,576).

Other than as described above, there were no transactions or balances with any related parties.