

Redrow Homes (South East) Limited

Annual report for the year ended 30 June 1996

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Directors and advisers

Directors

G H Locke

W J Brand

L Nicholls

B C Snowdon

J M Day

G W Feltham

I P Beal

Registered Auditors

Coopers & Lybrand

Abacus Court

6 Minshull Street

Manchester

M1 3ED

Secretary and registered office

R E Walker

Redrow House

St David's Park

Flintshire

CH5 3PW

Bankers

Barclays Bank PLC

Egerton House

Rhosddu Road

Wrexham

LL11 1EQ

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.

Dividends and transfers to reserves

The directors do not recommend any dividends in respect of the year ended 30 June 1996.

The profit after taxation of £6,517,991 will be added to reserves.

Changes in fixed assets

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

Directors

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

G H Locke, W J Brand, L Nicholls, B C Snowdon, J M Day and G W Feltham were directors for the whole of the year.

I P Beal was appointed a director of the company on 1 July 1995.

T M Britton was appointed a director of the company on 14 September 1995 and resigned on 19 April 1996.

Directors' interests in shares of the company

The interests of G H Locke in the shares of Redrow Group plc are disclosed in the financial statements of that company.

At 30 June 1996, W J Brand, L Nicholls, B C Snowdon, J M Day and G W Feltham 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 period.

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.

Charitable donations

The company made charitable donations of £288 in the year ended 30 June 1996.

Insurance of officers

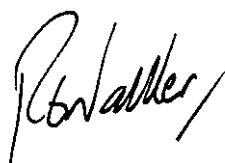
The company has maintained liability insurance for its officers throughout the year.

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 (South East) Limited

We have audited the financial statements on pages 5 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.

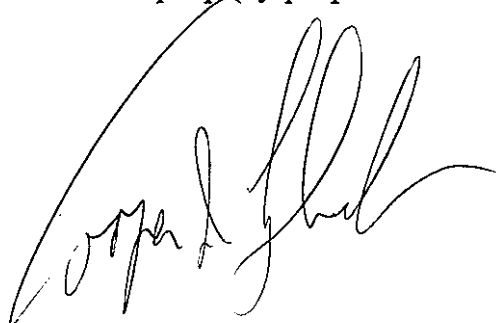
Basis of opinion

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 1996 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

13 September 1996

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

	Notes	1996 £	1995 £
Turnover	2	<u>39,463,331</u>	<u>35,443,643</u>
Operating profit	2	4,191,267	4,449,387
Interest receivable\payable	5	<u>3,331</u>	<u>(10,868)</u>
Profit on ordinary activities before taxation	6	4,194,598	4,438,519
Taxation	7	<u>2,323,393</u>	<u>3,925,102</u>
Profit on ordinary activities after taxation	16	<u>6,517,991</u>	<u>8,363,621</u>

Operating profit is generated from continuing operations.

The company has no recognised gains and losses other than those included in the profit 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	44,744	43,618
Investments	9	94,450	127,000
		<u>139,194</u>	<u>170,618</u>
Current assets			
Stocks	10	44,988,477	40,827,891
Debtors	11	2,632,235	4,438,747
Cash at bank and in hand		1,913,316	1,884,523
		<u>49,534,028</u>	<u>47,151,161</u>
Creditors: amounts falling due within one year	12	<u>(23,011,328)</u>	<u>(25,302,876)</u>
Net current assets		<u>26,522,700</u>	<u>21,848,285</u>
Total assets less current liabilities		<u>26,661,894</u>	<u>22,018,903</u>
Creditors: amounts falling due after more than one year	13	<u>(1,875,000)</u>	<u>(3,750,000)</u>
Net assets		<u>24,786,894</u>	<u>18,268,903</u>
Capital and reserves			
Called up share capital	15	5,500,000	5,500,000
Profit and loss account	16	19,286,894	12,768,903
		<u>24,786,894</u>	<u>18,268,903</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 13 September 1996 and were signed on its behalf by:

G H Locke
W J Brand
Directors



**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, which have been applied consistently, 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	15 - 20
Computer equipment	35

Investments

Ground rents are capitalised at six years' rental value.

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 borrowings

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

	1996 £	1995 £
Turnover	39,463,331	35,443,643
Cost of sales	(32,816,369)	(28,767,319)
Gross profit	6,646,962	6,676,324
Administrative expenses	(2,455,695)	(2,226,937)
	<u>4,191,267</u>	<u>4,449,387</u>

3 Director's emoluments

The remuneration paid to the directors was:

	1996 £	1995 £
Fees	-	-
Other emoluments (including pension contributions and benefits in kind)	346,978	269,257
	<u>346,978</u>	<u>269,257</u>

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

	1996 £	1995 £
The highest paid director	<u>58,085</u>	<u>91,131</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	1	1
£20,001 to £25,000	-	2
£25,001 to £30,000	1	-
£30,001 to £35,000	1	-
£45,001 to £50,000	1	-
£50,001 to £55,000	3	1
£55,001 to £60,000	1	1
£90,001 to £95,000	-	1

4 Employee information

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

	1996 Number	1995 Number
Directors and administrative staff	52	40
Site personnel	42	56
	<u>94</u>	<u>96</u>
	£	£
Staff costs (for the above persons)		
Wages and salaries	1,806,889	1,667,118
Social security costs	156,798	144,384
Other pension costs	84,993	79,890
	<u>2,048,680</u>	<u>1,891,392</u>

5 Interest receivable/(payable)

	1996 £	1995 £
On other loans	(44)	(15,388)
Less: interest receivable	3,375	4,520
	<u>3,331</u>	<u>(10,868)</u>

6 Profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation for the year:		
Tangible owned fixed assets	15,376	13,706
Loss on disposal of fixed assets	-	509
Auditors' remuneration	8,000	7,000
Hire of plant and machinery	616,726	667,843
Rent of land and buildings	125,004	111,190
Other operating leases	35,629	37,369
	<u>23,779</u>	<u>10,060</u>
After crediting:		
Rental income	<u>23,779</u>	<u>10,060</u>

7 Taxation

	1996 £	1995 £
Current	2,278,520	3,910,509
Prior	44,873	14,593
	<u>2,323,393</u>	<u>3,925,102</u>

Due to the release of general provisions disallowed for tax purposes tax losses have arisen within the company. These have been utilised as group relief.

8 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 July 1995	337,989
Additions	16,502
At 30 June 1996	<u>354,491</u>
Depreciation	
At 1 July 1995	294,371
Charge for the year	15,376
At 30 June 1996	<u>309,747</u>
Net book value	
At 30 June 1996	<u>44,744</u>
Net book value	
At 30 June 1995	<u>43,618</u>

9 Fixed asset investments

Investments represent capitalised ground rents with a net book value of £94,450 (1995: £127,000).

10 Stocks

	1996 £	1995 £
Land for development	29,226,121	27,049,095
Work in progress	16,094,387	14,195,354
	<u>45,320,508</u>	<u>41,244,449</u>
Less: payments received on account	(332,031)	(416,558)
	<u>44,988,477</u>	<u>40,827,891</u>

11 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	239,987	350,576
Amounts owed by group undertakings	2,326,918	4,042,269
Prepayments and accrued income	65,330	45,902
	<u>2,632,235</u>	<u>4,438,747</u>

12 Creditors: amounts falling due within one year

	1996 £	1995 £
Trade creditors	6,925,571	7,039,931
Amounts due in respect of land for development	-	137,500
Amounts owed to group undertakings	13,957,253	16,000,172
Other taxation and social security payable	37,064	17,803
Other creditors	1,875,000	1,875,000
Accruals and deferred income	216,440	232,470
	<u>23,011,328</u>	<u>25,302,876</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.

13 Creditors: amounts falling due after one year

	1996 £	1995 £
Other creditors	<u>1,875,000</u>	<u>3,750,000</u>

14 Deferred taxation

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

	Amount provided		Total potential asset	
	1996	1995	1996	1995
	£	£	£	£
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	-	-	262,256	346,826
Other timing differences	-	-	5,597,790	9,174,660
Corporation tax losses carried forward	-	-	11,825,301	11,868,451
	<u>-</u>	<u>-</u>	<u>17,685,347</u>	<u>21,389,937</u>

15 Called up share capital

	1996		1995	
	Authorised £	Issued £	Authorised £	Issued £
Ordinary shares of £1 each	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>

16 Reserves

	Profit and loss account £
At 1 July 1995	12,768,903
Profit for the year	<u>6,517,991</u>
At 30 June 1996	<u>19,286,894</u>

17 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Profit for the financial year	6,517,991	8,363,621
Issue of share capital	-	4,500,000
Net addition to shareholders' funds	6,517,991	12,863,621
Opening shareholders' funds	18,268,903	5,405,282
Closing shareholders' funds	24,786,894	18,268,903

18 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.

19 Contingent liabilities

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

20 Financial commitments

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

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring within one year	28,800	-	119,209	2,939
Expiring between two and five years, inclusive	95,000	34,100	-	34,100
	123,800	34,100	119,209	37,039

21 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.