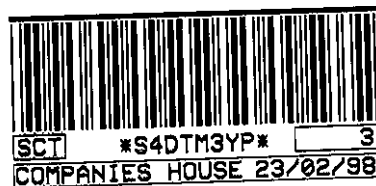


Redrow Homes (Scotland) Limited

Annual report for the year ended 30 June 1997

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Directors and advisers

Directors

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
Glasgow
Strathclyde
G32 8EY

Bankers

Barclays Bank PLC
Corporate Banking Centre
Barclays House
P O Box 747
Ty-Glas Avenue
Llanishen
Cardiff
CF4 5FG

**Directors' report
for the year ended 30 June 1997**

The directors present their report and the audited financial statements for the year ended 30 June 1997.

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 1997, both of whom have been directors for the whole of the year ended on that date, are listed on page 1.

J I Anderson, who was a director on 1 July 1996, resigned on 18 December 1996.

Directors' interests in shares of the company

The interests of A W Lewis in the share capital of Redrow Group plc are disclosed in the financial statements of that company.

The interests of M R Powell in the share capital of Redrow Group plc are disclosed in the financial statements of Redrow Homes Limited.

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 1997. 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
12 September 1997

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.

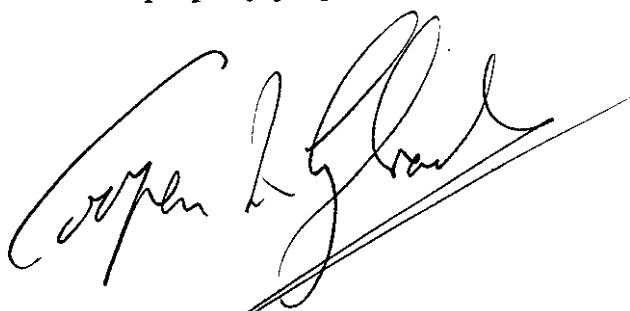
Basis of opinion

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 1997 and of its profit 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
12 September 1997

**Profit and loss account
for the year ended 30 June 1997**

	Notes	1997 £	1996 £
Turnover	2	<u>3,454,214</u>	<u>1,180,230</u>
Operating profit/(loss)	2	63,825	(54,001)
Interest payable (net)	5	<u>(12,924)</u>	<u>(1,666)</u>
Profit/(loss) on ordinary activities before taxation	6	50,901	(55,667)
Taxation	7	<u>(17,798)</u>	<u>17,716</u>
Profit/(loss) on ordinary activities after taxation	14	<u>33,103</u>	<u>(37,951)</u>

Operating profit/(loss) is generated from continuing operations.

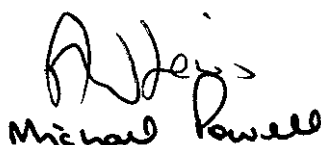
The company has no recognised gains and losses other than those included in the profit/(loss) above, and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet at 30 June 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	8	24,675	22,358
Current assets			
Stocks	9	9,603,316	3,897,411
Debtors	10	30,378	44,446
Cash at bank and in hand		1,000	191,436
		<u>9,634,694</u>	<u>4,133,293</u>
Creditors: amounts falling due within one year	11	(9,672,356)	(4,201,945)
Net current liabilities		<u>(37,662)</u>	<u>(68,652)</u>
Total assets less current liabilities		<u>(12,987)</u>	<u>(46,294)</u>
Provisions for liabilities and charges	12	(335)	(131)
Net liabilities		<u>(13,322)</u>	<u>(46,425)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(13,422)	(46,525)
Equity shareholders' funds		<u>(13,322)</u>	<u>(46,425)</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 12 September 1997 and were signed on its behalf by:

A W Lewis
M R Powell
Directors


Michael Powell

**Notes to the financial statements
for the year ended 30 June 1997****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 profit/(loss)

	1997 £	1996 £
Turnover	3,454,214	1,180,230
Cost of sales	(2,952,397)	(971,700)
Gross contribution	501,817	208,530
Administrative expenses	(437,992)	(262,531)
Operating profit/(loss)	63,825	(54,001)

3 Directors' emoluments

	1997 £	1996 £
Aggregate emoluments	30,972	44,074

4 Employee information

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

	1997 Number	1996 Number
Directors and administrative staff	7	4
Site personnel	12	3
	19	7

	1997	1996
	£	£
Staff costs (for the above persons)		
Wages and salaries	340,411	154,278
Social security costs	31,115	14,358
Other pension costs	8,465	4,174
	<u>379,991</u>	<u>172,810</u>

5 Interest payable (net)

	1997	1996
	£	£
On bank loans and overdrafts	16,775	1,666
Interest receivable	(3,851)	-
	<u>12,924</u>	<u>1,666</u>

6 Profit/(loss) on ordinary activities before taxation

	1997	1996
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	2,000	2,000
Depreciation for the year	7,181	7,409
Hire of plant and machinery	90,991	42,215
	<u>90,991</u>	<u>42,215</u>

7 Taxation

	1997	1996
	£	£
United Kingdom corporation tax at 32.5% (1996: 33%):		
Current	16,571	(17,687)
Prior	1,023	800
Deferred	204	(829)
	<u>17,798</u>	<u>(17,716)</u>

8 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 July 1996	30,089
Additions	9,498
At 30 June 1997	39,587
Depreciation	
At 1 July 1996	7,731
Charge for year	7,181
At 30 June 1997	14,912
Net book value	
At 30 June 1997	24,675
Net book value	
At 30 June 1996	22,358

9 Stocks

	1997 £	1996 £
Land for development	6,657,856	2,452,237
Work in progress	2,970,948	1,450,389
	9,628,804	3,902,626
	(25,488)	(5,215)
Less: payments received on account		
	9,603,316	3,897,411

10 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Amounts owed by group undertakings	-	22,070
Other debtors	29,696	10,965
Prepayments	682	11,411
	30,378	44,446

11 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank borrowings	2,629,917	-
Trade creditors	926,823	270,011
Land creditors	150,000	-
Amounts owed to group undertakings	5,906,234	3,915,785
Corporation tax	16,571	-
Other taxation and social security	4,676	427
Accruals and deferred income	38,135	15,722
	<u>9,672,356</u>	<u>4,201,945</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

	Deferred taxation (see below) £
At 1 July 1996	131
Transferred from profit and loss account	204
	<u>335</u>
At 30 June 1997	<u>335</u>

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	
	1997 £	1996 £	1997 £	1996 £
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	<u>335</u>	<u>131</u>	<u>335</u>	<u>131</u>

13 Called up share capital

	1997 £	1996 £
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 1996	(46,525)
Profit for the year	<u>33,103</u>
At 30 June 1997	<u>(13,422)</u>

15 Reconciliation of movement in shareholders' funds

	1997 £	1996 £
Profit/(loss) for the year	<u>33,103</u>	<u>(37,951)</u>
Net addition/(reduction) in shareholders' funds	<u>33,103</u>	<u>(37,951)</u>
Opening shareholders' funds	<u>(46,425)</u>	<u>(8,474)</u>
Closing shareholders' funds	<u>(13,322)</u>	<u>(46,425)</u>

16 Financial commitments

At 30 June 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997 £	1996 £
Land and buildings: Expiring between two and five years inclusive	<u>17,500</u>	<u>17,500</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 up to 31 December 1996 and 7½% thereafter. 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 Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exception under FRS8 not to disclose intra-group transactions. There have been no other related party transactions.

20 Ultimate and immediate parent companies and controlling party

The company's ultimate holding company and controlling party 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. Copies of the Redrow Group plc financial statements may be obtained from the Company Secretary, Redrow Group plc, Redrow House, St David's Park Flintshire, CH5 3PW.