

ANNUAL REPORT AND ACCOUNTS
27 JUNE 1999

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WAINHOMES
LIMITED

(formerly Wainhomes plc)

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The directors have pleasure in presenting their Report and Accounts for the year ended 27 June 1999.

Harrock plc Acquisition of Wainhomes plc

A formal offer document was posted to Wainhomes shareholders on 16 March 1999 recommending a cash offer of 140p per each ordinary share. Harrock plc declared its offer unconditional on 26 April 1999. The Harrock plc offer was closed on 16 June 1999 at which point it owned 87% of the ordinary share capital of the Company.

The Company ceased to be listed on the London Stock Exchange from Wednesday 2 June 1999.

Following a resolution passed at an Extraordinary General Meeting on 7 July 1999 Wainhomes plc registered as Wainhomes Limited.

Following a special resolution passed at an Extraordinary General Meeting on 31 August 1999 Wainhomes Limited is in the course of granting a guarantee and debenture to the Bank of Scotland pursuant to this resolution.

Principal activity and business review

The principal activity of the Group is housebuilding. The profit for the year before tax was £14.1M (1998: £12.4M). The Group profit and loss account for the year is presented on page 4.

Wainhomes has had an excellent year making the best out of an improving market. The directors look forward to the year ahead.

Dividends

The profit for the year after taxation, amounted to £9.7M (1998: £8.5M). An interim dividend of 1.5p per ordinary share has already been paid and it is not proposed to pay a final dividend. The payment of these dividends amounts to £0.9M (1998: £3.8M).

Employees

The Group has maintained its

commitment to employee involvement throughout the business. Staff are kept well informed of the performance and objectives of the Group through regular meetings.

The Group operates two pension schemes, details of which are set out in note 4.

It is Group policy to give fair consideration to the employment needs of disabled people and to comply with the current legislation with regards to disabled persons.

Directors

The directors who held office during the year were as follows:

G. B. Reed
(resigned 5 November 1998)

W. Ainscough
(resigned 8 June 1999)

W. H. Bannister
(resigned 5 February 1999)

T. J. Hemmings
(resigned 26 April 1999)

S. C. H. Douglas-Mann
(resigned 2 June 1999)

Sir Eric Fountain
(resigned 26 April 1999)

J. Cassidy

S. J. Owen

Policy on payment of creditors

It is the policy of the Company to agree terms of payment when orders for goods and services are placed and to adhere to those arrangements when making payment. In the Group accounts, the average days purchases outstanding at 27 June 1999 totalled 65 days.

Directors' Report

for the year ended 27 June 1999

Year 2000

The Group has successfully implemented the changes necessary to make its accounting and management information systems Year 2000 compliant. The Group has sought confirmation from major suppliers that they are attending to the issue.

It is Group policy to write off costs associated with the Year 2000 as incurred.

Share capital

Details of share capital are set out in Note 16 to the accounts.

Directors and their interests

The present directors are John Cassidy and Stephen Owen. The present directors do not have any beneficial interests in the share capital of the Company.

Charitable and political donations

During the period donations of £6,556 were made for charitable purposes. No political contributions were made during the period.

Fixed Assets

The directors estimate that the market value of land and buildings exceeds net book value by £700,000, this difference is reflected in the consolidated accounts of Harrock plc but not Wainhomes Limited.

Auditors

A resolution is to be proposed at the annual general meeting for the reappointment of KPMG Audit Plc as auditors of the Company.

Directors' Report

for the year ended 27 June 1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that year. In preparing those financial statements, 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



By Order of the Board
16 September 1999

S J Owen
Company Secretary

Reports of the Auditors

to the members of Wainhomes Limited
on the financial statements

We have audited the financial statements on pages 4 to 19.

Respective responsibilities of directors and auditors

As described in the directors' report 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 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 Group'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 affairs of the Company and the Group as at 27 June 1999 and of the profit of the Group for the year ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants, Registered Auditor

16 September 1999

Group Profit & Loss Account

for the year ended 27 June 1999

	Notes	Twelve Months 1999 £000	Fifteen Months 1998 £000
Turnover	2	137,894	130,116
Cost of sales		(107,663)	(101,347)
Gross profit		30,231	28,769
Marketing and administrative expenses		(15,524)	(15,751)
Operating profit		14,707	13,018
Net interest payable	3	(631)	(595)
Profit on ordinary activities before taxation	2	14,076	12,423
Taxation on profit on ordinary activities	5	(4,361)	(3,920)
Profit on ordinary activities for the financial period	6	9,715	8,503
Equity dividends paid and proposed	7	(941)	(3,775)
Profit retained for the financial period	17	8,774	4,728
Earnings per share	8	15.4p	13.6p

All turnover and operating profits are derived from continuing operations in both the current period and the preceding year. In addition there are no recognised gains or losses other than those disclosed in the profit and loss account during the current or previous period.

The notes on pages 8 to 19 form part of these accounts.

Group Balance Sheet

at 27 June 1999

	Notes	27 June 1999 £000	26 June 1998 £000
Fixed assets			
Tangible fixed assets	9	3,189	2,952
Investments	10	102	79
		3,291	3,031
Current assets			
Stocks	11	140,949	133,712
Debtors	12	2,217	3,901
Cash at bank and in hand		8,644	5
		151,810	137,618
Creditors: amounts falling due within one year	13	(58,315)	(52,572)
Net current assets		93,495	85,046
Total assets less current liabilities		96,786	88,077
Creditors: amounts falling due after more than one year	14	(23,491)	(23,731)
Net assets		73,295	64,346
Share capital and reserves			
Called up share capital	16	6,311	6,289
Share premium account	17	29,216	29,063
Capital reserve	17	3,067	3,067
Profit and loss account	17	34,701	25,927
Equity shareholders' funds	1	73,295	64,346

Approved by the Board on 16 September 1999 and signed on its behalf by

Directors  J Cassidy
 S J Owen

The notes on pages 8 to 19 form part of these accounts.

Company Balance Sheet

at 27 June 1999

	Notes	27 June 1999 £000	26 June 1998 £000
Fixed assets			
Tangible fixed assets	9	295	259
Investments	10	37,665	37,552
		37,960	37,811
Current assets			
Debtors	12	31,432	38,203
Cash at bank and in hand		7,200	—
		38,632	38,203
Creditors: amounts falling due within one year	13	(23,483)	(19,446)
Net current assets		15,149	18,757
Total assets less current liabilities		53,109	56,568
Creditors: amounts falling due after more than one year	14	(13,936)	(16,347)
Net assets		39,173	40,221
Share capital and reserves			
Called up share capital	16	6,311	6,289
Share premium account	17	29,216	29,063
Capital reserve	17	190	190
Profit and loss account	17	3,456	4,679
Equity shareholders' funds		39,173	40,221

Approved by the Board on 16 September 1999 and signed on its behalf by

Directors  J Cassidy
S J Owen

The notes on pages 8 to 19 form part of these accounts.

Accounting Policies

Basis of accounting

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

Basis of consolidation

In the previous financial year the Group changed its financial year end to 30 June from 31 March. Following the change of accounting reference date, the audited accounts were prepared for the fifteen month period ended 26 June 1998. Unless otherwise stated, references to 1998 within the notes to the accounts are for the fifteen month period or in the case of balance sheet notes to the balance sheet at 26 June 1998. The consolidated accounts of the Group comprise the accounts of Wainhomes Limited (formerly Wainhomes plc) and all its subsidiary undertakings. As permitted by the Companies Act 1985 a separate Company profit and loss account is not presented.

Turnover

The Group only has one class of business which is housebuilding and it is wholly undertaken in the United Kingdom. Turnover represents housebuilding sales and excludes sales of undeveloped land and part exchange properties. Housebuilding sales are recognised on legal completion of conveyance. Profit is also taken at this time, losses being provided for when identified. Undeveloped land and part exchange profits and losses are dealt with in cost of sales and turnover respectively.

Depreciation

Depreciation is provided on a straight line basis over the expected useful lives of the relevant assets at the following rates - buildings: 2 per cent, plant and machinery: 10 per cent to 25 per cent.

Investment in ground rents

The investment represents the reversionary freehold interest in respect of land that has been sold on a long leasehold basis. The amount capitalised represents the equivalent of five years ground rent receivable on the leases.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost to the Group and net realisable value and include, where appropriate, an element of site overheads.

Deferred taxation

Deferred taxation is provided using the liability method on material timing differences where there is a reasonable probability that a liability will arise.

Operating leases

Rentals payable under operating leases are charged to profit and loss over the period of the operating lease on a straight line basis.

Pension costs

It is the policy of the Group to fund pension liabilities on the advice of external actuaries. Independent actuarial valuations are carried out every three years. Surpluses and deficits are credited or charged to profit and loss as variations from the regular pension cost over the average remaining service lives of employees.

Group Cash Flow Statement

for the year ended 27 June 1999

	Notes	Twelve Months 1999	Fifteen Months 1998
		£000	£000
Net cash inflow/(outflow) from operating activities	20	24,749	(1,311)
Returns on investments and servicing of finance			
Interest paid		(631)	(595)
Taxation		(4,126)	(2,660)
Capital expenditure			
Purchase of tangible fixed assets		(879)	(1,526)
Sale of tangible fixed assets		100	83
Sale of ground rents		132	90
Net cash outflow for capital expenditure		(647)	(1,353)
Equity dividends paid		(3,772)	(2,978)
Net cash inflow/(outflow) before financing		15,573	(8,897)
Financing			
Share issue	1	175	212
Repayment of term loan		-	(10,000)
Net cash inflow/(outflow) from financing		175	(9,788)
Increase/(decrease) in cash during period		15,748	(18,685)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash during period		15,748	(18,685)
Repayment of term loan		-	10,000
Movement in net debt	21	15,748	(8,685)
(Debt)/net funds at start of period		(7,153)	1,532
Net funds/(debt) at 27 June 1999	21	8,595	(7,153)

This statement should be read in conjunction with notes 20 and 21

Notes to the Accounts

for the year ended 27 June 1999

	Notes	1999 £000	Group 1998 £000
1. Reconciliation of movements in shareholders' funds for the year ended 27 June 1999			
Profit for the financial period		9,715	8,503
Dividends	7	(941)	(3,775)
Share capital issued	16	22	30
Share premium	16	153	182
Net increase in shareholders' funds		8,949	4,940
Opening shareholders' funds		64,346	59,406
Closing shareholders' funds		73,295	64,346
		1999 £000	1998 £000

2. Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation relate to the Group's principal activity of housebuilding.

Profit on ordinary activities is stated after (crediting)/charging:			
(Profit) on disposal of fixed assets		(6)	(8)
Depreciation		548	534
Hire of plant and machinery under operating leases		509	516
Other operating lease rentals		24	25
Auditor's remuneration: Audit		70	78
Other to auditors and their associates		34	39
Profit on sale of ground rents		(69)	(41)
The audit fee in relation to the Company was £10,000 (1998: £10,000)			

Notes to the Accounts

for the year ended 27 June 1999

	1999	1998
	£000	£000

3. Net interest payable

Interest payable on:

Bank loans and overdrafts	631	595
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	Number	Number
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	1999	1998
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4. Staff costs

The average number of persons employed by the Group was	450	359
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	£000	£000
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Employment costs, including directors' emoluments, during the year amounted to:

Wages and salaries	10,125	9,276
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Social security costs	936	880
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Other pension costs	443	377
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	11,504	10,533
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	1999	1999	1998
	£000	£000	£000

Directors' emoluments during the year amounted to:

Remuneration as executives	743	707
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Remuneration as non-executives	63	91
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Compensation for loss of office:

W H Bannister	55
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S D Mann	20
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Sir E Pountain	5
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	80	—
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	886	798
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The emoluments, excluding pension contributions, of the highest paid director were £314,000. The highest paid director was not a member of any Group pension scheme. Retirement benefits are accruing to 2 (1998: 3) directors under the defined benefits pension scheme.

The Company operates two pension schemes: a defined benefit scheme and a defined contribution scheme.

The defined benefit scheme is funded and administered separately from the Company. The latest independent actuarial assessment of the fund was at 1 April 1998. The actuarial valuation was undertaken by qualified actuaries using the Projected Unit Method.

The principal actuarial assumptions used were as follows:

- Interest: 9% per annum
- Earnings growth: 7% per annum
- Pension increases: 4% per annum on the excess over Guaranteed Minimum Pensions accrued before 6.4.97 and 4.25% per annum on the pension accrued after 6.4.97
- Dividend growth: 4.75% per annum

The market value of the assets at the time of the valuation was £6.1M. The scheme was 90% funded on an ongoing basis and the past service deficit identified was £470,000. The funding level represents the actuarial value of the assets over the actuarial value of the past service liabilities, allowing for future salary growth.

The pensions charge in respect of the defined benefit scheme over the period was £348,000 (1998: £372,000). The amount paid over the year was £348,000.

The defined contribution scheme commenced on 1 January 1998. The pension charge over the year represents contributions payable by the Group to the scheme and was £95,000 (1998: £5,000).

	1999 £000	1998 £000
5. Taxation		
Corporation tax on profit for the period at 31% (1998: 31%)	4,196	3,953
Group relief	283	-
Adjustments relating to prior years	(118)	(33)
	4,361	3,920

6. Loss after taxation

Loss after taxation amounting to £281,582 (1998: £2,692,283 profit) has been dealt with in the accounts of the Company.

	1999 £000	1998 £000
7. Equity dividends		
First interim	941	947
Second interim	-	2,357
Final proposed	-	471
	941	3,775

8. Earnings per ordinary share

The weighted average number of shares in issue used in the calculation of earnings per share is 62,954,425 (1998: 62,733,799). The fully diluted earnings per share is not materially different from the earnings per share.

Notes to the Accounts

for the year ended 27 June 1999

Group	Leasehold land & buildings £000	Freehold land & buildings £000	Plant & machinery £000	Total £000
9. Tangible fixed assets				
Cost				
At 27 June 1998	300	1,420	2,594	4,314
Additions	—	204	675	879
Disposals	—	—	(257)	(257)
At 27 June 1999	300	1,624	3,012	4,936
Depreciation				
At 27 June 1998	50	109	1,203	1,362
Provided during the year	6	29	513	548
Disposals	—	—	(163)	(163)
At 27 June 1999	56	138	1,553	1,747
Net book value at 27 June 1999	244	1,486	1,459	3,189
Net book value at 26 June 1998	250	1,311	1,391	2,952

The Group's leasehold land and buildings are held on a long lease.

Company	Plant & machinery £000	Total £000
Cost		
At 27 June 1998	395	395
Additions	155	155
Transfers	(34)	(34)
At 27 June 1999	516	516
Depreciation		
At 27 June 1998	136	136
Provided during the year	106	106
Disposals	(21)	(21)
At 27 June 1999	221	221
Net book value at 27 June 1999	295	295
Net book value at 26 June 1998	259	259

Notes to the Accounts

for the year ended 27 June 1999

Company	Loan stock in subsidiary undertakings £000	Shares in subsidiary undertakings £000	Total £000
10. Investments (continued)			
Net book value at 27 June 1998	6,370	31,182	37,552
Release of provision	-	113	113
Net book value at 27 June 1999	6,370	31,295	37,665

The loan stock does not carry interest and is redeemable at par at the Company's option or at any time by tender or private bargain at the issuer's option.

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
11. Stocks				
Land	102,310	97,324	-	-
Construction work in progress	34,291	31,335	-	-
Part exchange properties	4,348	5,053	-	-
	140,949	133,712	-	-

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
12. Debtors				
Trade debtors	1,328	2,461	10	3
Amount owed by parent company	18	-	18	-
Amounts owed by subsidiary undertakings	-	-	31,266	37,821
Other debtors	859	1,428	126	367
Called up share capital not paid	12	12	12	12
	2,217	3,901	31,432	38,203

Included within the Group's trade debtors is £128,000 recoverable in more than one year (1998: £976,000)

Group	Shares in associated undertakings £000	Ground rents £000	Total £000
10. Investments			
Net book value at 27 June 1998	6	73	79
Disposals	(6)	(63)	(69)
Additions	—	92	92
Net book value at 27 June 1999	—	102	102

The principal subsidiary undertakings listed below are those which significantly affect the amount of profits or assets of the Group.

	Country of incorporation and operation	% of Ordinary Shares Held
Wainhomes (Chester) Limited	England	100
Wainhomes (Northern) Limited	England	100
Wainhomes (Yorkshire) Limited	England	100
Wainhomes (Southern) Limited	England	100
Wainhomes (South West) Limited	England	100
Wainhomes (Midlands) Limited	England	100

On 28 June 1999 the assets and undertakings of the above subsidiaries were transferred to Wainhomes plc. From 28 June 1999 these subsidiaries trade as the agent of Wainhomes Limited (formerly Wainhomes plc) and are now dormant companies.

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
13. Creditors: amounts falling due within one year				
Bank overdraft (see note 14)	49	7,158	19,245	12,925
Trade creditors	14,091	13,082	749	191
Corporation tax	3,763	3,288	43	-
Advance corporation tax	-	240	-	240
Other taxes and social security costs	341	325	26	29
Proposed dividend	-	2,831	-	2,831
Land creditors	33,336	22,736	2,500	2,625
Accruals	6,371	2,906	461	206
Due to parent company	364	-	364	-
Due to subsidiary undertakings	-	-	95	399
Due to undertakings in which the Group has a participating interest	-	6	-	-
	58,315	52,572	23,483	19,446

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
14. Creditors: amounts falling due after more than one year				
Land creditors	23,491	23,731	13,936	16,347
	23,491	23,731	13,936	16,347

Land creditors

Land creditors payable in more than five years total £5,015,000 (1998: £8,206,000) and £3,936,000 (1998: £6,299,000) for the Group and Company respectively.

Bank loans

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Company and its subsidiary undertakings.

15. Deferred taxation

There is an excess of accounting depreciation over capital allowances and this together with other short term timing differences result in a potential deferred tax asset of £103,000 (1998: £221,387).

Notes to the Accounts

for the year ended 27 June 1999

	1999		1998	
	Authorised	Issued & fully paid	Authorised	Issued & fully paid
	£	£	£	£
16. Share capital				
Ordinary shares of 10p each	10,000,000	6,310,600	10,000,000	6,289,079

During the year the Group allotted 215,210 10 pence ordinary shares for cash worth a nominal value of £21,521 and at a premium of £153,094 in respect of options exercised under the Savings Related Share Option Scheme 1990 and the 1990 Executive Scheme.

At 27 June 1999 all options previously granted had been either cancelled or exercised during the period.

Group	Share premium £000	Capital reserve £000	Profit & loss £000	Total reserves £000
17. Reserves				
At 27 June 1998	29,063	3,067	25,927	58,057
Shares issued in the period	153	—	—	153
Retained profit for the period	—	—	8,774	8,774
At 27 June 1999	29,216	3,067	34,701	66,984
Company				
At 27 June 1998	29,063	190	4,679	33,932
Shares issued in the period	153	—	—	153
Retained loss for the period	—	—	(1,223)	(1,223)
At 27 June 1999	29,216	190	3,456	32,862

18. Contingent liabilities

- (i) Following approval at an extraordinary general meeting on 31 August 1999, Wainhomes Limited will provide a guarantee and debenture under the financial assistance provision of the Companies Act.
- (ii) The Group has entered into counter indemnities in the normal course of business in respect of performance bonds.
- (iii) The Company has guaranteed the indebtedness of its subsidiaries of £1,491,530 (1998: £1,281,342).

Notes to the Accounts

for the year ended 27 June 1999

	1999		1998	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
19. Financial commitments				
At 27 June 1999 the Group had annual commitments under non-cancellable operating leases as set out below:				
Operating leases which expire: within 1 year	2	114	3	87
within 2 - 5 years	22	330	22	428

	1999 £000	1998 £000
20. Reconciliation of operating profits to net cash inflow/(outflow) from operating activities		
Operating profit	14,707	13,018
Ground rents capitalised	(92)	(67)
Depreciation charges	542	526
Movement in stocks and work in progress	(2,251)	(2,815)
Movement of debtors	1,684	(1,447)
Movement of creditors	4,854	4,079
Movement in land less land creditor	5,374	(14,565)
Share of results in associated undertakings	-	1
Profit on sale of ground rents	(69)	(41)
Net cash inflow/(outflow) from operating activities	24,749	(1,311)

	At 26 June 1998 £000	Cash Flows £000	At 27 June 1999 £000
21. Analysis of changes in net funds			
Cash balances	5	8,639	8,644
Overdrafts	(7,158)	7,109	(49)
Net cash balances	(7,153)	15,748	8,595

22. Related party disclosure

Following approval at the Annual General Meeting on 5 November 1998 S. J. Owen completed the purchase from Wainhomes (Chester) Limited of a property at their site at Chelwood, Warrington, for a consideration of £250,000 on terms no more favourable than that available to the general public.

23. Ultimate Holding Company

Wainhomes Limited is a subsidiary undertaking of Harrock plc, a company incorporated in England and registered in England and Wales. Harrock plc heads the only Group in which the results of the Wainhomes Limited Group are consolidated. Copies of the Group accounts of Harrock plc are available from the registered office at the following address: Harrock plc, The Beeches, Chester CH2 1PE.

Notice of Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of Wainhomes Limited (formerly Wainhomes plc) will be held at The Beeches, Chester CH2 1PE on Thursday 11 November 1999 at 10.00 am for the following purposes.

as ordinary business:

1. to receive and adopt the statement of accounts for the year ended 27 June 1999 and the reports of the directors and auditors thereon;
2. to re-appoint the following as a director of the Company: S J Owen;
3. to re-appoint KPMG Audit Plc as auditors; and
4. to authorise the directors to fix the remuneration of the auditors;

as special business:

5. to consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:
THAT pursuant to section 320 of The Companies Act 1985 the proposed acquisition by J Cassidy of two apartments from the Company at its site Clippers Quay, Liverpool for a consideration of £112,892, at cost, be and is hereby approved.

The Beeches
Chester
CH2 1PE

BY ORDER OF THE BOARD
S J OWEN
COMPANY SECRETARY

1 October 1999

Notes

1. This notice is being sent to all shareholders all of whom are entitled to attend or be represented at the meeting and to vote on all resolutions.
2. Every shareholder entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend and, on a poll, to vote instead of him. A form of proxy for use at the meeting is enclosed.
To be effective, forms of proxy must be deposited at the registrars of the Company, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5ED, not less than 48 hours before the meeting. Completion of a form of proxy will not preclude a shareholder from voting in person at the meeting.
3. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the meeting and thereafter at the place of the meeting from 10.45 a.m. until the conclusion of the meeting.
 - (i) a register of directors' share interests kept pursuant to section 325 of the Companies Act 1985;
 - (ii) copies of Service Contracts of more than one years duration of the Directors of the Company;
4. For the purposes of determining who is entitled to attend or vote (whether on a show of hands or poll) at the meeting, a person must be entered on the register of members not later than 6 p.m. on 9 November 1999.

Form of Proxy

Please
complete in
block letters
before signing

I/We

of

being (an) ordinary shareholder(s) in Wainhomes Limited (formerly Wainhomes plc) hereby appoint the chairman of the meeting (see Note 1)

to vote as my/our proxy for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 am on 11 November 1999, and at any adjournment thereof, on the following resolutions as indicated by a ✓ in the appropriate spaces:

	For	Against
1. Resolution to adopt the statement of accounts for the year ended 27 June 1999 and the reports of the directors and auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Resolutions to re-appoint the following as a director of the Company: (i) S J Owen	<input type="checkbox"/>	<input type="checkbox"/>
3. Resolution to re-appoint KPMG Audit Plc as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. Resolution to authorise the directors to fix the remuneration of the auditors.	<input type="checkbox"/>	<input type="checkbox"/>
5. Resolution to approve the sale of property to J Cassidy	<input type="checkbox"/>	<input type="checkbox"/>

** Unless otherwise stated the proxy will abstain from voting or will vote on the resolutions referred to above as he thinks fit.*

Signature(s)

Date

Notes

- You are entitled to appoint a proxy of your own choice who need not be a shareholder. If you wish to appoint a proxy other than the chairman of the meeting, please delete the words "the chairman of the meeting" and print the name of the proxy in the space provided. Please initial such alteration.
- This proxy duly completed and signed together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof must reach the registrars of the Company, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5ED not less than 48 hours before the meeting.
- Where shares are held jointly, in the absence of a proxy signed by all the holders or by a quorum in the case of holders expressly registered as trustees or as the personal representatives or executors of a deceased person, any one holder may vote in person or by proxy. If more than one joint holder is present then the first named on the register shall alone be entitled to vote.
- A corporation must execute under the hand of an officer or attorney duly authorised.
- Completion of a Form of Proxy shall not preclude a shareholder from attending the meeting and voting in person.

Accounting Policies

Basis of accounting

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

Basis of consolidation

In the previous financial year the Group changed its financial year end to 30 June from 31 March. Following the change of accounting reference date, the audited accounts were prepared for the fifteen month period ended 26 June 1998. Unless otherwise stated, references to 1998 within the notes to the accounts are for the fifteen month period or in the case of balance sheet notes to the balance sheet at 26 June 1998. The consolidated accounts of the Group comprise the accounts of Wainhomes Limited (formerly Wainhomes plc) and all its subsidiary undertakings. As permitted by the Companies Act 1985 a separate Company profit and loss account is not presented.

↑
Section 230 b

Turnover

The Group only has one class of business which is housebuilding and it is wholly undertaken in the United Kingdom. Turnover represents housebuilding sales and excludes sales of undeveloped land and part exchange properties. Housebuilding sales are recognised on legal completion of conveyance. Profit is also taken at this time, losses being provided for when identified. Undeveloped land and part exchange profits and losses are dealt with in cost of sales and turnover respectively.

Depreciation

Depreciation is provided on a straight line basis over the expected useful lives of the relevant assets at the following rates - buildings: 2 per cent, plant and machinery: 10 per cent to 25 per cent.

Investment in ground rents

The investment represents the reversionary freehold interest in respect of land that has been sold on a long leasehold basis. The amount capitalised represents the equivalent of five years ground rent receivable on the leases.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost to the Group and net realisable value and include, where appropriate, an element of site overheads.

Deferred taxation

Deferred taxation is provided using the liability method on material timing differences where there is a reasonable probability that a liability will arise.

Operating leases

Rentals payable under operating leases are charged to profit and loss over the period of the operating lease on a straight line basis.

Pension costs

It is the policy of the Group to fund pension liabilities on the advice of external actuaries. Independent actuarial valuations are carried out every three years. Surpluses and deficits are credited or charged to profit and loss as variations from the regular pension cost over the average remaining service lives of employees.

Accounting Policies

Basis of accounting

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

Basis of consolidation

All subsidiary undertakings have prepared their accounts to 27 June 1999. The consolidated accounts of the Group comprise the accounts of Harrock plc and all its subsidiary undertakings. As permitted by the Companies Act 1985 a separate Company profit and loss account is not presented.

↑
Section 230 of the

Turnover

The Group only has one class of business which is housebuilding and it is wholly undertaken in the United Kingdom. Turnover represents housebuilding sales and excludes sales of undeveloped land and part exchange properties. Housebuilding sales are recognised on legal completion of conveyance. Profit is also taken at this time, losses being provided for when identified. Undeveloped land and part exchange profits and losses are dealt with in cost of sales and turnover respectively.

Goodwill

The goodwill arising from the purchase of the Wainhomes Group of Companies is amortised over its estimated useful life of twenty years.

Financial instruments

The Group does not enter into speculative derivative contracts. Harrock plc has entered into interest rate swap arrangements, whereby it receives compensation if three month LIBOR rises above 6.5% and pays compensation if three month LIBOR falls below 4.93%. The capital amount of the swap is £50,000,000.

Depreciation

Depreciation is provided on a straight line basis over the expected useful lives of the relevant assets at the following rates - buildings: 2 per cent, plant and machinery: 10 per cent to 25 per cent.

Investment in ground rents

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