

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)
(REGISTERED NUMBER 1152419)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 December 1996



ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activity of the group of companies is housing development within the United Kingdom.

The company changed its name from Alfred McAlpine Developments Limited to Alfred McAlpine Homes Holdings Limited on 5 February 1997.

REVIEW OF OPERATIONS

Alfred McAlpine Homes is one of Britain's major housebuilders producing homes of high quality for both the private and social sectors throughout much of England and Wales. It operates through five regional private housebuilding companies and pursues strategic land opportunities through a specialist company, Alfred McAlpine Developments Limited (formerly Alfred McAlpine Projects Limited).

Although the year started slowly, encouraging signs of a stronger housing market appeared in the South East of England in the second half; this trend has continued into 1997 and there is evidence that the gains being experienced are beginning to benefit other regions.

The Group entered 1996 with a poor forward sales position due to very weak market conditions in the second half of 1995. Although visitor rates in 1996 were the same as those of 1995, the more serious intentions of those visitors translated into an 11% improvement in reservation rates over the previous year. Consequently, the Group achieved its targets of 1,688 legal completions for the year, a 2.6% increase over 1995 (1,645). During the year the Group was operating from an average of 43 live selling outlets (1995 - 47); making 0.84 sales per site per week (1995 - 0.61). This rate is well ahead of the industry average. Selling prices also rose slightly to an average £96,700 (1995 - £95,500).

The effects of the change in Building Regulations in 1995 did cause marginal increases in construction costs, but generally the depressed market enabled us to resist cost increases.

Investment in land and work in progress was £120.8 million as at 31 December 1996 (1995 - £126.4 million) including 7,835 owned and optioned plots with planning consent (1995 - 6,752). The total number of plots that we controlled was 13,037 (1995 - 12,997). We are committed to achieving our land buying programme while managing the difficulties and delays created by the complex planning process, and, since the year end a further 600 plots have been secured. The amount of working capital tied up in part exchange houses reduced substantially from £14.5 million at 31 December 1995 to £9.9 million at the end of 1996.

Homes East legally completed the sale of 278 homes (1995 - 413). This drop is largely due to the failure to secure new sites at realistic prices during 1995. Towards the end of the year, building work began at a number of new sites and these will contribute to improved performance in 1997.

Homes Southern traded very profitably in the southern Home Counties and legally completed the sale of 350 homes (1995 - 367). The outlook for this company is very promising.

Homes South West legally completed 315 homes (1995 - 249) during the year but profit margins were depressed by the continuing weak market in this area. There is now some evidence of better market conditions in this region and the prospects for 1997 are better.

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

DIRECTORS' REPORT FOR THE YEAR 31 DECEMBER 1996 (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

Homes Midlands increased its legal completions to 355 in 1996 (1995 - 310) and at the same time improved profitability. The prospects for this company in 1997 are much improved.

Homes North had a very satisfactory year legally completing 390 homes (1995 - 306). In particular, excellent returns were generated from Kingsmead, Leftwich, a major new development in Cheshire. This is an example of a land project that was successfully processed through our strategic planning system and will be central to the company's activities for some years to come. Homes North is well placed for another good performance in 1997.

Developments, previously known as Projects, made significant progress with the processing of Cambourne, a new settlement in south Cambridgeshire. This now has Master Plan approval as well as outline consent and it is expected that development will start in the Autumn of 1997. Other strategic landholdings made progress during the year and a number of new opportunities were secured under option.

The general planning system is well behind in producing approved development plans for future land supply. The process of obtaining detailed planning consents on sites where there is no issue of planning principle is often taking much longer than it should. These factors, together with a more buoyant market, are leading to fierce price competition for land suitable for development. This, and other general economic factors have the effect of pushing up house prices. In its effort to improve margins the Group has been cautious to evaluate very carefully the price it is prepared to pay for land. However, the land bank available to the Group for development at the beginning of 1997 is greater than ever before. Increased concentration on medium and longer term strategic land acquisition is of paramount importance in driving up future profitability. The planned release of our investment in two major land holdings in 1997 will provide the necessary working capital to continue to improve the quality and size of the land bank.

Once again, in 1996, the Group performed exceptionally well in NHBC's Pride in the Job Award Scheme and in their Major Builder Site Audits. The high quality of construction and site presentation which these awards reflect, continues to give us competitive advantage. This, coupled with our new housing range, embodying value engineering improvements to be introduced during 1997, will help to improve profitability in future years.

PROFIT AND DIVIDENDS

The results for the year are set out on page 6 of the financial statements and show a profit on ordinary activities before taxation of £3,320,000 (1995 - profit of £5,520,000).

No interim dividend was paid (1995 - £1,106,000) and the directors do not propose the payment of a final dividend (1995 - £Nil). The profit after tax and dividends of £2,181,000 (1995 - profit of £2,811,000) has been transferred to reserves.

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

DIRECTORS' REPORT FOR THE YEAR 31 DECEMBER 1996 (CONTINUED)

DIRECTORS

EW Grove (resigned 22 July 1996)
GR McCallum
GO Whitehead

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

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.

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 whether 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.

SUPPLIER PAYMENT POLICY

It is the Group's policy to make payments to suppliers on our standard terms unless alternative payment terms are agreed. The Group seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

DONATIONS

Charitable donations made during the year amounted to £Nil (1995 - £2,000). No political donations were made (1995 - £Nil).

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

DIRECTORS' REPORT FOR THE YEAR 31 DECEMBER 1996 (CONTINUED)

EMPLOYEES

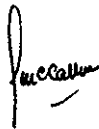
It is the policy of the Group to communicate with and involve employees on matters affecting their interests at work, and inform them of the performance of the business.

It is also company policy and practice to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position. Opportunities exist for employees who become disabled to continue in their employment or be retained for another position.

AUDITORS

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

By Order of the Board

A handwritten signature in dark ink, appearing to read 'GR McCallum', with a stylized flourish at the end.

GR McCALLUM
Director

20 April 1997

Price Waterhouse



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

We have audited the financial statements on pages 6 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

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1996 and of the profit of the company and the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors**

20 April 1997

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

| | <u>Notes</u> | <u>1996</u> £'000 | <u>1995</u> £'000 |
|--|--------------|----------------------|----------------------|
| TURNOVER | 2 | 167,460 | 155,642 |
| Cost of sales | | <u>(148,456)</u> | <u>(135,629)</u> |
| GROSS PROFIT | | 19,004 | 20,013 |
| Operating costs - before exceptional item | 3 | (9,690) | (8,879) |
| - exceptional item | 4 | <u>(1,850)</u> | <u>-</u> |
| OPERATING PROFIT | | 7,464 | 11,134 |
| Interest receivable | 5 | 514 | 657 |
| Interest payable | 6 | <u>(4,658)</u> | <u>(6,271)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 7 | 3,320 | 5,520 |
| Tax on profit on ordinary activities | 8 | <u>(1,139)</u> | <u>(1,603)</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 2,181 | 3,917 |
| Dividends | 10 | <u>-</u> | <u>(1,106)</u> |
| RETAINED PROFIT FOR THE YEAR | 20 | <u>2,181</u> | <u>2,811</u> |

Movements on reserves during the period are shown in note 20 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
(formerly Alfred McAlpine Developments Limited)

COMPANY PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

| | <u>Notes</u> | <u>1996</u> £'000 | <u>1995</u> £'000 |
|--|--------------|----------------------|----------------------|
| TURNOVER | | - | - |
| OPERATING PROFIT | | - | - |
| Income from shares in group undertakings | | - | <u>1,106</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | - | 1,106 |
| Tax on profit on ordinary activities | 8 | - | <u>(313)</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | - | 793 |
| Dividends | 10 | - | <u>(1,106)</u> |
| RETAINED LOSS FOR THE YEAR | 20 | - | <u>(313)</u> |

Movements on reserves during the year are shown in note 20 to the financial statements.

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

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1996


| | Notes | 1996 £'000 | 1995 £'000 |
|---|-------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Tangible assets | 11 | 1,595 | 1,999 |
| Investments | 12 | <u>718</u> | <u>758</u> |
| | | 2,313 | 2,757 |
| CURRENT ASSETS | | | |
| Stocks | 13 | 130,694 | 140,849 |
| Debtors | 14 | 10,767 | 12,694 |
| Cash at bank and in hand | | <u>1,371</u> | <u>1,974</u> |
| | | 142,832 | 155,517 |
| CREDITORS (amounts falling due within one year) | 15 | <u>(74,746)</u> | <u>(86,516)</u> |
| NET CURRENT ASSETS | | <u>68,086</u> | <u>69,001</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 70,399 | 71,758 |
| CREDITORS (amounts falling due after more than one year) | 16 | <u>(10,475)</u> | <u>(14,015)</u> |
| NET ASSETS | | <u>59,924</u> | <u>57,743</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 13,542 | 13,542 |
| Share premium account | 19 | 23,657 | 23,657 |
| Other reserves | 19 | 1,268 | 1,268 |
| Profit and loss account | 20 | <u>21,457</u> | <u>19,276</u> |
| SHAREHOLDERS' FUNDS | 22 | <u>59,924</u> | <u>57,743</u> |

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

Approved by the Board on 20 April 1997 and signed on their behalf

DIRECTOR

GR McCALLUM



ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

BALANCE SHEET - 31 DECEMBER 1996

| | <u>Notes</u> | <u>1996</u> | <u>1995</u> |
|---|--------------|----------------------|----------------------|
| | | £'000 | £'000 |
| FIXED ASSETS | | | |
| Investments | 12 | 1 | 1 |
| CURRENT ASSETS | | | |
| Debtors | 14 | <u>47,139</u> | <u>47,139</u> |
| TOTAL ASSETS | | 47,140 | 47,140 |
| CREDITORS (amounts falling due after more than one year) | 16 | (10,000) | (10,000) |
| NET ASSETS | | <u>37,140</u> | <u>37,140</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 13,542 | 13,542 |
| Share premium account | 19 | 23,657 | 23,657 |
| Profit and loss account | 20 | <u>(59)</u> | <u>(59)</u> |
| SHAREHOLDERS' FUNDS | 22 | <u>37,140</u> | <u>37,140</u> |

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

Approved by the Board on 20 April 1997

DIRECTOR

GR McCALLUM



ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996

1 ACCOUNTING POLICIES

(1) Basis of consolidation

The Group financial statements are prepared under the historical cost convention and include the financial statements of the parent undertaking, its subsidiaries and the Group's share of the results of associated undertakings. The financial statements have been prepared in accordance with applicable accounting standards.

(2) Goodwill

Goodwill arising on acquisition is charged directly to reserves.

(3) Depreciation

No depreciation is provided on freehold land. All other 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% |
| Leasehold premises | Over the term of the lease |
| Computer equipment | 25% |
| Freehold property | 2% |

(4) Stocks

Stocks representing land held for, and in the course of, development, work-in-progress and part exchange properties 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. Other than disclosed in note 5, all interest on land and work-in-progress held by the parent and subsidiary undertakings is expensed directly to the profit and loss account, and is therefore not included in the value of stocks in the balance sheet.

(5) Turnover

Turnover comprises the value of work performed, land and goods sold and services provided outside the Group excluding Value Added Tax. Turnover is recognised at the earlier of full receipt of cash proceeds or legal completion on the value of house and land sales. It includes the proportion of turnover of associated undertakings attributable to the Group.

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(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

Shared equity scheme debtors are included within trade debtors and are valued at a discounted value to match the benefit of the loan with the future costs of financing these debtors.

(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 future. The deferred tax asset has been calculated at the rates of tax anticipated to be applicable when the timing differences are expected to reverse.

(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) Cash flow statement

The cash flows of the Group and 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, no cash flow statement is required in these financial statements.

(11) Operating leases

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

(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 Disclosures) as it is a wholly owned subsidiary.

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

2 TURNOVER

All turnover and operating profits are derived from housebuilding and land sales in the United Kingdom. Turnover includes the Group's proportionate share of turnover of associated undertakings amounting to £448,000 (1995 - £878,000).

3 OPERATING COSTS

| | <u>1996</u> £'000 | <u>1995</u> £'000 |
|-------------------------|----------------------|----------------------|
| Group: | | |
| Administrative expenses | 9,690 | 8,879 |
| | <u> </u> | <u> </u> |

4 EXCEPTIONAL ITEM

During 1996, the Group settled a claim brought by a competitor in respect of breach of copyright design for £1,850,000. This matter was previously disclosed as a contingent liability in note 24 of the 1995 financial statements.

5 INTEREST RECEIVABLE

| | <u>1996</u> £'000 | <u>1995</u> £'000 |
|---------------------------|----------------------|----------------------|
| Interest from banks | 88 | 82 |
| Other interest receivable | <u>426</u> | <u>575</u> |
| | 514 | 657 |
| | <u> </u> | <u> </u> |

Other interest receivable includes £209,000 (1995 - £481,000) relating to the finance costs of infrastructure provided on land subject to option. This is recoverable against the purchase price of the option land.

6 INTEREST PAYABLE

| | <u>1996</u> £'000 | <u>1995</u> £'000 |
|---------------------------|----------------------|----------------------|
| Bank loans and overdrafts | 88 | 579 |
| Group undertakings | 4,452 | 5,661 |
| Other | <u>118</u> | <u>31</u> |
| | 4,658 | 6,271 |
| | <u> </u> | <u> </u> |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

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

| | <u>1996</u> £'000 | <u>1995</u> £'000 |
|--|----------------------|----------------------|
| Directors' emoluments (note 9) | 286 | 349 |
| Depreciation of tangible fixed assets | 659 | 745 |
| Auditors' remuneration | 102 | 122 |
| Operating lease rentals: | | |
| Hire of plant and machinery | 470 | 437 |
| Other | 398 | 244 |
| Loss/(profit) on disposal of tangible fixed assets | 7 | (9) |
| | <u> </u> | <u> </u> |
| Share of losses of associated undertakings | 22 | 152 |
| | <u> </u> | <u> </u> |

8 TAXATION

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------------|----------------------|----------------------|----------------------|
| | <u>1996</u> £'000 | <u>1995</u> £'000 | <u>1996</u> £'000 | <u>1995</u> £'000 |
| UK corporation tax at 33% (1995 - 33%): | | | | |
| - current | 1,129 | 1,383 | - | - |
| - prior year | (114) | - | - | - |
| Associated undertakings | - | 356 | - | - |
| Deferred taxation (Note 17); | | | | |
| - current | 179 | 222 | - | (313) |
| - prior year | <u>(55)</u> | <u>(358)</u> | <u>-</u> | <u>-</u> |
| | <u>1,139</u> | <u>1,603</u> | <u>-</u> | <u>(313)</u> |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

9 DIRECTORS AND EMPLOYEES

| | <u>1996</u> £'000 | <u>1995</u> £'000 |
|---|----------------------|----------------------|
| Directors' emoluments (including pension contributions) | 286 | 349 |
| Emoluments (excluding pension contributions): | | |
| Chairman (resigned 22 July 1996) | 95 | 208 |
| Highest paid director | 183 | 208 |

Including the above, the emoluments of directors fell in the following bands:

| | <u>1996</u> Number | <u>1995</u> Number |
|---------------------|-----------------------|-----------------------|
| £0 - £5,000 | 1 | 2 |
| £90,001 - £95,000 | 1 | - |
| £135,001 - £140,000 | - | 1 |
| £180,001 - £185,000 | 1 | - |
| £205,001 - £210,000 | - | 1 |

Employee costs during the year including directors:

| | <u>1996</u> Number | <u>1995</u> Number |
|-----------------------|-----------------------|-----------------------|
| Wages and salaries | 8,841 | 8,707 |
| Social security costs | 781 | 695 |
| Other pension costs | 288 | 191 |
| | 9,910 | 9,593 |

Average number of employees during the year including directors:

| | <u>1996</u> Number | <u>1995</u> Number |
|----------------|-----------------------|-----------------------|
| Sales | 138 | 112 |
| Production | 117 | 122 |
| Administration | 146 | 166 |
| | 401 | 400 |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

10 DIVIDENDS

| | <u>Group and Company</u> | |
|--------------|--------------------------|----------------------|
| | <u>1996</u> £'000 | <u>1995</u> £'000 |
| Ordinary 'A' | - | 428 |
| Ordinary | - | <u>678</u> |
| | - | 1,106 |
| | <u> </u> | <u> </u> |
| Interim | - | 1,106 |
| Final | - | <u> </u> |
| | - | 1,106 |
| | <u> </u> | <u> </u> |

11 TANGIBLE FIXED ASSETS

| GROUP | <u>Land and buildings</u> £'000 | <u>Plant and equipment</u> £'000 | <u>Total</u> £'000 |
|---|--|---|-----------------------|
| <u>Cost</u> | | | |
| At 1 January 1996 | 128 | 4,260 | 4,388 |
| Additions | - | 355 | 355 |
| Disposals | <u>-</u> | <u>(323)</u> | <u>(323)</u> |
| At 31 December 1996 | <u>128</u> | <u>4,292</u> | <u>4,420</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Depreciation</u> | | | |
| At 1 January 1996 | 20 | 2,369 | 2,389 |
| Provided during the year | 2 | 657 | 659 |
| Disposals | <u>-</u> | <u>(223)</u> | <u>(223)</u> |
| At 31 December 1996 | <u>22</u> | <u>2,803</u> | <u>2,825</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Net book value</u> | | | |
| At 31 December 1996 | <u>106</u> | <u>1,489</u> | <u>1,595</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 1995 | <u>108</u> | <u>1,891</u> | <u>1,999</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| The net book value of land and buildings comprises: | | | |
| Freehold | 77 | | |
| Long leasehold | <u>29</u> | | |
| | <u> </u> | | |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

12 FIXED ASSET INVESTMENTS

| | <u>Group</u> | | <u>Company</u> | |
|---|---------------|---------------|----------------|---------------|
| | <u>1996</u> | <u>1995</u> | <u>1996</u> | <u>1995</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Shares in subsidiary undertakings | - | - | 1 | 1 |
| Unlisted investments in associated undertakings | <u>718</u> | <u>758</u> | <u>-</u> | <u>-</u> |
| | 718 | 758 | 1 | 1 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Shares in subsidiary undertakings:

The principal subsidiary undertakings are:

Alfred McAlpine Homes East Limited
 Alfred McAlpine Homes Midlands Limited
 Alfred McAlpine Homes Southern Limited
 Alfred McAlpine Homes North Limited
 Alfred McAlpine Homes South West Limited
 Alfred McAlpine Developments Limited (formerly Alfred McAlpine Projects Limited)
 McHawk Limited
 Ampwyn Developments Limited
 Valentine Park Limited
 Stanhope (Cambridge) Limited
 Cambourne Properties Limited

All subsidiary undertakings, whose principal activity is housing development, are wholly owned and registered in Great Britain.

The investments in subsidiaries within the Group are held by an intermediate parent undertaking, Alfred McAlpine Homes Limited which is registered in Great Britain.

Unlisted investments in associated undertakings:

| <u>Group</u> | <u>Shares at cost</u> | <u>Loans less provisions</u> | <u>Net post acquisition reserves</u> | <u>Total</u> |
|---------------------|-----------------------|------------------------------|--------------------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 January 1996 | 1 | 3,187 | (2,430) | 758 |
| Loan advances | - | 45 | - | 45 |
| Dividends received | <u>-</u> | <u>-</u> | <u>(85)</u> | <u>(85)</u> |
| At 31 December 1996 | 1 | 3,232 | (2,515) | 718 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

12 FIXED ASSET INVESTMENTS (CONTINUED)

The principal associated undertakings are:

| | |
|------------------------|------------------------------|
| Paycause Limited (33%) | Fairpine Limited |
| Bishops Park Limited | Compine Developments Limited |
| Knightpine Limited | |

All companies, whose principal activities are housing and general development, are incorporated in Great Britain and, unless otherwise indicated, the Group has a 50% shareholding.

13 STOCKS

| | <u>1996</u> | <u>Group</u> <u>1995</u> |
|--|----------------|-----------------------------|
| | <u>£'000</u> | <u>£'000</u> |
| Housing land and work in progress | 120,765 | 126,370 |
| Finished goods and goods for resale | <u>9,929</u> | <u>14,479</u> |
| | <u>130,694</u> | <u>140,849</u> |

The comparative figure for finished goods and goods for resale has been restated to include part-exchange properties of £14,479,000 which were disclosed as housing land and work in progress in 1995.

ALFRED McALPINE HOMES HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

14 DEBTORS

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------------|----------------------|----------------------|----------------------|
| | <u>1996</u> | <u>1995</u> | <u>1996</u> | <u>1995</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 6,473 | 5,878 | - | - |
| Amounts owed by group undertakings | 1,997 | 3,049 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 47,139 | 47,139 |
| Amounts owed by associated undertakings | 182 | 220 | - | - |
| Other debtors | 1,633 | 2,021 | - | - |
| Prepayments and accrued income | <u>190</u> | <u>988</u> | <u>-</u> | <u>-</u> |
| | 10,475 | 12,156 | 47,139 | 47,139 |
| Amounts falling due after more than one year: | | | | |
| Trade debtors | 244 | 366 | - | - |
| Deferred taxation (Note 17) | <u>48</u> | <u>172</u> | <u>-</u> | <u>-</u> |
| | 10,767 | 12,694 | 47,139 | 47,139 |
| | <u><u>10,767</u></u> | <u><u>12,694</u></u> | <u><u>47,139</u></u> | <u><u>47,139</u></u> |

15 CREDITORS (amounts falling due within one year)

| | <u>Group</u> | |
|---|----------------------|----------------------|
| | <u>1996</u> | <u>1995</u> |
| | £'000 | £'000 |
| Bank loans and overdrafts (secured) | 1,584 | 517 |
| Trade creditors | 36,851 | 20,889 |
| Amounts owed to group undertakings | 28,464 | 57,140 |
| Amounts owed to associated undertakings | 107 | 120 |
| Other creditors | 1,792 | 2,515 |
| Corporation tax | 930 | 1,258 |
| Taxation and social security | 483 | 251 |
| Accruals and deferred income | <u>4,535</u> | <u>3,826</u> |
| | 74,746 | 86,516 |
| | <u><u>74,746</u></u> | <u><u>86,516</u></u> |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

15 CREDITORS (amounts falling due within one year) (Continued)

Bank borrowings of £1,584,000 (1995 - £517,000) and other creditors for land purchases of £25,988,000 (1995 - £7,939,000) are secured by fixed and floating charges over the assets of certain subsidiaries.

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

| | <u>Group</u> | | <u>Company</u> | |
|--|---------------|---------------|----------------|---------------|
| | <u>1996</u> | <u>1995</u> | <u>1996</u> | <u>1995</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed to group undertakings (secured) | 10,000 | 10,000 | 10,000 | 10,000 |
| Other creditors | <u>475</u> | <u>4,015</u> | <u>-</u> | <u>-</u> |
| | <u>10,475</u> | <u>14,015</u> | <u>10,000</u> | <u>10,000</u> |

On 31 October 1991 the company entered into a loan agreement with Alfred McAlpine PLC 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 (formerly Alfred McAlpine Developments Limited) and its subsidiaries. The loan is interest-bearing and repayable in 2001.

Included in other creditors are amounts due for land purchases of £25,000 (1995 - £4,015,000) which are secured by fixed and floating charges over the assets of certain subsidiaries.

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

17 DEFERRED TAXATION

| | <u>Group</u> | | <u>Company</u> | |
|------------------------------|--------------|--------------|----------------|--------------|
| | <u>1996</u> | <u>1995</u> | <u>1996</u> | <u>1995</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Deferred tax asset (Note 14) | (48) | (172) | - | - |
| | <u>==</u> | <u>==</u> | <u>==</u> | <u>==</u> |

Group analysis of provided and potential deferred tax:

| | <u>Provided</u> | | <u>Potential</u> | |
|--------------------------------|-----------------|--------------|------------------|--------------|
| | <u>1996</u> | <u>1995</u> | <u>1996</u> | <u>1995</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Deferred taxation: | | | | |
| Accelerated capital allowances | (36) | (1) | (58) | (16) |
| Other timing differences | (12) | (171) | (165) | (50) |
| | (48) | (172) | (223) | (66) |
| | <u>==</u> | <u>==</u> | <u>==</u> | <u>==</u> |

| | <u>Deferred taxation asset £'000</u> |
|--------------------------------------|--|
| Movement in the year: | |
| At 1 January 1996 | (172) |
| Charge to profit and loss account | 179 |
| Adjustment in respect of prior years | (55) |
| At 31 December 1996 | (48) |
| | <u>==</u> |

It has been assumed that, in future years, group relief will be made available by the parent undertaking to enable this deferred tax asset to be recovered.

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

18 CALLED UP SHARE CAPITAL

| | <u>Group and Company</u> | |
|--|--------------------------|--------------|
| | <u>1996</u> | <u>1995</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> |
| | 14,000 | 14,000 |
| | <u>=====</u> | <u>=====</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> |
| | 13,542 | 13,542 |
| | <u>=====</u> | <u>=====</u> |

19 RESERVES

| | <u>Group and Company</u> |
|--|--------------------------|
| | £'000 |
| SHARE PREMIUM ACCOUNT | |
| At 1 January 1996 and 31 December 1996 | <u>23,657</u> |
| | <u>=====</u> |
| OTHER RESERVES | |
| | <u>Group and Company</u> |
| | £'000 |
| At 1 January 1996 and 31 December 1996 | <u>1,268</u> |
| | <u>=====</u> |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

20 PROFIT AND LOSS ACCOUNT

| | <u>Group</u> £'000 | <u>Company</u> £'000 |
|------------------------------|-----------------------|-------------------------|
| At 1 January 1996 | 19,276 | (59) |
| Retained profit for the year | <u>2,181</u> | <u>-</u> |
| At 31 December 1996 | <u>21,457</u> | <u>(59)</u> |

Cumulative goodwill arising on acquisitions written-off to the profit and loss account in respect of subsidiary undertakings amounts to £2,963,000 (1995 - £2,963,000).

21 LEASING COMMITMENTS

| | <u>1996</u> | | <u>1995</u> | |
|--------------------------------|--|-----------------------|--|-----------------------|
| | <u>Land and buildings</u> £'000 | <u>Other</u> £'000 | <u>Land and buildings</u> £'000 | <u>Other</u> £'000 |
| Operating leases which expire: | | | | |
| Within one year | 41 | 81 | 23 | 41 |
| Between two and five years | 314 | 408 | 147 | 371 |
| After five years | <u>144</u> | <u>-</u> | <u>97</u> | <u>144</u> |
| | <u>499</u> | <u>489</u> | <u>267</u> | <u>556</u> |

22 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | <u>Group</u> | | <u>Company</u> | |
|--|----------------------|----------------------|----------------------|----------------------|
| | <u>1996</u> £'000 | <u>1995</u> £'000 | <u>1996</u> £'000 | <u>1995</u> £'000 |
| Opening shareholders' funds | 57,743 | 54,809 | 37,140 | 37,453 |
| Profit for the financial year | 2,181 | 3,917 | - | 793 |
| Dividends | - | (1,106) | - | (1,106) |
| Capital reserve arising on acquisition | <u>-</u> | <u>123</u> | <u>-</u> | <u>-</u> |
| Closing shareholders' funds | <u>59,924</u> | <u>57,743</u> | <u>37,140</u> | <u>37,140</u> |

ALFRED McALPINE HOMES HOLDINGS LIMITED
(formerly Alfred McAlpine Developments Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996
(CONTINUED)

23 CAPITAL COMMITMENTS

No capital commitments were in existence for either the group or the company as at 31 December 1996 (1995 - £Nil).

24 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 31 December 1996.

25 RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material transactions with related parties:

The assignment, from Mr L Grove, son of Mr EW Grove, on normal commercial terms, of a development agreement for £0.5 million along with the lease of commercial premises from a company owned by Mr L Grove at a commercial annual rent of £0.1 million. Balances owing by the Group at the year-end to Mr L Grove in respect of these transactions were £0.1 million and £Nil, respectively.

The completion of the deferred consideration settlement with Mr EW Grove, who was a director for part of the year, for the minority holding of Alfred McAlpine Homes Holdings Limited. This is referred to in the financial statements of Alfred McAlpine PLC.

Two directors of the operating units within the Group, acquired properties for their own occupation from the Group during the year for an aggregate consideration of £0.2 million. These were acquired at discounts which are available to all McAlpine employees. There were no outstanding balances at the year-end.

26 PENSION COSTS

The Group is a member of the Alfred McAlpine Retirement Benefits Plan (1973) which is a defined benefit 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.

27 ULTIMATE PARENT UNDERTAKING

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.