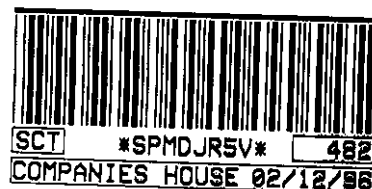


Redrow Homes (Scotland) Limited

Annual report for the year ended 30 June 1996

	Pages
Directors and advisers	1
Directors' report	2
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7



Directors and advisers

Directors

J I Anderson

A W Lewis

M R Powell

Registered Auditors

Coopers & Lybrand
Abacus Court
6 Minshull Street
Manchester
M1 3ED

Secretary and registered office

R E Walker
Redrow House
Fullarton Court
Cambuslang Investment Park
Cambuslang
Strathclyde
Glasgow
G32 8EY

Bankers

Barclays Bank PLC
Egerton House
Rhosddu Road
Wrexham
LL11 1EQ

R.E.W. x

Directors' report for the year ended 30 June 1996

The directors present their report and the audited financial statements for the year ended 30 June 1996.

Principal activity and business review

The principal activity of the company is residential development.

The directors are pleased with the progress of the business during the year and consider the state of affairs at the end of the year, and the future prospects of the company, to be satisfactory.

Directors

The directors of the company at 30 June 1996 are listed on page 1.

A W Lewis and M R Powell were directors of the company for the whole of the year ended 30 June 1996.

J I Anderson was appointed a director of the company on 16 October 1995.

Directors' interests in shares of the company

At 30 June 1996, all the directors had interests in the shares of Redrow Group plc.

Directors' responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 June 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Changes in fixed assets

The movements in tangible fixed assets are set out in note 8 to the financial statements.

Insurance of officers

The company has maintained liability insurance for its officers throughout the year.

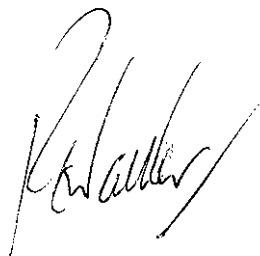
Taxation status

As far as the directors are aware, the company is not a close company as defined by Section 414 of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



R E Walker
Company Secretary
13 September 1996

Report of the auditors to the members of Redrow Homes (Scotland) Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 2, 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.

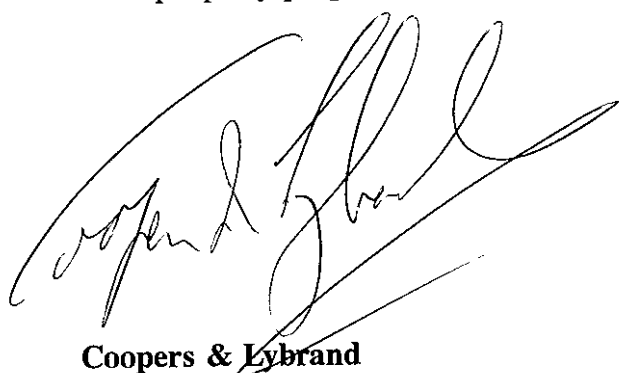
Basis of opinion

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Manchester
13 September 1996

**Profit and loss account
for the year ended 30 June 1996**

	Notes	Year ended 30 June 1996 £	6 months ended 30 June 1995 £
Turnover	2	<u>1,180,230</u>	<u>-</u>
Operating loss	2	(54,001)	(12,563)
Interest payable	5	<u>(1,666)</u>	<u>(234)</u>
Loss on ordinary activities before taxation	6	(55,667)	(12,797)
Taxation	7	<u>17,716</u>	<u>4,223</u>
Loss on ordinary activities after taxation	14	<u>(37,951)</u>	<u>(8,574)</u>

Operating loss is generated from continuing operations.

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

Balance sheet at 30 June 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	8	22,358	12,598
Current assets			
Stocks	9	3,897,411	2,437,523
Debtors	10	44,446	7,784
Cash at bank and in hand		191,436	59,495
		4,133,293	2,504,802
Creditors: amounts falling due within one year	11	(4,201,945)	(2,524,914)
Net current liabilities		(68,652)	(20,112)
Total assets less current liabilities		(46,294)	(7,514)
Provisions for liabilities and charges	12	(131)	(960)
Net liabilities		(46,425)	(8,474)
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(46,525)	(8,574)
Equity shareholders' funds		(46,425)	(8,474)

The financial statements on pages 5 to 13 were approved by the board of directors on 13 September 1996 and were signed on its behalf by:

A W Lewis
M R Powell
Directors

A W Lewis
M. Powell

**Notes to the financial statements
for the year ended 30 June 1996****1 Principal accounting policies**

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

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Tangible fixed assets

Fixed assets are depreciated on a reducing balance basis over their expected useful lives at the following principal annual rates:

	%
Fixtures and fittings	25
Computer equipment	35

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value, cost including materials, labour and overheads.

Turnover and profit recognition

Turnover represents sales of residential housing. Profit is recognised on legal completion.

Interest on borrowing

Interest is written off when incurred.

Operating leases

Operating lease rentals are charged against profit on a straight line basis over their lease term.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences which arise from the recognition of income and expenditure in differing periods for taxation and accounting purposes, except where the deferment is expected to continue in the future.

Pension scheme

The group operates a contributory pension scheme for all its permanent full time staff. The scheme is externally funded and the funds of the scheme are administered by trustees. The group's contributions to the scheme, which are made in accordance with the recommendations of independent actuaries, are charged against profits in accordance with Statement of Standard Accounting Practice No 24.

Cash flows

The company is a wholly owned subsidiary of Redrow Group plc, and its cash flows are included in the consolidated cash flow statement of Redrow Group plc. Consequently, the company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement.

2 Operating loss

	Year ended 30 June 1996 £	6 months ended 30 June 1995 £
Turnover	1,180,230	-
Cost of sales	(971,700)	(485)
Gross contribution	208,530	(485)
Administrative expenses	(262,531)	(12,078)
Operating loss	(54,001)	(12,563)

3 Directors' emoluments

The remuneration paid to the directors was:

	1996 £	1995 £
Fees	-	-
Other emoluments (including pension contributions and benefits in kind)	49,952	-
	49,952	-

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	Year ended 30 June 1996 £	6 months ended 30 June 1995 £
The highest paid director	<u>46,652</u>	<u>-</u>

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£0 to £5,000	2	2
£45,001 to £50,000	<u>1</u>	<u>-</u>

4 Employee information

The average weekly number of persons (including directors) employed during the year was:

	1996 Number	1995 Number
Directors and administrative staff	4	3
Site personnel	3	1
	<u>7</u>	<u>4</u>
	£	£

Staff costs (for the above persons)

Wages and salaries	154,278	8,109
Social security costs	14,358	822
Other pension costs	4,174	-
	<u>172,810</u>	<u>8,931</u>

5 Interest payable

	1996 £	1995 £
On bank loans and overdrafts:		
Repayable within 5 years, not by instalments	<u>1,666</u>	<u>234</u>

6 Loss on ordinary activities before taxation

	1996 £	1995 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	2,000	1,000
Depreciation for the year	7,409	322
Hire of plant and machinery	42,215	3,636
	<u>42,215</u>	<u>3,636</u>

7 Taxation

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995: 33%):		
Current	(17,687)	(5,183)
Prior	800	-
Deferred	(829)	960
	<u>(17,716)</u>	<u>(4,223)</u>

8 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 July 1995	12,920
Additions	17,169
At 30 June 1996	<u>30,089</u>
Depreciation	
At 1 July 1995	322
Charge for year	7,409
At 30 June 1996	<u>7,731</u>
Net book value	
At 30 June 1996	<u>22,358</u>
Net book value	
At 30 June 1995	<u>12,598</u>

9 Stocks

	1996 £	1995 £
Land for development	2,452,237	2,200,000
Work in progress	1,450,389	237,523
	<u>3,902,626</u>	<u>2,437,523</u>
Less: payments received on account	(5,215)	-
	<u><u>3,897,411</u></u>	<u><u>2,437,523</u></u>

10 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Amounts owed by group undertakings	22,070	5,183
Other debtors	10,965	2,143
Prepayments	11,411	458
	<u>44,446</u>	<u>7,784</u>

11 Creditors: amounts falling due within one year

	1996 £	1995 £
Trade creditors	270,011	104,204
Amounts owed to group undertakings	3,915,785	2,419,658
Other taxation and social security	427	-
Accruals and deferred income	15,722	1,052
	<u>4,201,945</u>	<u>2,524,914</u>

Amounts owed to the company's ultimate holding company, Redrow Group plc, are secured by a floating charge over the company's present and future undertakings and assets. This charge does not take priority over any charge issued in favour of any other party.

12 Provisions for liabilities and charges

	Deferred taxation (see below) £
At 1 July 1995	960
Transferred to profit and loss account	(829)
At 30 June 1996	<u><u>131</u></u>

Deferred taxation

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

	Amount provided		Total potential liability	
	1996 £	1995 £	1996 £	1995 £
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	<u>131</u>	<u>960</u>	<u>131</u>	<u>960</u>

13 Called up share capital

	1996 £	1995 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14 Profit and loss account

	£
At 1 July 1995	(8,574)
Loss for the year	<u>(37,951)</u>
At 30 June 1996	<u>(46,525)</u>

15 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Loss for the year	(37,951)	(8,574)
Shares issued	-	100
Net reduction in shareholders' funds	<u>(37,951)</u>	<u>(8,474)</u>
Opening shareholders' funds	<u>(8,474)</u>	-
Closing shareholders' funds	<u>(46,425)</u>	<u>(8,474)</u>

16 Financial commitments

At 30 June 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996 £	1995 £
Land and buildings: Expiring between two and five years inclusive	<u>17,500</u>	<u>12,396</u>

17 Pension and similar obligations

The company participates in The Redrow Staff Pension Scheme which is a self-administered, defined benefits scheme, with contributions based on the pension costs of the whole Redrow Group. These were at the rate of 8% of pensionable earnings. Details of the latest actuarial valuation will be found in the financial statements of Redrow Group plc.

18 Contingent liabilities

Performance bonds and other building guarantees have been entered into in the normal course of business.

19 Ultimate and immediate parent companies

The company's ultimate holding company is Redrow Group plc, a company incorporated in Great Britain. The company's immediate parent company is Redrow Homes Limited, a company incorporated in Great Britain.