

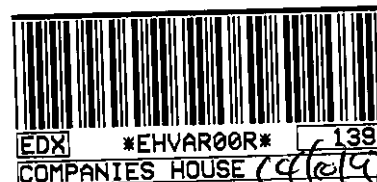
ARTHUR ANDERSEN

Rowlinson Constructions Limited

Accounts 31 March 1997

together with directors' and auditors' reports

Registered number: 2596893



Directors' report

For the year ended 31 March 1997

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 March 1997.

Principal activities and business review

The principal activity of the company continues to be contract building.

Against the background of a difficult market, the directors are satisfied with the general level of activity and profitability during the financial year and expect a further improvement in trading during the forthcoming year.

Results and dividends

Results are as follows:

| | £ |
|-------------------------------------|------------------|
| Retained profit as at 1 April 1996 | 1,297,707 |
| Profit for the financial year | 626,299 |
| Retained profit as at 31 March 1997 | <u>1,924,006</u> |

The directors do not recommend payment of a dividend (1996 - £Nil).

Directors and their interests

The directors who served during the year are as shown below.

| | |
|----------------|---------------------------|
| P.J. Rowlinson | (resigned 30 April 1997) |
| P.M. Rowlinson | (resigned 30 April 1997) |
| D.J. Roberts | |
| R. Fildes | (appointed 30 April 1997) |
| A.C. Bird | (appointed 30 April 1997) |
| J. Ekhard | (appointed 1 July 1997) |

The interests of P.J. Rowlinson and P.M. Rowlinson in the shares of the ultimate parent company, Rowlinson Securities PLC, are given in the accounts of that company. The directors do not have any other interests which are required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the company's state of affairs and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

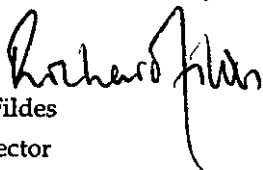
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors have a general responsibility at law for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

Arthur Andersen were appointed auditors on 22 May 1997 to fill a casual vacancy in accordance with Section 388(1) of the Companies Act 1985. Special notice pursuant to Section 388(3) having been given, a resolution to reappoint Arthur Andersen as auditors will be proposed at the next Annual General Meeting of the company.

By order of the Board,


R. Fildes
Director

Registered office
London House
London Road South
Poynton
Stockport
Cheshire
SK12 1YP

18 July 1997

Auditors' report

Manchester

To the Shareholders of Rowlinson Constructions Limited:

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

18 July 1997

Profit and loss account

For the year ended 31 March 1997

| | Notes | 1997 £ | 1996 £ |
|---|-------|-------------|-------------|
| Turnover | 2 | 5,607,188 | 7,588,995 |
| Cost of sales | | (4,549,606) | (6,467,216) |
| Gross profit | | 1,057,582 | 1,121,779 |
| Administrative expenses | | (575,800) | (611,700) |
| Operating profit | | 481,782 | 510,079 |
| Interest receivable and similar income | | 25,000 | - |
| Profit on ordinary activities before taxation | 3 | 506,782 | 510,079 |
| Tax on profit on ordinary activities | 5 | 119,517 | (171,675) |
| Profit for the financial year | | 626,299 | 338,404 |

All activity has arisen from continuing operations. The company has no recognised gains and losses other than the profit for the financial year.

A statement of movements on reserves is given in note 9.

The accompanying notes are an integral part of this profit and loss account.

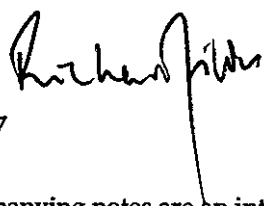
Balance sheet

31 March 1997

| | Notes | 1997 £ | 1996 £ |
|---|-------|--------------------|--------------------|
| Current assets | | | |
| Work in progress | | 136,296 | - |
| Debtors | 6 | 3,115,663 | 2,514,400 |
| | | <u>3,251,959</u> | <u>2,514,400</u> |
| Creditors: Amounts falling due within one year | 7 | <u>(1,326,953)</u> | <u>(1,215,693)</u> |
| Net assets | | <u>1,925,006</u> | <u>1,298,707</u> |
| Capital and reserves | | | |
| Called-up share capital | 8 | 1,000 | 1,000 |
| Profit and loss account | 9 | 1,924,006 | 1,297,707 |
| Total capital employed | | <u>1,925,006</u> | <u>1,298,707</u> |

Signed on behalf of the Board

R. Fildes



Director

18 July 1997

The accompanying notes are an integral part of this balance sheet.

Notes to the accounts

31 March 1997

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year is set out below:

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which in the opinion of the directors will probably not reverse.

c) Stock and work in progress

Stock of land for development is included at acquisition cost or net realisable value whichever is the lower. Net realisable value for this purpose is estimated selling value less estimated selling costs.

Contract building work in progress is valued at cost or net realisable value, whichever is the lower. Cost for this purpose includes all direct costs as defined below and, where appropriate, attributable finance charges. Cost includes direct labour and materials, work done by subcontractors, hire of plant and equipment used on contract sites, and all overheads except those relating to administration. Net realisable value for this purpose is estimated selling value less costs to completion including selling costs.

d) Pensions

The company operates a defined contribution pension scheme to provide retirement benefits of certain employees. Contributions are charged as an expense in the year they are incurred.

e) Long term contracts - profit recognition

Long term contracts are those extending in excess of 12 months and any of a shorter duration which are material to the activity of the period.

Attributable profit is recognised once the outcome of a long term contract can be assessed with reasonable certainty. Attributable profit is recognised on the cost percentage complete method. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

f) Turnover

Turnover represents work done in respect of contract building work carried out during the year, and proceeds from land sales.

Notes to accounts (continued)

2 Turnover

Turnover arose entirely within the United Kingdom and from the company's principal activity.

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

| | 1997 £ | 1996 £ |
|------------------------|----------------|----------------|
| Auditors' remuneration | - | - |
| Staff costs (note 4) | <u>382,348</u> | <u>660,092</u> |

The audit fee for the Rowlinson Securities PLC group is borne by one member of the group and is recharged by way of the management charge.

4 Staff costs

The average number of employees in each month during the year was:

| | 1997 Number | 1996 Number |
|-----------------------------------|----------------|----------------|
| Construction and development work | <u>27</u> | <u>50</u> |

Their remuneration during the year was:

| | 1997 £ | 1996 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 354,233 | 612,513 |
| Social security costs | <u>28,115</u> | <u>47,579</u> |
| | <u>382,348</u> | <u>660,092</u> |

Salaried site staff, administration staff and directors are paid by a related company. Their costs are recharged to the company by means of a direct recharge for site staff and management charges. In the year this recharge included emoluments of a director who is not a director of the parent company of £47,932 (1996 - £46,697).

Notes to the accounts (continued)

5 Tax on profit on ordinary activities

The taxation (credit) charge for the year comprises:

| | 1997 £ | 1996 £ |
|---|------------------|----------------|
| Corporation tax at 33% | - | 173,276 |
| Adjustment to corporation tax in respect of prior years | (119,517) | (1,601) |
| | <u>(119,517)</u> | <u>171,675</u> |

The corporation tax charge for the year has been reduced to £Nil due to group relief of £506,782 being received free of charge from fellow group undertakings.

6 Debtors

The following amounts are included in debtors falling due within one year:

| | 1997 £ | 1996 £ |
|---|------------------|------------------|
| Amounts recoverable under long term contracts | 711,600 | 785,500 |
| Amount owed by fellow group undertakings | 2,366,134 | 1,728,900 |
| Other debtors | 37,929 | - |
| | <u>3,115,663</u> | <u>2,514,400</u> |

Amounts owed by fellow group undertakings are unsecured. All amounts are due on demand.

7 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

| | 1997 £ | 1996 £ |
|--|------------------|------------------|
| Amount owed to fellow group undertakings | 177,053 | 192,117 |
| Corporation tax | - | 173,276 |
| Accruals and deferred income | 1,149,900 | 850,300 |
| | <u>1,326,953</u> | <u>1,215,693</u> |

Amounts owed to fellow group undertakings are unsecured and interest free. All amounts are repayable on demand.

Notes to the accounts (continued)

8 Called-up share capital

| | 1997 £ | 1996 £ |
|---|--------------|--------------|
| <i>Authorised, allotted, called-up and fully paid</i> | | |
| 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |

9 Reserves

| | Profit and loss account £ |
|-------------------------------|---------------------------------|
| Balance as at 1 April 1996 | 1,297,707 |
| Profit for the financial year | <u>626,299</u> |
| Balance as at 31 March 1997 | <u>1,924,006</u> |

10 Reconciliation of movements in shareholders' funds

| | 1997 £ | 1996 £ |
|-------------------------------|------------------|------------------|
| Profit for the financial year | 626,299 | 338,404 |
| Opening shareholders' funds | <u>1,298,707</u> | <u>960,303</u> |
| Closing shareholders' funds | <u>1,925,006</u> | <u>1,298,707</u> |

Of the closing shareholders' funds, £1,924,006 is available for distribution (1996 - £1,297,707).

11 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, the company had no capital commitments (1996 - £Nil).

b) Contingent liabilities

At 31 March 1997 there existed performance bonds and similar agreements entered into in the normal course of business.

12 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised), the company has not produced a cash flow statement as it is a wholly owned subsidiary undertaking of Rowlinson Securities PLC, which has produced a group cash flow statement in its accounts.

Notes to the accounts (continued)

13 Ultimate parent company

At 31 March 1997, the company's ultimate parent company was Rowlinson Securities PLC, a company incorporated in Great Britain and registered in England and Wales. On 29 April 1997, the entire share capital of Rowlinson Securities PLC was acquired by Barlows PLC, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group of which the company is a member and for which group accounts are drawn up is that headed by Rowlinson Securities PLC, whose principal place of business is at the registered office of the company. The consolidated accounts of this group are available to the public and may be obtained from the company's registered office.