

ALFRED McALPINE HOMES HOLDINGS LIMITED

(REGISTERED NUMBER 1152419)

ANNUAL REPORT

31 December 1999



ALFRED McALPINE HOMES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The principal activity of the company was previously that of an intermediate holding company for a group of companies involved in housing development within the United Kingdom and did not trade. Following a group reorganisation, the company's principal activity became housebuilding.

FINANCIAL REVIEW FOR THE COMPANY

The trade and assets of the operating companies within the Homes Division were transferred to the company on 3 July 1999. The results presented on page 8 reflect the trading performance with effect from that date.

FINANCIAL REVIEW FOR THE HOMES DIVISION

Homes, including Partnership Housing, achieved yet another substantial improvement in performance and record profitability. 4,013 homes were handed over to their new owners during 1999 (1998 – 4,072) generating a turnover of £412.6 million, an increase of 15% over the £358.3 million recorded in 1998. This led to a 33% increase in operating profit at £43.2 million (1998 - £32.4 million). Net operating assets increased from £234.2 million at the beginning of the year to £292.4 million at the year end, as land stocks were replenished and enhanced by the acquisition of new sites in better quality locations.

Private housing

The operating margin of the eight regional operations increased to 11.6% over the year (1998 – 10.2%) moving strongly toward the target of 12% in 2000. The proportion of turnover generated in the south east, where selling price increases were highest, grew from 30% to 33%. During 1999, we legally completed the sale of 3,029 homes (1998 – 3,014) of which 77 (1998 – 43) were handed over to social landlords in conformity with S106 planning requirements. The average selling price of private homes rose to £113,500 (1998 - £98,600), reflecting a combination of factors which included better development locations and slightly increased average home sizes, as well as a small increase in south east output and general market price increases.

Land

For short term needs, our policy is to purchase only development land which already carries at least outline planning consent (in practice, the sites we acquire sometimes have detailed consent). Nevertheless, the process of obtaining detailed consent for developments is increasingly protracted as Local Authority planning committee members encourage their officers to revisit matters of principle which are either laid down in existing consents or which conform to established practice in the area. This situation is exaggerating the shortage of available housing development land, particularly in prime locations, and is even frustrating the industry's attempts to redevelop brownfield sites. As a result, the land market in most of our regions has been very competitive during 1999.

At the end of 1999, Homes had a land bank of 8,601 developable plots – exactly the same number as at the end of 1998 – which are capable of generating £1,078 million (1998 - £906 million) of housing turnover at current prices. This increased level of future income reflects our continuing concentration on better residential locations, a strengthening of our position in the south east and a modest overall increase in the market price of new homes.

ALFRED McALPINE HOMES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

FINANCIAL REVIEW (Continued)

At the end of 1999, 35% of the land bank (measured by future output) is in the south east, compared with 32% at the end of 1998. Notable purchases during the year included five former hospital sites at Epsom and Carshalton in Surrey, Basingstoke in Hampshire, Bromsgrove in Worcestershire and Whalley in Lancashire. We also acquired the former Wasps FC ground at Sudbury, North London, and the land for a new village near Kettering in Northamptonshire.

We were also active in the strategic land market. By the end of the year, we controlled an estimated 9,723 plots (1998 – 8,360) which are being processed through the planning system. During the year we secured planning consents and exercised options on 380 plots which will provide a useful addition to future output at enhanced profit margins.

Product quality and customer service

During 1999, we made good progress on a number of product and service related issues. For example, we introduced:

- a new customer service management process, backed by additional staff and training programmes;
- more rigorous inspection procedures for all our homes, prior to the demonstration of the features of the home to its new owners;
- a comprehensive owner's manual for each home. This is issued in instalments throughout the buying process, so that our purchasers are fully acquainted with our mutual responsibilities, the equipment in their home and its safe occupation;
- a comprehensive, independently processed survey of customer satisfaction, which produces data against which we can identify and correct any weaknesses in our service, as well as measuring improvements;
- larger house types ranging in size from 1,500 to 2,500 sq.ft. (our Elite Portfolio) which provide attractive, up to the minute lifestyle designs; and
- more closely specified home components, sourced from suppliers who have a longer term interest in helping to make Alfred McAlpine homes 'right first time'.

Prospects

Homes has entered the new millennium with a stronger business, better management and a larger forward order book than it has ever had; and we believe that its future prospects are excellent. On 10th January 2000 we announced plans to open three new Private housing regions in London, Thames Valley and East Midlands. The London and East Midlands businesses will also incorporate the activities of Partnership Housing's Mitcham and Milton Keynes offices. The remainder of the operations of Partnership Housing based at Totton, Southampton will be absorbed into the Southern and South West businesses. These steps will increase our effective coverage and penetration of the UK housing market by 20% and reduce our overhead base. They also represent the beginning of a concerted effort to ensure that we further strengthened our skill base to tackle the increasing proportion of urban redevelopment schemes which are going to provide homes for our nation in the 21st century.

DIVIDENDS AND TRANSFER TO RESERVES

An interim dividend of £8,000,000 was paid in the year (1998 - £nil) and the directors propose the payment of a final dividend of £6,500,000 (1998 - £nil). The directors propose to transfer the profit of £46,897,000 to reserves.

ALFRED McALPINE HOMES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

DIRECTORS

GR McCallum
GO Whitehead
ND Curry
T Hough
SG Mills
IM White
J Hume

None of the directors had a beneficial interest in any contract or arrangement of significance to which the company was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

None of the directors had an interest in the share capital of this company.

The interests of GR McCallum, GO Whitehead and J Hume in the shares of Alfred McAlpine PLC are shown in the financial statements of that company.

The interests of the other directors in the share capital of Alfred McAlpine PLC at 31 December 1999 were as follows:

Ordinary shares

<u>Directors' Interests</u>	<u>1999</u> Number	<u>1998</u> Number
T Hough	38,856	13,119
SG Mills	5,000	-
IM White	10,946	3,296
ND Curry	-	-

1991 Executive Share Option Scheme

	<u>1991 Share Option Scheme</u>			
	<u>1999</u> Number	<u>Exercised/ Lapsed</u> Number	<u>1998</u> Number	
T Hough	21,749	(18,737)	40,486	
SG Mills	14,836	(19,981)	34,817	
IM White	5,000	-	5,000	
Date of grant	May '91	March '92	March '92	April '95
Price	<u>247p</u>	<u>200p</u>	<u>170p</u>	<u>147p</u>
T Hough	15,512	6,237	6,237	12,500
SG Mills	14,836	4,990	4,991	10,000
IM White	-	-	-	5,000

ND Curry had no interests in the Executive Share Option Scheme at 31 December 1999.

ALFRED McALPINE HOMES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

DIRECTORS' INTERESTS IN SHARE CAPITAL (CONTINUED)

The Alfred McAlpine Restricted Share Plan

The Plan serves to encourage an increase in long term comparative total return to shareholders, whilst providing competitive remuneration packages to Directors and key executives.

Under the terms of the Plan, the Remuneration Committee of Alfred McAlpine PLC grants awards of restricted ordinary shares of Alfred McAlpine PLC to key executives. The shares may be released if Alfred McAlpine PLC achieves specified performance criteria and the executive remains in employment. The maximum value of awards made to a participant in any year may not exceed 50% of salary.

Further details on the Plan and the performance criteria used can be found in the Report and Accounts of Alfred McAlpine PLC.

Awards made under the Plan to Directors of the Company are as follows:

<u>Date of Award</u>	<u>Name</u>	<u>Total Number of Restricted Shares</u>	<u>Value of Award as at Financial Year End*</u>
17 July 1997	T Hough	80,000	178,400
17 July 1997	IM White	50,000	111,500
17 July 1997	ND Curry	70,000	156,100
17 July 1997	SG Mills	46,000	102,580
29 October 1997	T Hough	15,000	33,450
29 October 1997	IM White	12,000	26,760
29 October 1997	ND Curry	15,000	33,450
29 October 1997	SG Mills	8,000	17,840
13 May 1998	T Hough	15,000	33,450
13 May 1998	IM White	10,000	22,300
13 May 1998	ND Curry	15,000	34,450
13 May 1998	SG Mills	8,000	17,840
12 April 1999	T Hough	15,000	33,450
12 April 1999	IM White	10,000	22,300
12 April 1999	ND Curry	15,000	33,450
12 April 1999	SG Mills	10,000	22,300

* Based on market price of Alfred McAlpine PLC Ordinary Share of £2.23 at 31 December 1999.

1998 Savings Related Share Option Scheme

The 1998 Savings Related Share Option Scheme was adopted at the Annual General Meeting of Alfred McAlpine PLC held on 9 June 1998. On 30 July 1998 options over ordinary shares were granted at a price of 116.0p to Directors and employees. Further details of the Scheme can be found in the Report and Accounts of Alfred McAlpine PLC.

ALFRED McALPINE HOMES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

DIRECTORS' INTERESTS IN SHARE CAPITAL (CONTINUED)

1998 Savings Related Share Option Scheme (Continued)

<u>Directors' Interests</u>	<u>1998 Savings Related Share Option Scheme</u>	
	<u>1999</u> Number	<u>1998</u> Number
T Hough	14,870	14,870
SG Mills	8,405	8,405
IM White	14,870	14,870
ND Curry	14,870	14,870

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year 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.

ALFRED McALPINE HOMES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

YEAR 2000 AND THE INTRODUCTION OF THE EURO

The company has been implementing the Year 2000 programme in conjunction with the Alfred McAlpine PLC programme which has been designed to address the impact of the Year 2000 problem. Details of the Alfred McAlpine PLC programme are shown within the consolidated financial statements of Alfred McAlpine PLC. The programme involved the assessment of risks facing the business and the development and implementation of a structured plan to address the risks identified. The programme considers both internal issues and those of significant suppliers and customers. The total cost to complete the necessary modification and replacement of computer and other equipment is not expected to be material. Costs are expensed to the relevant trading companies' profit and loss accounts as they are incurred.

The Directors believe that the impact of the Euro will have negligible effect on the operations of the company.

SUPPLIER PAYMENT POLICY

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers provided that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

As at 31 December 1999, the company had an average of 28 days purchases outstanding in trade creditors (1998 – no trade creditors).

AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment and authorising the directors to fix their remuneration was passed by the directors.

By Order of the Board



IM White
Director

16 March 2000

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AUDITORS' REPORT TO THE MEMBERS OF ALFRED McALPINE HOMES HOLDINGS LIMITED

We have audited the financial statements on pages 8 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report as described on page 5, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, our Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you, if in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

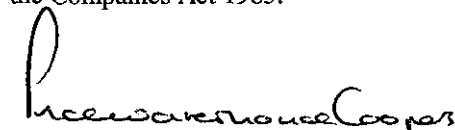
Basis of opinion

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 as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors**

16 March 2000

ALFRED McALPINE HOMES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 <u>Acquired</u> £'000	1998 <u>Continuing</u> £'000
TURNOVER	2	205,129	-
Cost of sales		<u>(168,933)</u>	<u>-</u>
GROSS PROFIT		36,196	-
Administrative expenses		(21,052)	-
Other operating income		<u>352</u>	<u>-</u>
OPERATING PROFIT		15,496	-
Income from shares in group undertakings		69,568	-
Provision against carrying value of investments	10	<u>(20,098)</u>	<u>-</u>
PROFIT BEFORE INTEREST		64,966	-
Interest receivable and similar income	3	27	-
Interest payable and similar charges	4	<u>(5,775)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	59,218	-
Tax on profit on ordinary activities	6	<u>2,179</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		61,397	-
Dividends paid/payable	7	<u>(14,500)</u>	<u>-</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	17	<u>46,897</u>	<u>-</u>

The movements on reserves are set out in note 17 to the financial statements.

The notes on pages 10 to 23 form part of these financial statements.

The results for the year arise solely from continuing operations and include all recognised gains and losses in the year. 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.

ALFRED McALPINE HOMES HOLDINGS LIMITED

BALANCE SHEET – 31 DECEMBER 1999

	<u>Notes</u>	<u>1999</u> £'000	<u>1998</u> £'000
FIXED ASSETS			
Tangible fixed assets	9	3,756	-
Investments	10	<u>86,870</u>	<u>1</u>
		90,626	1
CURRENT ASSETS			
Stock	11	384,446	-
Debtors (amounts due within one year)	12	11,068	47,139
Debtors (amounts due outside one year)	12	5,378	-
Cash at bank and in hand		<u>2,634</u>	<u>-</u>
		403,526	47,139
CREDITORS (amounts falling due within one year)	13	<u>(381,728)</u>	<u>-</u>
NET CURRENT ASSETS		21,798	47,139
TOTAL ASSETS LESS CURRENT LIABILITIES		112,424	47,140
CREDITORS (amounts falling due after more than one year)	14	(28,387)	(10,000)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>-</u>	<u>-</u>
NET ASSETS		<u>84,037</u>	<u>37,140</u>
CAPITAL AND RESERVES			
Called up share capital	16	13,542	13,542
Share premium account	17	23,657	23,657
Profit and loss account	17	<u>46,838</u>	<u>(59)</u>
SHAREHOLDER'S FUNDS	18	<u>84,037</u>	<u>37,140</u>

The notes on pages 10 to 23 form part of these financial statements.

Approved by the Board on 16 March 2000.


I M White
DIRECTOR

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999

1 ACCOUNTING POLICIES

(1) Basis of preparation

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

(2) Basis of consolidation

In accordance with Section 228 of the Companies Act 1985 the company has not prepared group financial statements. The results of its subsidiary undertakings are consolidated in Alfred McAlpine PLC, a company incorporated in England.

(3) Investments

Investments held as fixed assets are valued at cost unless in the opinion of the directors there is a permanent diminution in value.

(4) 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%

(5) Stocks

Stocks, which consist of land held both for and in the course of development, work in progress and part-exchange stock 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.

(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) Turnover

Turnover represents the value of legally completed house and land sales, but excludes the sale of properties accepted in part-exchange. The net profits or losses arising on the sale of part exchanged properties are dealt with in cost of sales.

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) 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 asset/provision has been computed at the rates of tax anticipated to be applicable when the timing differences are expected to reverse. Where appropriate the deferred tax asset has been reflected in debtors.

(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' service lives within the Group.

(10) Operating leases

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

(11) Cash flow statement

The cash flows of the company for the year are included within the consolidated cash flow statement disclosed in the financial statements of Alfred McAlpine PLC. Therefore, in accordance with the provisions of Financial Reporting Standard 1 (Revised 1996), no cash flow statement is required in these financial statements.

(12) Related party transactions

The company has taken advantage of the exemption not to disclose related party transactions with other members of the group under FRS 8 (Related Party Transactions) as it is a wholly owned subsidiary.

2 TURNOVER

All turnover and operating profits are derived from housebuilding and land sales in the United Kingdom to external customers.

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1999</u> £'000	<u>1998</u> £'000
Other interest receivable	<u>27</u>	<u>-</u>
	<u>27</u>	<u>-</u>

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

4 INTEREST PAYABLE

	<u>1999</u> £'000	<u>1998</u> £'000
Bank loans and overdrafts	4	-
Interest payable to group undertakings	5,689	-
Finance charges	1	-
Other interest payable	<u>81</u>	<u>-</u>
	<u>5,775</u>	<u>-</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit is stated after charging/(crediting):

	<u>1999</u> £'000	<u>1998</u> £'000
Directors' emoluments (note 8)	532	-
Depreciation of tangible fixed assets	506	-
Auditors' remuneration	55	-
Rentals under operating leases:		
- Other operating leases	580	-
Hire of plant and machinery	1,346	-
Profit on disposal of fixed assets	(22)	-
Rental income	<u>(48)</u>	<u>-</u>

Operating profit relates to acquired and continuing operations.

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1999</u> £'000	<u>1998</u> £'000
UK Corporation tax credit at 30.5% (1998 - 31%) - current year	(61)	-
UK Corporation tax - prior year	(286)	-
Deferred taxation - current year	3,001	-
Deferred taxation - prior year	<u>(475)</u>	<u>-</u>
	(2,179)	-
	<u>=====</u>	<u>=====</u>

7 DIVIDENDS

	<u>1999</u> £'000	<u>1998</u> £'000
Ordinary Shares		
Interim - paid	8,000	-
Final - proposed	<u>6,500</u>	<u>-</u>
	14,500	-
	<u>=====</u>	<u>=====</u>

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

8 DIRECTORS AND EMPLOYEES

	<u>1999</u> £'000	<u>1998</u> £'000
Employee costs during the year including directors:		
Wages and salaries	14,559	-
Social security costs	1,210	-
Other pension costs	<u>394</u>	<u>-</u>
	16,163	-
	<u>=====</u>	<u>=====</u>

Average number of employees during the period including directors:

	<u>1999</u> Number	<u>1998</u> Number
Directors	5	-
Site employees, administration and sales	<u>1,306</u>	<u>-</u>
	1,311	-
	<u>=====</u>	<u>=====</u>

	<u>1999</u> £'000	<u>1998</u> £'000
Directors' emoluments	532	-
	<u>=====</u>	<u>=====</u>
Highest paid director		
Aggregate emoluments and benefits	166	-
	<u>=====</u>	<u>=====</u>
Defined benefit pension scheme: accrued pension at 31 December 1999	44	-
	<u>=====</u>	<u>=====</u>

For each of the executive directors, retirement benefits are accruing under the defined benefit scheme mentioned in note 21 of the financial statements.

The directors received no emoluments for services to the company in 1998.

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

9 TANGIBLE FIXED ASSETS

	Freehold Land and <u>buildings</u> £'000	Plant and <u>equipment</u> £'000	<u>Total</u> £'000
<u>Cost</u>			
At 1 January 1999	-	-	-
Amounts transferred from group undertakings	907	7,308	8,215
Additions	350	753	1,103
Disposals	<u>(32)</u>	<u>(104)</u>	<u>(136)</u>
At 31 December 1999	<u>1,225</u>	<u>7,957</u>	<u>9,182</u>
<u>Depreciation</u>			
At 1 January 1999	-	-	-
Amounts transferred from group undertakings	94	4,929	5,023
Provided during the year	9	497	506
Disposals	<u>-</u>	<u>(103)</u>	<u>(103)</u>
At 31 December 1999	<u>103</u>	<u>5,323</u>	<u>5,426</u>
<u>Net book amount</u>			
At 31 December 1999	<u>1,122</u>	<u>2,634</u>	<u>3,756</u>
At 31 December 1998	<u>-</u>	<u>-</u>	<u>-</u>

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

10 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Total £'000
<u>Cost</u>			
At 1 January 1999	-	-	-
Amounts transferred from group undertakings (Note 19)	106,206	762	106,968
At 31 December 1999	106,206	762	106,968
<u>Provision</u>			
At 1 January 1999	-	-	-
Provided during the year	(20,098)	-	(20,098)
At 31 December 1999	(20,098)	-	(20,098)
<u>Net book value</u>			
At 31 December 1999	86,108	762	86,870
At 31 December 1998	-	-	-

The company holds investments in the following subsidiary undertakings acquired during the year.

Alfred McAlpine Partnership Housing Limited

Alfred McAlpine Partnership Limited

The company holds investments in the following subsidiary undertakings, whose principal activities was housing development, prior to being divisionalised (see Note 19). Following divisionalisation, the companies no longer trade and are now dormant.

Alfred McAlpine Homes Limited
Alfred McAlpine Developments Limited
Alfred McAlpine Homes East Limited
Alfred McAlpine Homes Midlands Limited
Alfred McAlpine Homes Southern Limited
Alfred McAlpine Homes North West Limited
Alfred McAlpine Homes South West Limited
Alfred McAlpine Homes Yorkshire Limited
Alfred McAlpine Homes Cumbria Limited
Alfred McAlpine Homes Northumbria Limited

McHawk Limited
Ampwyn Developments Limited
Valentine Park Limited
Stanhope (Cambridge) Limited
Cambourne Properties Limited
Hassall Homes Group Limited
Hassall Homes (Cheshire) Limited
Hassall Homes (Mercia) Limited
Hassall Homes (Southern) Limited

The company also owns a number of smaller and non-trading companies. All subsidiaries are 100 per cent owned by the company. All shareholdings are of ordinary equity share capital.

All subsidiary undertakings are wholly owned and registered in Great Britain.

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

11 STOCKS

	<u>1999</u> £'000	<u>1998</u> £'000
Land and work in progress	361,650	-
Land options	9,446	-
Part-exchange properties	<u>13,350</u>	<u>-</u>
	<u>384,446</u>	<u>-</u>

12 DEBTORS (amounts falling due within one year)

	<u>1999</u> £'000	<u>1998</u> £'000
Trade debtors	1,995	-
Shared equity debtors	211	-
Amounts owed by group undertakings	512	47,139
Amounts owed by related undertakings	53	-
Amounts recoverable on contracts	331	-
Retentions on contracts	170	-
Other debtors	3,901	-
Prepayments and accrued income	551	-
Deferred taxation (note 15)	484	-
Corporation tax	<u>2,860</u>	<u>-</u>
	<u>11,068</u>	<u>47,139</u>

DEBTORS (amounts falling due after more than one year)

	<u>1999</u> £'000	<u>1998</u> £'000
Shared equity debtors	5,188	-
Other debtors	<u>190</u>	<u>-</u>
	<u>5,378</u>	<u>-</u>

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

13 CREDITORS (amounts falling due within one year)

	<u>1999</u> £'000	<u>1998</u> £'000
Trade creditors	77,506	-
Payments received on account	46	-
Amounts owed to group undertakings	203,498	-
Amounts owed to subsidiary undertakings	73,990	-
Bank loans and overdrafts	2,119	-
Other creditors	2,481	-
Other taxation and social security	683	-
Proposed dividends	6,500	-
Accruals and deferred income	<u>14,905</u>	<u>-</u>
	<u>381,728</u>	<u>-</u>

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

	<u>1999</u> £'000	<u>1998</u> £'000
Trade creditors	18,387	-
Amounts owed to group undertakings (secured)	<u>10,000</u>	<u>10,000</u>
	<u>28,387</u>	<u>10,000</u>

On 31 October 1991 the company entered into a loan agreement with AM Finance Limited to borrow £10,000,000 at terms subordinated to existing bank facilities, and secured by a charge over the assets of Alfred McAlpine Homes Holdings Limited and its subsidiaries.

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

15 DEFERRED TAXATION

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

	£'000
Balance at 1 January 1999	-
Amounts transferred from group undertakings	3,010
Charge to profit and loss account – current year	(3,001)
Credit to profit and loss account – prior year	<u>475</u>
Balance at 31 December 1999	<u>484</u>

The potential amounts of the deferred tax asset and the amounts included in the financial statements are:

	1999		1998	
	<u>Recognised</u>	<u>Potential</u>	<u>Recognised</u>	<u>Potential</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	255	-	-
Other short term timing differences	<u>484</u>	<u>484</u>	-	-
	<u>484</u>	<u>739</u>	-	-

16 CALLED UP SHARE CAPITAL

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Authorised:		
34,333,123 Ordinary shares of 25p each	8,583	8,583
21,666,877 Ordinary 'A' shares of 25p each	<u>5,417</u>	<u>5,417</u>
	<u>14,000</u>	<u>14,000</u>
Allotted, called up and fully paid:		
32,500,315 Ordinary shares of 25p each	8,125	8,125
21,666,877 Ordinary 'A' shares of 25p each	<u>5,417</u>	<u>5,417</u>
	<u>13,542</u>	<u>13,542</u>

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

17 RESERVES

	£'000
Share premium account	
At 1 January 1999 and 31 December 1999	23,657
	<u> </u>
Profit and loss account	
	£'000
At 1 January 1999	(59)
Profit for the financial year	<u>46,897</u>
At 31 December 1999	<u>46,838</u>

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	<u>1999</u> £'000	<u>1998</u> £'000
Profit for the financial year	46,897	-
Opening Shareholder's funds	<u>37,140</u>	<u>37,140</u>
Closing Shareholder's funds	<u>84,037</u>	<u>37,140</u>

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

19 ACQUISITION OF BUSINESS ACTIVITIES

On 3 July 1999 as part of a reorganisation of the Alfred McAlpine housebuilding companies, the investments in the following companies were transferred to the Company in exchange for consideration equal to their book value. The consideration has been recorded via an inter-company loan payable to former parent company by Alfred McAlpine Homes Holdings Limited.

Alfred McAlpine Developments Limited	St Anne's Village Limited
Alfred McAlpine Home (Alsager) Limited	Valentine Park Limited
Alfred McAlpine Homes (Kendal) Limited	AM Marketing Southern Limited
Alfred McAlpine Homes Cumbria Limited	AM Marketing North Limited
Alfred McAlpine Homes East Limited	AM Marketing Midlands Limited
Alfred McAlpine Homes Leicester Limited	Canberra (Southern) Limited
Alfred McAlpine Homes Midlands Limited	Alfred McAlpine Homes South Limited
Alfred McAlpine Homes North West Limited	Alfred McAlpine Homes Thames Limited
Alfred McAlpine House Northumbria Limited	Alfred McAlpine Homes North East Limited
Alfred McAlpine Homes South West Limited	Banorgrove Limited
Alfred McAlpine Homes Southern Limited	IVA (Midlands) Limited
Alfred McAlpine Homes West Limited	IA Estates Limited
Alfred McAlpine Homes Yorkshire Limited	Canberra Developments Southern Limited
Alfred McAlpine Services Limited	Canberra Investments Co. Limited
Ampwyn Developments Limited	Spinks & Denning Limited
Canberra Property Group Limited	Melbourne Investments Limited
Ashfield Investments Ltd	Stanhope Cambridge Limited
Charco 351 Limited	Cambourne Properties Limited
Corney Reach Limited	Hassall Homes (Wessex) Limited
Hassall Homes Group Limited	Hassall Homes (Southern) Limited
Havpine Limited	Hassall Homes (Mercia) Limited
L&A Freeman Limited	Halssall Homes (Cheshire) Limited
McHawk Limited	Whatco England Limited
Showpine Limited	Compine Developments (Wooton) Limited

Following acquisition, the trade and certain assets and liabilities of the above companies, each being 100% subsidiary undertakings, were transferred into the Company in exchange for consideration equal to their book value. The consideration has been recorded via an inter-company loan payable to each company by Alfred McAlpine Homes Holdings Limited.

Acquisition of Alfred McAlpine Partnership Housing Limited

On 3 July 1999 the shares of Alfred McAlpine Partnership Housing Limited were transferred to the Company in exchange for consideration equal to their book value. The consideration has been recorded via an inter-company loan payable to former parent company by Alfred McAlpine Homes Holdings Limited.

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

19 ACQUISITION OF BUSINESS ACTIVITIES (CONTINUED)

The aggregate net assets acquired are as follows:

	<u>Book & Provisional Fair Value</u> £'000
Tangible Fixed assets	3,192
Investments	106,968
Stock	358,041
Debtors: amounts falling due within one year	10,434
Debtors: amounts falling due outside one year	5,490
Cash	1,269
Creditors: amounts falling due within one year	(116,231)
Creditors: amounts falling due within one year	(15,089)
Inter-company balances	(180,781)
Provisions for liabilities and charges	<u>(85)</u>
Net assets acquired	173,208
Consideration	<u>173,208</u>
Goodwill arising	<u>-</u>

Acquisition of associated undertakings

On 3 July 1999 as part of a reorganisation of the Alfred McAlpine housebuilding companies, the investments in the following associated companies were transferred to the Company in exchange for consideration equal to their book value. The consideration has been recorded via an inter-company loan payable to former parent company by Alfred McAlpine Homes Holdings Limited.

Kingsmead Landscape Management Limited
Compine Developments Limited
Compine Developments (Mundford) Limited
Bishops Park Limited

Knightpine Limited
Fairpine Limited
Vumpine Limited
Paycause Limited

ALFRED McALPINE HOMES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

20 LEASING COMMITMENTS

Annual commitments under operating leases are as follows:

	<u>1999</u>		<u>1998</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	89	76	-	-
Between two and five years	421	954	-	-
In more than five years	<u>318</u>	<u>-</u>	<u>-</u>	<u>-</u>
	828	1,030	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </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 financial statements of Alfred McAlpine PLC.

22 ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking is Alfred McAlpine PLC which is registered in England. A copy of the group financial statements of the ultimate parent undertaking may be obtained from The Company Secretary, Alfred McAlpine PLC, 8 Suffolk Street, London SW1Y 4HG.