

Registered no: 155021

Redrow Homes (Scotland) Limited
Annual report
for the year ended 30 June 1998



Redrow Homes (Scotland) Limited

Annual report for the year ended 30 June 1998

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Directors and advisers

Directors

A W Lewis

M R Powell

Registered Auditors

PricewaterhouseCoopers

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 1998

The directors present their report and the audited financial statements for the year ended 30 June 1998.

Principal activity and business review

The principal activity of the company is residential development.

The directors, whilst recognising that this was a difficult trading year, 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 1998, both of whom have been directors for the whole of the year ended on that date, are listed on page 1.

D McInnes, who was a director on 1 July 1997, resigned on 30 June 1998.

Directors' interests in shares of the 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.

The other director had the following interests in the ordinary shares of Redrow Group plc.

	Ordinary shares of 10p each			
	1998		1997	
	Number		Number	
A W Lewis	50,000		10,665	
	Options held at 1 July 1997	Granted in year	Exercised in year	Options held at 30 June 1998
A W Lewis	99,200	-	(81,700)	* 17,500
	5,164	8,680	-	** 13,844
	7,666	2,532	-	*** 10,198

- * Shares represented by options to purchase acquired under the terms of the Redrow Group plc Share Option Scheme at option prices ranging from 102p to 126p per ordinary share and exercisable from between December 1997 and November 1998.
- ** Shares represented by options to purchase acquired under the terms of the Redrow Group plc Long Term Share Incentive Plan exercisable from between September 1996 and June 1998.
- *** Shares represented by options to purchase acquired under the Redrow Save As You Earn Schemes exercisable on completion of a three, five or seven year savings contract.

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 1998. 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.

Year 2000 and EMU

The company's approach to these issues is being co-ordinated by its ultimate parent company, Redrow Group plc, and full details are disclosed in the financial statements of that company.

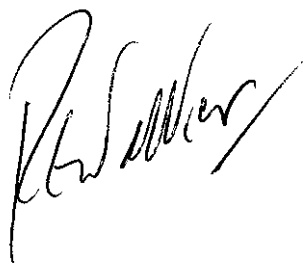
Taxation status

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

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors of the company will be proposed at the Annual General Meeting.

By order of the board



R E Walker
Company Secretary
14 September 1998

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

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

As described on page 3, 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.

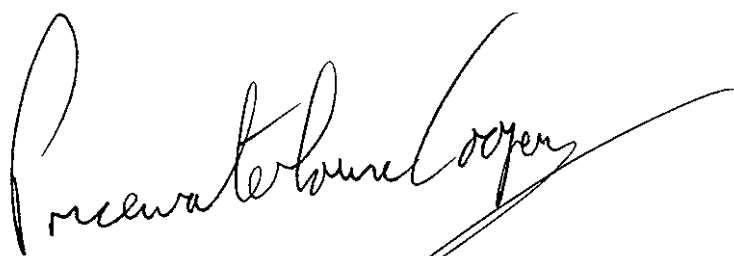
Basis of opinion

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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, which appears to read 'PricewaterhouseCoopers', is written over the printed name of the firm.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Manchester
14 September 1998

Profit and loss account for the year ended 30 June 1998

	Notes	1998 £	1997 £
Turnover	2	<u>9,547,497</u>	<u>3,454,214</u>
Operating (loss)/profit	2	(821,936)	63,825
Interest payable	5	-	(12,924)
(Loss)/profit on ordinary activities before taxation	6	(821,936)	50,901
Taxation	7	<u>253,808</u>	<u>(17,798)</u>
(Loss)/profit on ordinary activities after taxation	14	<u>(568,128)</u>	<u>33,103</u>

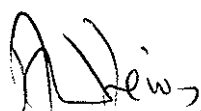
Operating (loss)/profit is generated from continuing operations.

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

Balance sheet at 30 June 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	8	<u>20,236</u>	<u>24,675</u>
Current assets			
Stocks	9	8,372,006	9,603,316
Debtors	10	295,215	30,378
Cash at bank and in hand		349	1,000
		<u>8,667,570</u>	<u>9,634,694</u>
Creditors: amounts falling due within one year	11	<u>(9,269,016)</u>	<u>(9,672,356)</u>
Net current liabilities		<u>(601,446)</u>	<u>(37,662)</u>
Total assets less current liabilities		<u>(581,210)</u>	<u>(12,987)</u>
Provisions for liabilities and charges	12	<u>(240)</u>	<u>(335)</u>
Net liabilities		<u><u>(581,450)</u></u>	<u><u>(13,322)</u></u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	<u>(581,550)</u>	<u>(13,422)</u>
Equity shareholders' funds		<u><u>(581,450)</u></u>	<u><u>(13,322)</u></u>

The financial statements on pages 6 to 14 were approved by the board of directors on 14 September 1998 and were signed on its behalf by:




A W Lewis
M R Powell
Directors

**Notes to the financial statements
for the year ended 30 June 1998****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	20 - 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 subcontract work.

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

Costs in respect of operating lease rentals are charged against profit on a straight line basis over the 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 salaried staff. The scheme is externally invested 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)/profit

	1998 £	1997 £
Turnover	9,547,497	3,454,214
Cost of sales	(9,753,639)	(2,952,397)
Gross (loss)/profit	(206,142)	501,817
Administrative expenses	(615,794)	(437,992)
Operating (loss)/profit	<u>(821,936)</u>	<u>63,825</u>

3 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments	<u>60,041</u>	<u>30,972</u>

One (1997: Nil) director exercised share options in the year and 1 (1997: 1) director became entitled to receive shares under the long-term incentive scheme. Retirement benefits are accruing to 1 (1997: 1) director under a defined benefit scheme.

4 Employee information

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

	1998 Number	1997 Number
Directors and administrative staff	13	7
Site personnel	22	12
	<u>35</u>	<u>19</u>
	£	£
Staff costs (for the above persons)	632,292	340,411
Wages and salaries	53,425	31,115
Social security costs	27,398	8,465
Other pension costs	<u>713,115</u>	<u>379,991</u>

5 Interest payable

	1998 £	1997 £
On bank loans and overdrafts	-	16,775
Interest receivable	-	(3,851)
	<u>-</u>	<u>12,924</u>

6 (Loss)/profit on ordinary activities before taxation

	1998 £	1997 £
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	2,500	2,000
Depreciation for the year	6,761	7,181
Hire of plant and machinery	<u>270,208</u>	<u>90,991</u>

7 Taxation

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 32.5%):		
Current	(253,385)	16,571
Prior	(328)	1,023
Deferred	(95)	204
	<u>(253,808)</u>	<u>17,798</u>

8 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 July 1997	39,587
Additions	2,322
At 30 June 1998	41,909
Depreciation	
At 1 July 1997	14,912
Charge for year	6,761
At 30 June 1998	21,673
Net book value	
At 30 June 1998	20,236
Net book value	
At 30 June 1997	24,675

9 Stocks

	1998 £	1997 £
Land for development	4,616,931	6,657,856
Work in progress	3,791,656	2,970,948
	8,408,587	9,628,804
	(36,581)	(25,488)
Less: payments received on account		
	8,372,006	9,603,316

10 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Amounts owed by group undertakings	253,385	-
Other debtors	36,159	29,696
Prepayments	5,671	682
	295,215	30,378

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank borrowings	1,007,278	2,629,917
Trade creditors	1,135,503	926,823
Land creditors	-	150,000
Amounts owed to group undertakings	7,047,331	5,906,234
Corporation tax	-	16,571
Other taxation and social security	2,181	4,676
Accruals and deferred income	76,723	38,135
	<u>9,269,016</u>	<u>9,672,356</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 1997	335
Transferred from profit and loss account	(95)
	<u>240</u>
At 30 June 1998	<u>240</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	
	1998 £	1997 £	1998 £	1997 £
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	<u>240</u>	<u>335</u>	<u>240</u>	<u>335</u>

13 Called up share capital

	1998 £	1997 £
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 1997	(13,422)
Profit for the year	<u>(568,128)</u>
At 30 June 1998	<u>(581,550)</u>

15 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
(Loss)/profit for the year	<u>(568,128)</u>	<u>33,103</u>
Net (reduction in)/addition to shareholders' funds	<u>(568,128)</u>	<u>33,103</u>
Opening shareholders' funds	<u>(13,322)</u>	<u>(46,425)</u>
Closing shareholders' funds	<u>(581,450)</u>	<u>(13,322)</u>

16 Financial commitments

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Land and buildings: Expiring between two and five years inclusive	<u>25,000</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. 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 3RX.