



TAY HOMES (SOUTH WEST) LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2001

REGISTERED NUMBER 1940936



TAY HOMES (SOUTH WEST) LIMITED

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CONTENTS

PAGES

Directors' Report	2 - 3
Directors' Responsibilities Statement	4
Independent Auditors' Report to the Members	5
Accounting Policies	6 - 7
Profit and Loss Account	8
Reconciliation of Movements in Equity Shareholders' Deficit	9
Balance Sheet	10
Notes to the Accounts	11 - 15

TAY HOMES (SOUTH WEST) LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 30 June 2001.

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 regard the Company's financial position at 30 June 2001 and its financial performance for the year then ended as unsatisfactory and have taken actions to return the Company to profit.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £824,623 (2000 - loss £253,568). The Directors are unable to recommend the payment of a final dividend for the year (2000 - Nil).

DIRECTORS

The Directors who held office during the year were:

Mr J W Maunders

Mr W H Bannister

Mr G W C Smith (Appointed 22 January 2001)

DIRECTORS' INTERESTS IN SHARES

At 30 June 2001, 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. No options were granted or lapsed during the year.

<u>Director</u>	<u>Date granted</u>	<u>At 1 July 2000</u>	<u>At 30 June 2001</u>	<u>Exercise price</u>	<u>Date from which exercisable</u>	<u>Expiry Date</u>
Mr G Smith	18 April 2000	37,500	37,500	73.5p	Sept 2003	April 2010

The market price of Tay Homes plc's ordinary shares of 25 pence each at 30 June 2001 was 97 pence.

The interests of Messrs Maunders and Bannister in the shares of the ultimate parent company, Tay Homes plc, are shown in the Annual 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.

CREDITOR PAYMENT POLICY

The Company does not follow a standard or code which deals specifically with the payment of suppliers. 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 2001 was 36 days (2000 - 42 days)

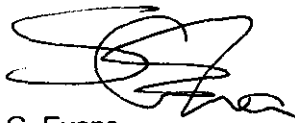
TAY HOMES (SOUTH WEST) LIMITED

DIRECTORS' REPORT (CONTINUED)

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

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

S. G. Evans
Secretary
25th September 2001

TAY HOMES (SOUTH WEST) LIMITED

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 are required to prepare accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 2001. 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 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 (SOUTH WEST) LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TAY HOMES (SOUTH WEST) LIMITED

We have audited the accounts which comprise the profit and loss account, the balance sheet, the accounting policies, the reconciliation of movements in shareholders' deficit and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Companies Act 1985. 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. The other information comprises only the Directors' Report.

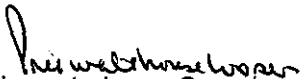
BASIS OF AUDIT OPINION

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 2001 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
Manchester
25th September 2001

TAY HOMES (SOUTH WEST) LIMITED

ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. During the year the Company has adopted FRS18, 'Accounting Policies', with no significant impact. 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 relates to the Company's principal activities and arises in the United Kingdom.

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.

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.

OPERATING LEASES

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

TAY HOMES (SOUTH WEST) LIMITED

ACCOUNTING POLICIES (CONTINUED)

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 (SOUTH WEST) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2001

	<u>Notes</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
TURNOVER		2,539,726	280,000
Cost of sales		(2,200,397)	(415,740)
Exceptional item	1	(750,000)	-
Total cost of sales		(2,950,397)	(415,740)
GROSS LOSS		(410,671)	(135,740)
Administrative expenses		(220,052)	(59,688)
OPERATING LOSS		(630,723)	(195,428)
Net interest payable	3	(224,509)	(150,883)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(855,232)	(346,311)
Taxation credit	5	30,609	92,743
LOSS FOR THE FINANCIAL YEAR		(824,623)	(253,568)
SUSTAINED LOSS BROUGHT FORWARD		(1,788,395)	(1,534,827)
SUSTAINED LOSS CARRIED FORWARD		(2,613,018)	(1,788,395)

All items dealt with in arriving at operating loss for 2001 and 2000 relate to continuing activities.

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

TAY HOMES (SOUTH WEST) LIMITED

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT
FOR THE YEAR ENDED 30 JUNE 2001

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Loss for the financial year	(824,623)	(253,568)
Opening equity shareholders' deficit	<u>(1,778,395)</u>	<u>(1,524,827)</u>
Closing equity shareholders' deficit	<u>(2,603,018)</u>	<u>(1,778,395)</u>

TAY HOMES (SOUTH WEST) LIMITED

BALANCE SHEET AT 30 JUNE 2001

		<u>2001</u>	<u>2000</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
CURRENT ASSETS			
Land		1,233,101	2,224,227
Stocks and work in progress	6	785,306	34,879
Debtors	7	<u>5,382,094</u>	<u>5,287,730</u>
		7,400,501	7,546,836
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	<u>(9,553,680)</u>	<u>(9,149,748)</u>
NET CURRENT LIABILITIES		<u>(2,153,179)</u>	<u>(1,602,912)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,153,179)	(1,602,912)
Creditors: amounts falling due after more than one year	8	-	(175,483)
Provision for liabilities and charges	9	<u>(449,839)</u>	<u>-</u>
NET LIABILITIES		<u>(2,603,018)</u>	<u>(1,778,395)</u>
CAPITAL AND RESERVES			
Called-up share capital	10	10,000	10,000
Profit and loss account		<u>(2,613,018)</u>	<u>(1,788,395)</u>
DEFICIT ON EQUITY SHAREHOLDERS' FUNDS		<u>(2,603,018)</u>	<u>(1,778,395)</u>

The accounts on pages 6 to 15 were approved by the Board of Directors on 25th September 2001 and were signed on its behalf by:

W H BANNISTER DIRECTOR



TAY HOMES (SOUTH WEST) LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2001

1. EXCEPTIONAL ITEM

The exceptional item during the year ended 30 June 2001 of £750,000 within cost of sales relates to a provision made for the estimated cost of remedial works and associated expenditure costs on a number of properties on one site which were legally completed several years ago.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Loss on ordinary activities before taxation is stated after charging/ (crediting):		
Depreciation on tangible fixed assets		
- assets held under hire purchase contracts	-	2,287
Loss on sale of tangible fixed assets	-	1,517
Profit on sale of land	-	(76,582)
Other operating lease rentals	50,000	-
Auditors' remuneration - audit fees	-	6,000
Hire of plant and machinery	<u>46,012</u>	<u>95</u>

3. NET INTEREST PAYABLE

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
On bank overdraft	224,444	149,876
On hire purchase contracts	65	1,245
Other interest receivable	-	(238)
	<u>224,509</u>	<u>150,883</u>

TAY HOMES (SOUTH WEST) LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2001 (CONTINUED)

4. DIRECTORS AND EMPLOYEES

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Staff costs during the year:		
Wages and salaries	-	36,981
Social security costs	-	2,278
	<u>-</u>	<u>39,259</u>
	<u>Number</u>	<u>Number</u>
The average monthly number of persons employed by the Company was:		
Administrative and management	<u>-</u>	<u>1</u>

The emoluments of Mr G W C Smith are paid by Tay Homes (North West) Ltd.

Mr Smith'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 (North West) Ltd. Accordingly the above details include no emoluments in respect of Mr Smith.

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

5. TAXATION CREDIT

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
U.K. Corporation Tax at 30% (2000 - 30%):		
Current - based on loss for year	25,745	44,270
Prior year - current	4,864	48,473
	<u>30,609</u>	<u>92,743</u>

The Company has £2,635,105 (2000 - £1,876,725) of unrelieved corporation tax losses to carry forward against profits of the same trade. No deferred tax asset has been recognised in respect of these losses.

6. STOCKS AND WORK IN PROGRESS

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Stocks and work in progress comprise:		
Materials and work in progress	535,004	34,879
Part exchange properties	250,302	-
	<u>785,306</u>	<u>34,879</u>

TAY HOMES (SOUTH WEST) LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2001 (CONTINUED)

7. DEBTORS

Amounts falling due within one year:

Trade debtors	-	8,462
Amounts due from group undertakings	5,349,296	5,269,572
Other debtors	32,798	9,696
	<u>5,382,094</u>	<u>5,287,730</u>

8. CREDITORS

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>

Amounts falling due within one year:

Bank overdraft (secured note 13)	5,114,779	5,045,252
Obligations under hire purchase contracts	277	419
Trade creditors	440,206	208,067
Deposits and retentions received	18,579	-
Amounts due to group undertakings	3,267,159	3,353,710
Amounts due to associated undertaking	23,202	23,202
Other taxation and social security	9,154	-
Other creditors	2,258	10,352
Accruals and deferred income	678,066	508,746
	<u>9,553,680</u>	<u>9,149,748</u>

Amounts falling due after more than one year:

Obligations under hire purchase contracts	-	274
Accruals and deferred income	-	175,209
	<u>-</u>	<u>175,483</u>

Hire purchase obligations repayable by instalments:

In one year or less	277	419
Due over one year but within two years	-	274
	<u>277</u>	<u>693</u>

TAY HOMES (SOUTH WEST) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001 (CONTINUED)

9. PROVISION FOR LIABILITIES AND CHARGES

	Site Remedials £
At 1 July 2000	-
Profit and loss account exceptional item	750,000
Utilised during the year	(300,161)
At 30 June 2001	<u>449,839</u>

The provision for site remedials relates to future rectification costs on a particular site. Remaining expenditure in this regard is expected to be incurred during the year to 30 June 2002.

10. CALLED-UP SHARE CAPITAL	2001	2000
Authorised:		
10,000 ordinary shares of £1 each	<u>£10,000</u>	<u>£10,000</u>
Allotted, called-up and fully paid:		
10,000 ordinary shares of £1 each	<u>£10,000</u>	<u>£10,000</u>
11. DEFERRED TAXATION		
	2001	2000
Deferred tax assets not recognised are as follows:	£	£
Accelerated capital allowances	5,124	6,832
Corporation tax losses to offset in future years	<u>790,532</u>	<u>563,018</u>
	<u>795,656</u>	<u>569,850</u>

12. CONTINGENT LIABILITIES

The Company has given an unlimited guarantee in favour of National Westminster Bank plc in respect of all monies due to the bank by the Company's parent company and its fellow subsidiaries. At 30 June 2001 the amounts outstanding under this guarantee totalled £3,286,061 (2000 - £6,846,959).

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

13. BANK SECURITY

The amount owed by the group to National Westminster Bank plc is secured by fixed and floating charges over the developments and other unsecured assets of the group.

14. FINANCIAL COMMITMENTS

At 30 June 2001 the Company had annual commitments under non-cancellable operating leases as follows:

	2001	2000
	£	£
Land and buildings:		
Expiring in 2-5 years	<u>30,000</u>	<u>30,000</u>

TAY HOMES (SOUTH WEST) LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2001 (CONTINUED)

15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's ultimate and immediate 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.

16. 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 disclosed within these accounts, there were no transactions or balances with any other related parties.