

Registered no: 1189328

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



Redrow Homes (Northern) Limited

Annual report for the year ended 30 June 1998

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Redrow Homes (Northern) Limited

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Directors and advisers

Directors

I R Dingwall

T Shinks

B K Harvey

A Milson

Registered Auditors

PricewaterhouseCoopers

Abacus Court

6 Minshull Street

Manchester

M1 3ED

Secretary and registered office

R E Walker

Redrow House

St David's Park

Flintshire

CH5 3RX

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 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 paid a dividend of £2,500,000 in the year ended 30 June 1998. The profit for the financial year of £4,485,485 will be transferred to reserves.

Changes in fixed assets

The movements in tangible fixed assets are set out in note 7 to the financial statements.

Directors

The directors of the company at 30 June 1998, all of whom have been directors for the whole of the year ended on that date, are listed on page 1.

A Donovan and K J Ewen, who were directors of the company on 1 July 1997, resigned on 21 July 1997 and 9 December 1997 respectively.

Directors' interests in shares of the company

The interests of B K Harvey in the share capital of Redrow Group plc are disclosed in the financial statements of that company.

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The other directors had the following interests in the shares of Redrow Group plc:

	Ordinary shares of 10p each			
	1998	1997		
	Number	Number		
I R Dingwall	47,986	55,486		
T Shinks	-	3,124		
	Options held at 1 July 1997	Granted in year	Exercised in year	Options held at 30 June 1998
I R Dingwall	13,000	-	-	* 13,000
	1,156	4,701	-	** 5,857
	19,166	-	-	*** 19,166
T Shinks	13,000	-	-	* 13,000
	1,269	5,119	-	** 6,388
	21,666	-	-	*** 21,666
A Milson	-	1,313	-	** 1,313

* 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.

A Donovan, who resigned as a director on 21 July 1997, exercised 13,000 share options during the year.

K J Ewen, who resigned as a director on 9 December 1997, exercised 10,000 share options during the year.

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 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.

Charitable and political contributions

Charitable contributions amounting to £3,454 were made by the company during the year.

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.

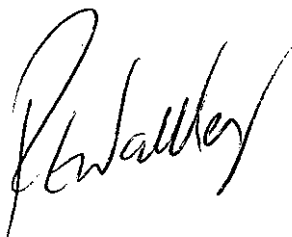
Redrow Homes (Northern) Limited

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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

A handwritten signature in dark ink, appearing to read 'R E Walker', written in a cursive style.

R E Walker
Company Secretary
14 September 1998

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

We have audited the financial statements on pages 7 to 15.

Respective responsibilities of directors and auditors

As described on page 4 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 profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

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

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Manchester
14 September 1998

Redrow Homes (Northern) Limited

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Profit and loss account for the year ended 30 June 1998

	Notes	1998 £	1997 £
Turnover	2	<u>48,222,689</u>	<u>48,805,647</u>
Operating profit	2	10,195,705	9,026,923
Interest receivable		<u>384</u>	<u>669</u>
Profit on ordinary activities before taxation	5	10,196,089	9,027,592
Taxation	6	<u>(3,210,604)</u>	<u>(2,942,229)</u>
Profit on ordinary activities after taxation		6,985,485	6,085,363
Dividends		<u>(2,500,000)</u>	<u>(2,700,000)</u>
Profit for the year	14	<u>4,485,485</u>	<u>3,385,363</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.


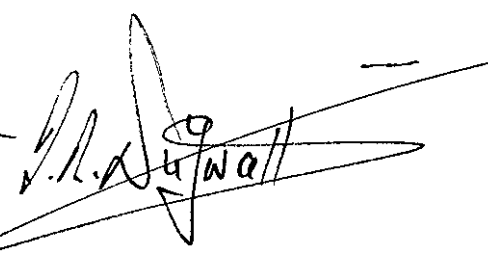
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Balance sheet at 30 June 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	7	13,488	17,602
Investments	8	100	100
		<u>13,588</u>	<u>17,702</u>
Current assets			
Stocks	9	27,518,675	28,660,527
Debtors	10	5,330,061	1,516,185
Cash at bank and in hand		2,000,734	381,955
		<u>34,849,470</u>	<u>30,558,667</u>
Creditors: amounts falling due within one year	11	<u>(12,578,989)</u>	<u>(12,087,035)</u>
Net current assets		<u>22,270,481</u>	<u>18,471,632</u>
Total assets less current liabilities		<u>22,284,069</u>	<u>18,489,334</u>
Creditors: amounts falling due after more than one year	12	<u>-</u>	<u>(690,750)</u>
Net assets		<u><u>22,284,069</u></u>	<u><u>17,798,584</u></u>
Capital and reserves			
Called up share capital	13	168	168
Share premium account		62,282	62,282
Capital redemption reserve		32	32
Profit and loss account	14	22,221,587	17,736,102
Equity shareholders' funds		<u><u>22,284,069</u></u>	<u><u>17,798,584</u></u>

The financial statements on pages 7 to 15 were approved by the board of directors on 14 September 1998 and were signed on its behalf by:



 A Milson
 I R Dingwall
 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, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the investment in associated companies.

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

Fixed asset investments

The investment in associated companies represents the book value of the underlying net assets, the surplus or deficit arising on the revaluation being transferred to non-distributable reserves. The basis of valuation has been adopted so as to present more fairly the investment by the company in these companies.

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 borrowings

Interest is written off when incurred.

Operating leases

Costs in respect of operating leases 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. Under this policy no provision has been made for the potential further liability to taxation which would arise in the event of the realisation of associated companies included at valuation in the financial statements at the values attributed to them.

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.

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.

2 Operating profit

	1998 £	1997 £
Turnover	48,222,689	48,805,647
Cost of sales	(35,704,074)	(37,630,194)
Gross profit	12,518,615	11,175,453
Administrative expenses	(2,322,910)	(2,148,530)
	<u>10,195,705</u>	<u>9,026,923</u>

3 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments	<u>220,549</u>	<u>221,131</u>

Two (1997: 5) directors exercised share options in the year and 3 (1997: 4) directors became entitled to receive shares under the long-term incentive scheme. Retirement benefits are accruing to 3 (1997: 5) directors under a defined benefit scheme.

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	1998 £	1997 £
Highest paid director	88,682	50,732
Defined benefit pension schemes:		
Accrued pension at end of year	1,444	8,029

4 Employee information

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

	1998 Number	1997 Number
Directors and administrative staff	46	47
Site personnel	94	100
	140	147
	£	£
Staff costs (for the above persons)		
Wages and salaries	2,245,381	2,218,794
Social security costs	182,339	182,266
Other pension costs	102,129	93,421
	2,529,849	2,494,481

5 Profit on ordinary activities before taxation

	1998 £	1997 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation for the year:		
Tangible owned fixed assets	4,114	8,851
Auditors' remuneration	8,250	8,000
Hire of plant and machinery	828,433	899,545
Rental income	(164,479)	(56,755)

6 Taxation

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 32.5%):		
Current	3,164,871	2,942,394
Prior	45,733	(165)
	3,210,604	2,942,229

7 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 July 1997 and 30 June 1998	<u>92,954</u>
Depreciation	
At 1 July 1997	75,352
Charge for year	4,114
At 30 June 1998	<u>79,466</u>
Net book value	
At 30 June 1998	<u>13,488</u>
Net book value	
At 30 June 1997	<u>17,602</u>

8 Fixed asset investments

	Interests in associated undertakings £
Cost or valuation	
At 1 July 1997 and 30 June 1998	<u>100</u>

Associated undertakings

Name of undertaking	Country of incorporation	Proportion of nominal value of ordinary shares held %	Accounting year end	Principal activity
Paycause Limited	Great Britain	33.3	31 March	Residential development

Group financial statements have not been prepared because the company is a wholly owned subsidiary of Redrow Group plc, a company incorporated in Great Britain.

9 Stocks

	1998 £	1997 £
Land for development	13,316,063	17,210,405
Work in progress	14,896,026	12,225,953
	<u>28,212,089</u>	<u>29,436,358</u>
Less: payments received on account	(693,414)	(775,831)
	<u>27,518,675</u>	<u>28,660,527</u>

10 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	124,773	758,906
Amounts owed by group undertakings	5,000,730	600,860
Other debtors	183,392	93,541
Prepayments and accrued income	21,166	62,878
	<u>5,330,061</u>	<u>1,516,185</u>

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	8,626,236	8,087,095
Amounts due in respect of land for development	704,100	1,297,520
Amounts owed to group undertakings	1,207,567	1,871,761
Corporation tax payable	1,284,392	30,663
Advance corporation tax payable	625,000	675,000
Other taxation and social security payable	22,885	12,159
Other creditors	13,131	32,785
Accruals	95,678	80,052
	<u>12,578,989</u>	<u>12,087,035</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 Creditors: amounts falling due after one year

	1998 £	1997 £
Amounts due in respect of land for development	-	690,750

13 Called up share capital

	1998 £	1997 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
168 ordinary shares of £1 each	168	168

14 Profit and loss account

	£
At 1 July 1997	17,736,102
Profit for the year	4,485,485
At 30 June 1998	22,221,587

15 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit for the financial year	6,985,485	6,085,363
Dividends	(2,500,000)	(2,700,000)
Net addition to shareholders' funds	4,485,485	3,385,363
Opening shareholders' funds	17,798,584	14,413,221
Closing shareholders' funds	22,284,069	17,798,584

16 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.

17 Contingent liabilities

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

18 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.

19 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.