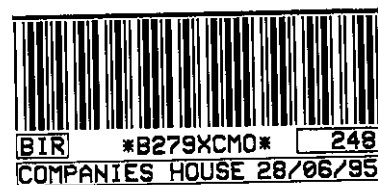


ALFRED McALPINE HOMES EAST LIMITED
(REGISTERED NUMBER 327862)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1994



ALFRED McALPINE HOMES EAST LIMITED

DIRECTORS' REPORT FOR THE 14 MONTHS ENDED 31 DECEMBER 1994

The directors have pleasure in submitting their report and the audited accounts for the 14 months ended 31 December 1994.

PRINCIPAL ACTIVITIES

The company's principal activity is housebuilding.

RESULTS

The results for the period are set out on page 5 of the accounts.

DIVIDENDS AND TRANSFER TO RESERVES

The directors recommend payment of a final dividend of £1,013,000 (1993 - £Nil). A dividend of £172,000 (1993 - £Nil) has been paid during the year. It is proposed to transfer the profit of £1,081,000 (1993 - £752,000) to reserves.

CHANGE IN ACCOUNTING REFERENCE DATE

Following the decision of Alfred McAlpine PLC to change its accounting reference date from 31 October to 31 December, the company has also changed its accounting reference date to 31 December. These accounts therefore include the results for the fourteen months ended 31 December 1994, with comparative figures for the year ended 31 October 1993.

FINANCIAL REVIEW

The company has substantially improved its profit and the quality of the land bank and entered the current year in a strong position to achieve further growth. Total sales amounted to 407 units (1993 - 315 units).

DIRECTORS

The following directors served during the period:

GR McCallum	
EW Grove	
BJ Bassett	
K Pickering	
SG Mills	
SJ Rosier	
R Ellis	(resigned 29 July 1994)
JM Huxley	
AJ Sunter	(appointed 1 August 1994)

ALFRED McALPINE HOMES EAST LIMITED

DIRECTORS' REPORT FOR THE 14 MONTHS ENDED 31 DECEMBER 1994 (CONTINUED)

DIRECTORS (CONTINUED)

The directors who are retiring by rotation are SJ Rosier, K Pickering and JM Huxley who, being eligible, offer themselves for re-election.

None of the directors had a beneficial interest in any contract or arrangement of significance to which the company was a party during the period, except as disclosed below.

The Alfred McAlpine Developments Limited Share Option Scheme was terminated in 1992. Payments not exceeding £501,000 will be made to the remaining members of the Scheme based on the profits to 31 October 1995. Of the remaining members of the Scheme, GR McCallum is a director of the company and five others are directors of fellow subsidiaries of Alfred McAlpine Developments Limited.

EW Grove and GR McCallum are directors of Alfred McAlpine PLC and their interests are shown in the notes to the accounts of that company.

The interests of the other directors in the share capital of Alfred McAlpine PLC at 31 December 1994 were as follows:

	1991 Share Option Scheme		
	<u>31 December 1994</u>	<u>31 October 1993</u>	
	Number	Number	
BJ Bassett	23,468	23,468	
SG Mills	24,817	24,817	
K Pickering	7,588	7,588	
SJ Rosier	19,960	19,960	
Date of grant	5/91	3/92	3/92
Price	<u>247p</u>	<u>200p</u>	<u>170p</u>
BJ Bassett	13,488	4,990	4,990
SG Mills	14,836	4,990	4,991
K Pickering	7,585	-	-
SJ Rosier	-	14,970	4,990

None of the other directors owed shares in the company or in Alfred McAlpine PLC during the period.

Alfred McAlpine PLC maintains liability insurance on behalf of the directors and officers of the company.

ALFRED McALPINE HOMES EAST LIMITED

DIRECTORS' REPORT FOR THE 14 MONTHS ENDED 31 DECEMBER 1994 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent.
- state where applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

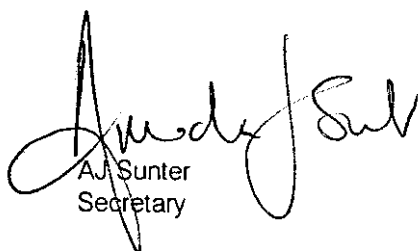
FIXED ASSETS

The movements in fixed assets are shown in notes 11 and 12 to the accounts.

AUDITORS

Price Waterhouse have indicated their willingness to be re-appointed.

By Order of the Board



A.J. Sunter
Secretary

17 May 1995

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
ALFRED McALPINE HOMES EAST LIMITED**

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 judgments 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 as at 31 December 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

17 May 1995

ALFRED McALPINE HOMES EAST LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 1994

	Notes	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
TURNOVER	2	47,426	29,712
Cost of sales		(40,309)	(25,371)
GROSS PROFIT		7,117	4,341
Operating costs	3	(1,888)	(1,527)
OPERATING PROFIT		5,229	2,814
Income from associated undertakings	4	355	60
Interest receivable	5	66	50
Interest payable	6	(2,267)	(2,167)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,7	3,383	757
Tax on profit on ordinary activities	8	(1,117)	(5)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,266	752
Dividends	10	(1,185)	-
RETAINED PROFIT TRANSFERRED TO RESERVES	19	1,081	752

The movement on reserves is shown in note 19 to the accounts.

The result for the 14 months includes all recognised gains and losses in the period. There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

The notes on pages 7 to 18 form part of these accounts.

ALFRED McALPINE HOMES EAST LIMITED

BALANCE SHEET - 31 DECEMBER 1994

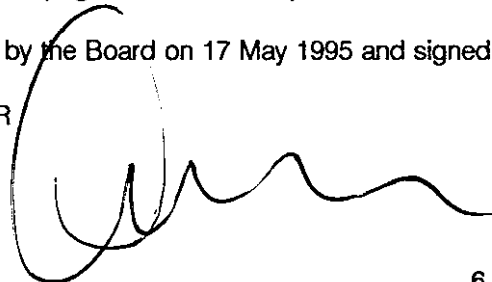
	Notes	31 December 1994 £'000	31 October 1993 £'000
FIXED ASSETS			
Tangible assets	11	480	188
Investments	12	<u>2,272</u>	<u>-</u>
		2,752	188
CURRENT ASSETS			
Stocks	13	32,828	20,274
Debtors (amounts falling due within one year)	14(a)	8,498	4,981
Debtors (amounts falling due after one year)	14(b)	2,853	5,379
Cash at bank and in hand		<u>2,826</u>	<u>187</u>
		47,005	30,821
CREDITORS (amounts falling due within one year)	15	<u>(43,351)</u>	<u>(31,346)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>3,654</u>	<u>(525)</u>
TOTAL ASSETS LESS CURRENT ASSETS/(LIABILITIES)		6,406	(337)
CREDITORS (amounts falling due after more than one year)	16	<u>(5,662)</u>	<u>-</u>
		744	(337)
CAPITAL AND RESERVES			
Called up share capital	18	1	1
Profit and loss account	19	<u>743</u>	<u>(338)</u>
	20	744	(337)

The notes on pages 7 to 18 forms part of these accounts.

Approved by the Board on 17 May 1995 and signed on their behalf

DIRECTOR

SJ Rosier



ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1 ACCOUNTING POLICIES

(1) Accounting convention

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

(2) Depreciation

Fixed assets are depreciated in equal annual instalments over their expected useful lives using the following annual rates:

Motor vehicles	- 25%
Office furniture and fittings	- 10%
Office machinery	- 20%
Computer equipment	- 25%

(3) Stocks

Stocks, which consist of land held both for and in the course of development, and work in progress have been valued at the lower of cost and net realisable value. The cost of land represents the original cost of acquisition; the cost of work in progress thereon represents the cost of labour, materials, development costs and site overheads only.

(4) Turnover

Turnover represents the value of legally completed house and land sales.

(5) Deferred taxation

Deferred taxation is accounted for on all timing differences to the extent that it is considered such differences may reverse in the foreseeable future. The provision has been computed at the rates of tax anticipated to be applicable when the timing differences are expected to reverse.

(6) Land options

Land options comprise payments made by the company to secure future land purchase opportunities and all related professional fees and other costs. Land options are written off on a straight line basis over the length of the option period. As land options are exercised, the amortisation previously written off through the profit and loss account is written back.

(7) Shared equity scheme debtors

These debtors are valued at a discounted value to match the benefit of the loan with the future costs of financing the debtors.

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) Basis of consolidation

In accordance with Section 228 of the Companies Act 1985 the company has not prepared group accounts. The results of its subsidiary and associated undertakings are consolidated in the accounts of Alfred McAlpine Developments Limited, a company incorporated in Great Britain.

(9) Pensions

Contributions to the Group's pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' services lives within the Group.

(10) Cash flow statement

The cash flows of the company for the period are included within the consolidated cash flow statement disclosed in the accounts of Alfred McAlpine PLC. Therefore in accordance with the provisions of Financial Reporting Standard 1, no cash flow statement is required in these accounts.

(11) Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2 TURNOVER

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Analysis of turnover:		
Housebuilding - UK	47,426	29,712
Analysis of profits before taxation:		
Housebuilding - UK	3,383	757

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

3 OPERATING COSTS

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Administration costs	2,006	1,549
Other operating income	(118)	(22)
	<u>1,888</u>	<u>1,527</u>

4 INCOME FROM ASSOCIATED UNDERTAKINGS

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
	355	60
	<u>355</u>	<u>60</u>

During the period build profits relating to the company's joint value contracts in prior periods was released against losses held in those companies.

5 INTEREST RECEIVABLE

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Other interest receivable from associates	66	50
	<u>66</u>	<u>50</u>

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

6 INTEREST PAYABLE

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Bank loans and overdrafts wholly repayable within five years	8	14
Interest payable to group undertakings	2,227	2,108
Other interest payable	<u>32</u>	<u>45</u>
	<u>2,267</u>	<u>2,167</u>

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging/(crediting):

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Directors' emoluments (note 9)	330	337
Depreciation of tangible fixed assets	113	84
Auditors' remuneration	22	18
Other operating leases	269	208
Hire of plant and machinery	210	113
Write back of land option amortisation costs	(153)	-
	<u> </u>	<u> </u>

8 TAXATION

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Corporation tax at 33% (1993 - 33%)	665	112
Deferred taxation	452	174
Prior year adjustments	<u>-</u>	<u>(281)</u>
	<u>1,117</u>	<u>5</u>

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

9 DIRECTORS AND EMPLOYEES

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Directors' remuneration:		
Executive remuneration	330	337
Chairman	-	-
Highest paid director	128	105

Including the above, directors emoluments fell in the following ranges:

	<u>Number</u>	<u>Number</u>
£Nil - £5,000	4	4
£10,001 - £15,000	1	-
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-
£60,001 - £65,000	-	3
£65,001 - £70,000	2	-
£100,001 - £105,000	-	1
£125,001 - £130,000	1	-

Employee costs during the period, including directors:

	<u>1994</u> £'000	<u>1993</u> £'000
Wages and salaries	1,806	1,344
Social security costs	165	137
Pension costs	33	24
	<u>2,004</u>	<u>1,505</u>

Average number of employees during the period, including directors:

	<u>Number</u>	<u>Number</u>
Production	23	19
Sales	25	21
Administration	<u>28</u>	<u>28</u>
	<u>76</u>	<u>68</u>

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

10 DIVIDENDS

	14 months ended 31 December 1994 £'000	12 months ended 31 October 1993 £'000
Interim dividend paid	172	-
Final proposed dividend	<u>1,013</u>	<u>-</u>
	<u>1,185</u>	<u>-</u>

11 TANGIBLE FIXED ASSETS

	Office equipment and motor vehicles £'000
<u>Cost</u>	
At 31 October 1993	464
Additions	409
Disposals	(83)
Intra-group transfers	<u>18</u>
At 31 December 1994	808
<u>Depreciation</u>	
At 31 October 1993	276
Provided during the period	113
Disposals	(68)
Intra-group transfers	<u>7</u>
At 31 December 1994	328
<u>Net book value</u>	
At 31 December 1994	480
At 31 October 1993	<u>188</u>

At 31 December 1994 there were capital commitments of £Nil (1993 - £Nil).

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

12 INVESTMENTS

Unlisted investments in subsidiary and associated undertakings

Shares at cost

	<u>Subsidiary companies</u> £	<u>Associated undertakings</u> £
At 31 October 1993	51	200
Shares acquired	<u>2,270,921</u>	<u>500</u>
At 31 December 1994	<u>2,270,972</u>	<u>700</u>

The subsidiary undertakings are:

<u>Name</u>	<u>Country of registration</u>	<u>Principal activity</u>	<u>Class of share capital held by company</u>
St Anne's Village Limited	Great Britain	Housebuilding	100% Ordinary
Stanhope Cambridge Limited	Great Britain	Acquisition, development and sale of land	100% Ordinary

The associated undertakings at 31 December 1994 are Compine Developments Limited, Compine Developments (Mundford) Limited, Bishops Park Limited and Knightpine Limited, companies incorporated in Great Britain whose principal activity is housing development. The company has 50% shareholdings in these companies.

On 30 December 1994, the Company acquired the entire ordinary issued share capital of Stanhope Cambridge Limited.

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

12 INVESTMENTS (CONTINUED)

Using the equity method of accounting the company's share of the results of the associated undertakings for the period would be as follows:

	31 December <u>1994</u> £'000	31 October <u>1993</u> £'000
Share of profit/(loss) before taxation	19	(22)
Share of tax	<u>(53)</u>	<u>-</u>
Share of (loss) after taxation	<u>(34)</u>	<u>(22)</u>

The value of the investment in the associated undertakings using the equity method of accounting would be as follows:

	31 December <u>1994</u> £'000	31 October <u>1993</u> £'000
Shares at cost	-	-
Share of post acquisition retained reserves	<u>(311)</u>	<u>(227)</u>
	<u>(311)</u>	<u>(227)</u>

13 STOCKS

	31 December <u>1994</u> £'000	31 October <u>1993</u> £'000
Land stocks and work in progress	31,028	19,606
Land options	<u>1,800</u>	<u>668</u>
	<u>32,828</u>	<u>20,274</u>

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

14 DEBTORS

	31 December 1994 £'000	31 October 1993 £'000
(a) Amounts falling due within one year:		
Trade debtors	6,178	2,060
Amounts owed by group undertakings	146	-
Amounts owed by associated undertakings	2,099	2,766
Other debtors	36	114
Prepayments	<u>39</u>	<u>41</u>
	8,498	4,981
	<u> </u>	<u> </u>
(b) Amounts falling due after more than one year:		
Other debtors	2,581	4,655
Deferred tax (note 17)	<u>272</u>	<u>724</u>
	2,853	5,379
	<u> </u>	<u> </u>

15 CREDITORS (amounts falling due within one year)

	31 December 1994 £'000	31 October 1993 £'000
Bank loans and overdrafts	106	-
Trade creditors	8,746	7,848
Amounts owed to group undertakings	26,343	20,448
Amounts owed to associated undertakings	168	1,046
Other creditors	4,088	346
Corporation tax	1,064	570
Taxation and social security	131	37
Accruals and deferred income	<u>2,705</u>	<u>1,051</u>
	43,351	31,346
	<u> </u>	<u> </u>

Included within trade creditors there are £6,898,000 (1993 - £6,466,000) of land creditors secured on assets of the company.

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

16 CREDITORS (amounts falling due after more than one year)

	31 December 1994 £'000	31 October 1993 £'000
Trade creditors	5,662	-

Included within trade creditors there are £5,662,000 (1993 - £Nil) of land creditors secured on assets of the company.

17 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

£'000

The movement on the deferred tax account during the year was:

Balance at 31 October 1993	(724)
Charged to profit and loss account in current period	<u>452</u>
Balance at 31 December 1994 (note 14b)	<u>(272)</u>

Full recognition of the deferred taxation asset is made in accordance with Note 1 (5).

The potential deferred taxation asset and the amounts thereof provided in the accounts are:

	31 December 1994		31 October 1993	
	<u>Provided</u>	<u>Potential</u>	<u>Provided</u>	<u>Potential</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	2	2	(17)	(17)
Other short term timing differences	<u>(274)</u>	<u>(274)</u>	<u>(707)</u>	<u>(707)</u>
	<u>(272)</u>	<u>(272)</u>	<u>(724)</u>	<u>(724)</u>

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

18 SHARE CAPITAL

	<u>1994 and 1993</u>
Authorised:	
Ordinary equity shares of £1 each	£1,000
	<u> </u>
Allotted and fully paid:	
Ordinary equity shares of £1 each	£608
	<u> </u>

19 PROFIT AND LOSS ACCOUNT

	£'000
At 31 October 1993	(338)
Retained profit for the period	<u>1,081</u>
At 31 December 1994	<u>743</u>

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December <u>1994</u> £'000	31 October <u>1993</u> £'000
Profit for period	2,266	752
Dividends	<u>(1,185)</u>	<u>-</u>
	1,081	752
Opening shareholders' funds	<u>(337)</u>	<u>(1,089)</u>
Closing shareholders' funds	<u>744</u>	<u>(337)</u>

21 PENSION COSTS

The company is a member of the Alfred McAlpine Retirement Benefits Plan (1973) which is a defined pension scheme operated by the ultimate parent undertaking. Details of the scheme are provided in the notes to the accounts of Alfred McAlpine PLC.

ALFRED McALPINE HOMES EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

22 CONTINGENT LIABILITIES

The company is party to a composite guarantee and agreement for unlimited guarantees in respect of Alfred McAlpine Developments Limited group bank borrowings.

During 1992 a number of sales were concluded on contracts which granted the purchasers options to sell the property back to the company at the price at which it was originally sold. These options are exercisable during a one month period in 1995. The value of sales made under this arrangement amounts to £1,049,000.

23 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Alfred McAlpine Developments Limited, a company registered in England.

A copy of the group accounts of the immediate parent undertaking may be obtained from The Company Secretary, Alfred McAlpine Developments Limited, Arden House, Oakenshaw Road, Shirley, Solihull, West Midlands.

The ultimate parent undertaking is Alfred McAlpine PLC, a company registered in England.

A copy of the group accounts of the ultimate parent undertaking may be obtained from The Company Secretary, Alfred McAlpine PLC, 8 Suffolk Street, London, SW1Y 4HG.