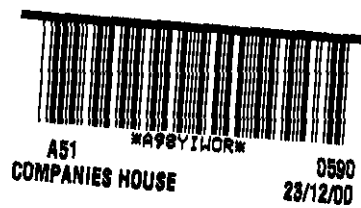




TAY HOMES (NORTH WEST) LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2000

REGISTERED NUMBER 2189721



TAY HOMES (NORTH WEST) LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2000

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TAY HOMES (NORTH WEST) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 30 June 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the year continued to be that of residential estate developers and builders. On 3 December 1999, the Company acquired the trade and net assets of Tay Homes (Midlands) Limited, a fellow subsidiary of Tay Homes plc, at their net book value. Tay Homes (Midlands) Limited's trade has been absorbed into the Company's existing operations. No fair value adjustments arose as a result of the acquisition.

The directors regard the Company's financial position at 30 June 2000 and its financial performance for the year then ended as satisfactory and expect this position to continue for the foreseeable future.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £2,013,515 (1999 - loss £4,207,484). The directors are unable to recommend the payment of a dividend for the year (1999 : nil) and therefore the retained profit for the year will be deducted from the accumulated deficit.

DIRECTORS

The directors who held office during the year were:

Mr J W Maunders

Mr W H Bannister

Mr M P Griffiths (resigned 5 July 1999)

Mr T G Winstanley (resigned 5 July 1999)

Mr B Warrington (appointed 15 July 1999)

DIRECTORS' INTERESTS IN SHARES

At 30 June 2000, options were outstanding under the terms of the Tay Homes plc 1999 Approved Executive Share Option Scheme to acquire the following number of shares in Tay Homes plc.

<u>Director</u>	<u>Date granted</u>	<u>At 15 July 1999</u>	<u>Granted</u>	<u>Lapsed</u>	<u>At 30 June 2000</u>	<u>Exercise price</u>	<u>Date from which exercisable</u>	<u>Expiry Date</u>
Mr B Warrington	18 April 2000	Nil	27,500	Nil	27,500	73.5p	Sept 2003	April 2010

The market price of Tay Homes plc's shares of 25 pence each at 30 June 2000 was 75 pence. Between 18 April 2000 and the year end, the shares' market price ranged between 66 pence and 76.5 pence.

The interests of Messrs Maunders and Bannister in the shares of the ultimate parent company, Tay Homes plc are shown in the directors' report of that company. Other than as disclosed above, none of the directors had any interest in the shares of the Company or any other group company at the year end.

TAY HOMES (NORTH WEST) LIMITED

DIRECTORS' REPORT (CONTINUED)

YEAR 2000

No Year 2000 issues have arisen affecting the Company.

CREDITOR PAYMENT POLICY

Payments are made to all suppliers in accordance with terms agreed when goods and services are ordered. It is the Company's policy to maximise its cash flow at all times. The Company's average creditor payment period at 30 June 2000 was 42 days (1999: 39 days)

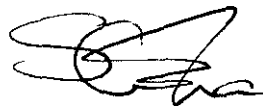
AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

S. G. Evans
Secretary

20th September 2000

A handwritten signature in black ink, appearing to be 'S. G. Evans', written over a horizontal line.

DIRECTORS' RESPONSIBILITIES STATEMENT

Company law requires the directors to prepare accounts for each financial year that 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.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in preparing the accounts for the year ended 30 June 2000. The directors also confirm that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records, that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the United Kingdom 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.

TAY HOMES (NORTH WEST) LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF TAY HOMES (NORTH WEST) LIMITED

We have audited the accounts on pages 6 to 16.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

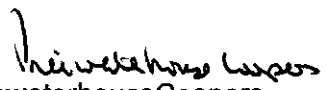
BASIS OF AUDIT OPINION

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 state of the Company's affairs at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
20 September 2000

TAY HOMES (NORTH WEST) LIMITED

ACCOUNTING POLICIES

The accounts 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 applied consistently, is set out below.

BASIS OF ACCOUNTING

The accounts are prepared on the historical cost basis of accounting.

GOING CONCERN

The ability of the Company to continue as a going concern is dependent on the continued financial support of Tay Homes plc. The directors of Tay Homes plc have provided assurances in this respect.

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.

TURNOVER

Turnover represents the sales value of new properties legally completed during the year together with income derived from dealing in land and property. All turnover arises in the United Kingdom and results from the Company's principal activity.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation.

DEPRECIATION

Depreciation is provided in equal annual instalments so as 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

Land 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.

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. Part exchange properties are valued at the lower of their trade-in cost and net realisable value.

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 or asset 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 under 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.

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.

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 in the year.

TAY HOMES (NORTH WEST) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 £	1999 £
TURNOVER		26,630,564	28,206,979
Cost of sales		(23,529,695)	(27,820,185)
Exceptional cost of sales	1	-	(927,870)
Total cost of sales		<u>(23,529,695)</u>	<u>(28,748,055)</u>
GROSS PROFIT / (LOSS)		3,100,869	(541,076)
Administrative expenses		(1,263,566)	(1,311,683)
Exceptional administrative expenses	1	-	(233,451)
Total administrative expenses		<u>(1,263,566)</u>	<u>(1,545,134)</u>
OPERATING PROFIT/ (LOSS)		<u>1,837,303</u>	<u>(2,086,210)</u>
Interest receivable/ (payable) (net)	3	<u>176,212</u>	<u>(1,076,594)</u>
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,013,515	(3,162,804)
Taxation charge	5	-	(1,044,680)
RETAINED PROFIT / (LOSS) FOR THE YEAR		<u>2,013,515</u>	<u>(4,207,484)</u>
RETAINED LOSS BROUGHT FORWARD		<u>(5,021,702)</u>	<u>(814,218)</u>
RETAINED LOSS CARRIED FORWARD		<u><u>(3,008,187)</u></u>	<u><u>(5,021,702)</u></u>

No indication can be given of the contribution to turnover and operating profit of the trade transferred from Tay Homes (Midlands) Limited during the year. Trade was absorbed into the Company's existing operations immediately after acquisition and it is not now possible to identify the separate results or turnover of the predecessor businesses.

The Company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit 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 2000

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Profit/(loss) for the financial year	2,013,515	(4,207,484)
Opening shareholders' deficit	<u>(5,021,700)</u>	<u>(814,216)</u>
Closing shareholders' deficit	<u><u>(3,008,185)</u></u>	<u><u>(5,021,700)</u></u>

TAY HOMES (NORTH WEST) LIMITED

BALANCE SHEET AT 30 JUNE 2000

	<u>Notes</u>	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
FIXED ASSETS			
Tangible assets	6	<u>213,325</u>	<u>239,681</u>
CURRENT ASSETS			
Land		21,224,252	4,024,259
Stocks and work in progress	7	9,050,728	7,920,493
Debtors: amounts falling due within one year	8	933,748	712,689
Cash at bank and in hand		<u>3,295,920</u>	<u>800</u>
		<u>34,504,648</u>	<u>12,658,241</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	9	<u>(33,984,955)</u>	<u>(17,251,291)</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>519,693</u>	<u>(4,593,050)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>733,018</u>	<u>(4,353,369)</u>
Creditors: amounts falling due after more than one year	9	(3,289,948)	(668,331)
Provisions for liabilities and charges	10	(451,255)	-
NET LIABILITIES		<u><u>(3,008,185)</u></u>	<u><u>(5,021,700)</u></u>
CAPITAL AND RESERVES			
Called-up share capital	11	2	2
Profit and loss account		<u>(3,008,187)</u>	<u>(5,021,702)</u>
DEFICIT ON EQUITY SHAREHOLDERS' FUNDS		<u><u>(3,008,185)</u></u>	<u><u>(5,021,700)</u></u>

The accounts on pages 6 to 16 were approved by the board of directors on 20th September 2000 and were signed on its behalf by:


W H BANNISTER DIRECTOR

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2000

1. EXCEPTIONAL ITEMS	Cost of Sales £	Administ- rative expenses £	Total £
Exceptional items for the year ended 30 June 1999 comprised:			
Office closure and redundancy costs	108,477	233,451	341,928
Losses on land sales	367,426	-	367,426
Write downs following the reappraisal of indirect site costs	451,967	-	451,967
	<u>927,870</u>	<u>233,451</u>	<u>1,161,321</u>
2. PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			
	2000 £	1999 £	
Profit/ (loss) on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation on tangible fixed assets			
- owned assets	52,669	42,951	
- assets held under hire purchase contracts	54,524	112,875	
	<u>107,193</u>	<u>155,826</u>	
Profit on sale of tangible fixed assets	(7,401)	(19,414)	
Profit on ordinary land dealing	(7,078)	-	
Other operating lease rentals	82,000	132,257	
Auditors' remuneration - audit fees	20,000	11,000	
- non audit services	3,500	5,000	
Group management charge	340,000	200,400	
Hire of plant and machinery	<u>331,998</u>	<u>314,280</u>	
3. INTEREST (RECEIVABLE)/ PAYABLE (NET)	2000 £	1999 £	
Bank interest (receivable)/ payable	(172,915)	1,059,513	
On hire purchase contracts	16,821	18,664	
Other interest receivable	(20,118)	(1,583)	
	<u>(176,212)</u>	<u>1,076,594</u>	

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2000 (CONTINUED)

4. DIRECTORS AND EMPLOYEES

	2000	1999
	£	£
Staff costs during the year:		
Wages and salaries	994,485	1,731,789
Social security costs	88,577	140,657
Other pension costs (note 16)	10,227	20,725
	<u>1,093,289</u>	<u>1,893,171</u>

The average monthly number of persons employed by the Company was:

	Number	Number
Administrative and management	22	32
Site personnel	20	47
	<u>42</u>	<u>79</u>

Staff costs include the following remuneration in respect of the directors of the Company:

	2000	1999
	£	£
Aggregate emoluments	-	166,782
Compensation for loss of office	-	102,445
Pension contributions	-	16,953
	<u>-</u>	<u>286,180</u>

The emoluments of Mr. Warrington are paid by Tay Homes plc.

Mr. Warrington's services to this company and to a number of fellow subsidiaries are of a non - executive nature and his emoluments are deemed to be wholly attributable to his services to Tay Homes plc. Accordingly the above details include no emoluments in respect of Mr. Warrington.

The emoluments of Messrs Maunders and Bannister are disclosed in the consolidated accounts of Tay Homes plc.

At 30 June 2000 no retirement benefits were accruing to directors (1999 : 2) under money purchase schemes in respect of qualifying services.

The directors' remuneration disclosed above includes amounts paid to:

	2000	1999
	£	£
Highest paid director		
Aggregate emoluments and benefits	-	78,835
Company pension contributions to money purchase scheme	-	8,055
	<u>-</u>	<u>86,890</u>

5. TAXATION CHARGE

	2000	1999
	£	£
U.K. Corporation Tax at 30% (1999 - 30.75%):		
Current - deferred	-	1,044,224
Prior year - current	-	456
	<u>-</u>	<u>1,044,680</u>

There is no corporation tax charge for the current year due to the utilisation of losses brought forward from earlier periods.

The Company has £4,429,076 of unrelieved corporation tax losses to carry forward against profits of the same trade.

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2000 (CONTINUED)

6. TANGIBLE FIXED ASSETS

	Land & Buildings £	Motor Vehicles £	Fixtures and Fittings £	Total £
Cost:				
At 1 July 1999	-	351,477	319,512	670,989
Additions	-	-	500	500
Intra group transfers	42,813	288,490	280,633	611,936
Disposals	(42,813)	(251,392)	(370,899)	(665,104)
At 30 June 2000	-	388,575	229,746	618,321
Depreciation:				
At 1 July 1999	-	179,103	252,205	431,308
Charge for year	-	70,314	36,879	107,193
Intra group transfers	-	181,660	212,779	394,439
Eliminated on disposals	-	(197,837)	(330,107)	(527,944)
At 30 June 2000	-	233,240	171,756	404,996
Net Book Value:				
At 30 June 2000	-	155,335	57,990	213,325
At 30 June 1999	-	172,374	67,307	239,681

The net book value of tangible fixed assets includes an amount of £126,535 (1999 - £189,040) in respect of assets held under hire purchase contracts.

	2000 £	1999 £
7. STOCKS AND WORK IN PROGRESS		
Stocks and work in progress comprise:		
Materials and work in progress	8,205,387	5,780,215
Part exchange properties	845,341	2,140,278
	<u>9,050,728</u>	<u>7,920,493</u>

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2000 (CONTINUED)

8. DEBTORS	2000 £	1999 £
Amounts falling due within one year:		
Trade debtors	280,476	111,951
Amounts due from fellow subsidiaries	-	448,607
Other debtors	496,470	92,342
Prepayments	156,802	59,789
	<u>933,748</u>	<u>712,689</u>
9. CREDITORS		
Amounts falling due within one year:		
Bank overdraft (secured note 14)	1,363	274,414
Obligations under hire purchase contracts	98,310	79,628
Trade creditors	2,739,964	1,203,504
Land creditors	6,763,843	-
Bill of exchange payable	1,989,000	-
Deposits and retentions received	272,202	53,690
Amounts due to parent company	4,639,554	7,519,235
Amounts due to fellow subsidiaries	14,104,641	6,458,555
Amounts due to associated company	15,992	-
Corporation tax	55,539	-
Other taxation and social security	50,033	109,197
Other creditors	96,961	107,164
Accruals and provisions	3,157,553	1,445,904
	<u>33,984,955</u>	<u>17,251,291</u>
Amounts falling due after more than one year:		
Obligations under hire purchase contracts	40,479	97,104
Trade creditors	359,837	571,227
Land creditors	2,889,632	-
	<u>3,289,948</u>	<u>668,331</u>
Hire purchase obligations repayable by instalments:		
In one year or less	98,310	79,628
Due over one year but within two years	38,841	71,204
Due over two years but within five years	1,638	25,900
	<u>138,789</u>	<u>176,732</u>
10. PROVISIONS FOR LIABILITIES AND CHARGES		Site Remedials £
At 1 July 1999		-
Transferred from a fellow subsidiary		650,000
Utilised during the year		(198,745)
At 30 June 2000		<u>451,255</u>

The provision for site remedials relates to future rectification costs on a particular site. Expenditure in this regard is expected to be incurred during the years to 30th June 2001 and 30th June 2002.

TAY HOMES (NORTH WEST) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2000 (CONTINUED)

11. CALLED-UP SHARE CAPITAL

	2000	1999
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

	2000	1999
	£	£
Deferred tax assets recognised and amounts not recognised are as follows:		
Deferred tax assets not recognised:		
Accelerated capital allowances	22,311	36,119
Other timing differences	1,332,852	1,917,765
	<u>1,355,163</u>	<u>1,953,884</u>

13. CONTINGENT LIABILITIES

The Company has given an unlimited guarantee in favour of National Westminster Bank plc and The Royal Bank of Scotland plc in respect of all monies due to the banks by the Company's parent company and its fellow subsidiary undertakings. At 30 June 2000 the amounts outstanding under this guarantee totalled £15,186,218. 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 and The Royal Bank of Scotland plc are secured by fixed and floating charges over the developments and other unsecured assets of the group.

15. FINANCIAL COMMITMENTS

At 30 June 2000 the Company had annual commitments under non-cancellable operating leases as follows:

	2000	1999
	£	£
Land and buildings:		
Expiring between two and five years	<u>82,000</u>	<u>49,000</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2000 (CONTINUED)

16. 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 £10,227 (1999 - £20,725). No contributions were payable to the fund at the year end (1999 - Nil).

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 accounts 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 accounts 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.

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