

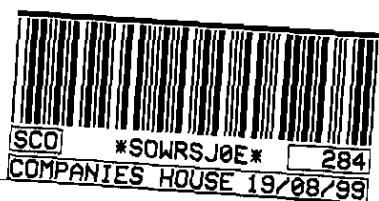
McLEAN HOMES WEST SCOTLAND LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS

31 DECEMBER 1998

REGISTRATION 48521

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McLean Homes West Scotland Limited

Directors' Report

Directors: K M Cushen
F D McConnell
J Savage
J Mitchell

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activities and business review

The profit and loss account for the year is set out on page 4. The assets and liabilities of the company were transferred to McLean Homes Holdings Limited with effect from 1 January 1998. As a result the company had no activity in the year other than acting as undisclosed agent for McLean Homes Holdings Limited a fellow subsidiary of the George Wimpey PLC Group.

Results and dividends

The Company's loss for the year is £ 5,119,208. (1997 Profit £ 3,090,000). An interim dividend of £5,119,208 was paid on 23 July 1998. The directors do not recommend the payment of a final dividend. (1997 £ Nil).

Directors

Interests of the directors, who are not directors of a parent company, in the shares of the ultimate parent company at 31 December 1998 and at 1 January 1998 or date of appointment were:

	Ordinary Shares		Options over Ordinary Shares				1 Jan 98
	31 Dec 1998	1 Jan 98	31 Dec 98	Granted	Exercised	Lapsed	
FD McConnell	1,510	-	6,634	-	-	-	6,634
J Mitchell	2,076	-	13,674	-	-	-	13,674
J Savage	997	-	-	-	-	-	-

All the interests were held beneficially.

All the options were granted under the terms of the ultimate parent company's savings related and executive share option scheme.

Interests of the directors who are directors of the parent company are shown in that company's financial statements.

No director was materially interested during the year in any contract which was significant in relation to the business of the company.

McLean Homes West Scotland Limited Directors' Report

Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which 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 and loss for that period. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with applicable accounting standards and on a going concern basis. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

Creditor Payments Policy

Our policy and practice is to agree the terms and conditions for business transactions with suppliers and sub-contractors. Payment is generally made on this basis subject to terms and conditions being met by the suppliers and sub-contractors. Creditors of McLean Homes West Scotland Limited are paid centrally within the Wimpey Group.

Year 2000

The Company is on course with its programme to ensure that its systems and procedures are Year 2000 compliant by the Spring of 1999. The cost of the programme is not material as recent investment in new systems and hardware will have ensured that the necessary standard will be met. Confirmation has also been sought that all major suppliers to the Company will be Year 2000 compliant.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July, following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers as auditors. A resolution to appoint PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By order of the board



S E Bort
Secretary
19 February 1999

McLean Homes West Scotland Limited
Auditor's Report

To the members of McLean Homes West Scotland Limited

We have audited the financial statements on pages 4 to 13 and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 financial statements.

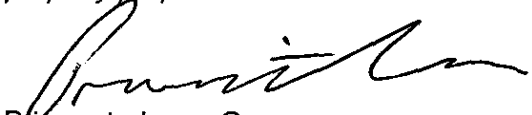
Basis of audit opinion

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 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 the company's affairs at 31 December 1998 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
19 February 1999

McLean Homes West Scotland Limited
Profit and Loss Account
For the year ended 31 December 1998

	Note	1998 £'000	1997 £'000
Turnover	3	-	31,389
Cost of sales	4	-	(25,045)
Gross profit		-	6,344
Administrative expenses		-	(1,987)
Operating Profit		-	4,357
Net interest receivable	5	-	59
Profit on ordinary activities before taxation		-	4,416
Taxation charge	6	-	(1,326)
Profit on ordinary activities after taxation		-	3,090
Dividends	7	(5,119)	-
Retained (loss) profit for the year transferred to reserves	17	(5,119)	3,090

Turnover and operating profit for the preceding financial year derived from continuing operations.

There are no recognised gains and losses or other movements in shareholders' funds for the current financial year and preceding financial year other than as stated in the profit and loss account.

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.

McLean Homes West Scotland Limited
Balance Sheet
As at 31 December 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	10	-	300
Current assets			
Work in progress and stock	11	-	12,605
Debtors receivable within one year	12	-	8,660
Debtors receivable after more than one year	12	4,992	-
Cash at bank and in hand		-	229
		<u>4,992</u>	<u>21,494</u>
Creditors falling due within one year	13	-	(7,843)
Net current assets		4,992	13,651
Total assets less current liabilities		4,992	13,951
Creditors due after more than one year	14	-	(3,840)
Net assets		<u>4,992</u>	<u>10,111</u>
Represented by:			
Capital and reserves			
Called-up share capital	16	4,992	4,992
Profit and loss account	17	-	5,119
Equity shareholders' funds		<u>4,992</u>	<u>10,111</u>

The financial statements appearing on pages 4 to 13 were approved by the board on 19 February 1999 and signed on its behalf by:



K M Cushen
 Director

McLean Homes West Scotland Limited

Reconciliation of Movements in Shareholders' Funds
For the year ended 31 December 1998

	Note	1998 £'000	1997 £'000
Profit attributable to ordinary shareholders		-	3,090
Dividends	7	(5,119)	-
Net (decrease) increase in shareholders' funds	17	(5,119)	3,090
1 January - shareholders' funds		10,111	7,021
31 December - shareholders' funds		4,992	10,111

McLean Homes West Scotland Limited
Notes on the Financial Statements

1. Accounting Policies

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting and have been drawn up in accordance with applicable accounting standards in the United Kingdom.

Cash flow statement

The company is a wholly-owned subsidiary of George Wimpey PLC and the cash flows of the company are included in the consolidated cash flow statement of George Wimpey PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement.

Turnover

Turnover comprised the value of new houses legally completed during the year. Turnover excluded value added tax.

Profit

Operating profit was derived wholly from the sales of new houses. Profit was taken only when legal completion had taken place.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset less its residual value on a straight line basis over its expected useful life as follows :

Freehold buildings and long leaseholds	50 years
In excess of 50 years	

Short leaseholds	Over the period of the lease
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Plant & Equipment	4 years
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Taxation

Provision is made for tax on taxable profit and for deferred tax where there is a reasonable probability that a liability will crystallise in the foreseeable future.

Work In Progress and Stock

Land held for development and construction work in progress are valued at the lower of cost and net realisable value. Other stock comprises materials, equipment and goods for resale valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

McLean Homes West Scotland Limited
Notes on the Financial Statements

Operating Leases

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

Retirement Benefits

Pension costs are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over the expected service lives of members.

Related Party Transactions

The Company has taken advantage of the exemption provided by Financial Reporting Standard 8 for subsidiary undertakings of which 90% or more of the voting rights are controlled within the group of the ultimate parent which publishes its consolidated financial statements. For copies of this group's consolidated financial statements, refer to note 2.

2. Parent company

The company's ultimate parent company is George Wimpey PLC, which is incorporated in England and Wales.

Financial Statements of George Wimpey PLC may be obtained from the Company Secretary at 3 Shortlands, London W6 8EZ.

3. Turnover

Turnover during the year arose solely in the United Kingdom

McLean Homes West Scotland Limited
Notes on the Financial Statements

4. **Results**

	1998	1997
	£'000	£'000
Operating profit is stated after charging:		
- hire of plant and equipment	-	382
- other operating lease rentals	-	80
- auditors' remuneration and expenses	-	7
- depreciation	-	66

5. **Net interest receivable**

	1998	1997
	£'000	£'000
Interest receivable		
Group undertakings	-	185
Other interest	-	4
	-	189
Interest payable		
Group undertakings	-	(130)
Net Interest receivable	-	59

6. **Taxation Charge**

	1998	1997
	£'000	£'000
U.K Corporation tax	-	1,326

Corporation tax is provided at 31% (1997 : 31.5%) on taxable profit for the year. Deferred tax is provided at 31% (1997 : 31%), where a liability is likely to crystallise in the foreseeable future.

McLean Homes West Scotland Limited
Notes on the Financial Statements

7. Dividends

The following dividends on equity shares have been paid:

	Pence per share	1998 £'000	Pence per share	1997 £'000
Interim paid 23 July 1998	102.5	5,119	-	-

8. Pension Arrangements

The company is a participating member of the Wimpey Staff Pension Scheme (the Wimpey Scheme) which is a contributory defined benefit plan to provide pension and death benefits for the company's employees. The assets of the scheme are held in separate Trustee administered funds. The Trustees are Wimpey Pension Trustees Limited and The Law Debenture Trust Corporation PLC. Contributions to the scheme are based on pension costs across the UK Group as a whole and have been assessed in accordance with the advice of a qualified actuary. The most recent actuarial valuation of the Wimpey Scheme was carried out at 1 September 1996, under the projected unit method.

Full details relating to the actuarial valuation of the scheme can be found in the financial statements of the ultimate parent company, George Wimpey PLC.

The pension costs of £Nil (1997 £141,827) are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over the expected service lives of members.

9. Employees and Directors

Staff costs (including directors) comprise:

Salaries and wages	-	1,335
Social security costs	-	124
Pension contributions (note 8)	-	142
	-	<u>1,601</u>

Average monthly number of persons (including directors) employed by the company during the year was:

Number of Employees

- 91

Of the above, nil persons (1997:68) with total staff costs of £ nil (1997:£1,345,848) worked for, and their staff costs were ultimately borne by, the company although they had contracts of employment with other Wimpey Group companies.

The aggregate amount of directors' emoluments was £ nil (1997 £141,138).

No director exercised share options in the year. Retirement benefits are accruing to four directors under the Group's defined benefit scheme.

McLean Homes West Scotland Limited
Notes on the Financial Statements

10. Tangible Fixed Assets

	<u>Plant and Equipment £'000</u>
Cost or valuation	
1 January 1998	700
Transfers to fellow group companies	(700)
31 December 1998	<u>-</u>
Accumulated depreciation	
1 January 1998	400
Transfers to fellow group companies	(400)
31 December 1998	<u>-</u>
Net book value	
31 December 1998	<u>-</u>
1 January 1998	<u>300</u>

11. Work In Progress and Stock

	<u>1998 £'000</u>	<u>1997 £'000</u>
Land held for development and construction work in progress	-	12,355
Other stock	-	250
	<u>-</u>	<u>12,605</u>

12. Debtors

	<u>1998 £'000</u>	<u>1997 £'000</u>
Receivable within one year:		
- trade debtors	-	459
- amounts owed by group undertakings	-	7,733
- other	-	194
- prepayments and accrued income	-	274
	<u>-</u>	<u>8,660</u>
Receivable after more than one year:		
- amounts owed by parent undertaking	4,992	-
	<u>4,992</u>	<u>8,660</u>

McLean Homes West Scotland Limited
Notes on the Financial Statements

13. Creditors Falling Due Within One Year

	1998	1997
	£'000	£'000
Trade creditors	-	5,921
Payments received on account	-	72
Amounts owed to group undertakings	-	206
Corporate taxation	-	1,326
Other creditors including taxation and social security	-	44
Accruals and deferred income	-	274
	-	7,843

14. Creditors Due After More Than One Year

	1998	1997
	£'000	£'000
Amounts owed to group undertakings	-	3,840

15. Deferred Taxation

No deferred tax was provided at 31 December 1997 or 31 December 1998.

The potential deferred tax asset is shown below:

	Potential Asset	
	1998	1997
	£'000	£'000
Excess of capital allowances over depreciation	-	16
Other	-	6
Asset	-	22

16. Share Capital

	Number of Shares		£'000	
	1998	1997	1998	1997
Ordinary shares of 100p each				
Authorised	5,000,000	5,000,000	5,000	5,000
Allotted, called-up and fully paid	4,992,000	4,992,000	4,992	4,992

McLean Homes West Scotland Limited
Notes on the Financial Statements

17. Reserves

	Profit and Loss Account £'000
1 January 1998	5,119
Deficit for the year	(5,119)
31 December 1998	-

18. Contingent Liabilities

The company has an arrangement with Lloyds Bank PLC whereby it has agreed to guarantee all overdrawn balances within the Wimpey Group's pooling arrangements to the extent of funds on hand.

There are contingent liabilities in respect of guarantees under building and other agreements entered into in the normal course of business.

19. Commitments

	1998 £'000	1997 £'000
Operating Leases		
Annual commitments under operating leases expiring:		
- within one year	-	11
- within two to five years	-	53
- after five years	-	80
	-	144
Of which:		
- land and buildings	-	80
- other	-	64
	-	144

20. Indemnity

The assets and liabilities of the company were transferred to McLean Homes Holdings Limited with effect from 1 January 1998. As a result, the company had no activity in the year other than acting as an undisclosed agent for McLean Homes Holdings Limited, a fellow subsidiary of George Wimpey PLC Group.

As a result of this transaction, McLean Homes Holdings Limited has given an indemnity to the company under which it will meet all past, present and future liabilities that may arise.