

Touche  
Ross



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ALFRED McALPINE HOMES SOUTH LIMITED

ACCOUNTS

YEAR ENDED 31st OCTOBER 1989

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ALFRED McALPINE HOMES SOUTH LIMITED

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ALFRED McALPINE HOMES SOUTH LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report and the audited accounts for the year ended 31st October 1989.

1. PRINCIPAL ACTIVITIES

The company's principal activity is housebuilding.

2. REVIEW OF OPERATIONS

Results

The results for the year are set out on page 4 of the accounts.

Dividends

The directors recommend payment of a dividend of £3,000,000 (1988 - £1,850,000).

Financial review

During the year under review the housing market in the South East of England continued to deteriorate, adversely affecting profits earned. Firm action has been taken to mitigate the effect of the depressed market and the company is operating effectively under these conditions.

The company therefore has every confidence that it will be in a prime position to take full advantage of any future improvement in the market.

3. DIRECTORS

(a) Members of the Board

The following directors served during the year:

P.J. Davies	(Chairman)
E.W. Grove	(Appointed 8th December 1989)
T.J. Gunner	(Resigned 30th April 1989)
P. Phipps	(Resigned 1st January 1989)
M.J. Rice	(Resigned 27th February 1989)
W.A. Oliver	
R. Gray	
G. Perry	(Resigned 31st October 1989)
A.G. Sawyer	(Appointed 20th February 1989, resigned 30th April 1989)
A.W.R. Burton	(Appointed 30th November 1989, resigned 30th April 1989)
T.V. Flower	(Appointed 25th April 1989)
D.P. Wood	(Appointed 25th May 1989, resigned 21st November 1989)
S.F. Board	(Appointed 1st June 1989)
K. Grainger	(Appointed 1st April 1989, resigned 21st November 1989)
M. Dobner	(Appointed 11th September 1989)
K. Wills	(Appointed 2nd October 1989)

The directors retiring by virtue of having been appointed since the last Annual General Meeting are Messrs. S.F. Board, M. Dobner, T.V. Flower, E.W. Grove and K. Wills, who being eligible, offer themselves for re-election.



ALFRED McALPINE HOMES SOUTH LIMITED

REPORT OF THE DIRECTORS (continued)

3. DIRECTORS (continued)

(b) Interest in Contracts

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.

4. FIXED ASSETS

The movements in fixed assets are shown in note.9 to the accounts.

5. CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable	£748
Political	Nil

6. AUDITORS

Touche Ross & Co. have confirmed their willingness to accept re-appointment for a further term in accordance with the provisions of the Companies Act 1985.

BY ORDER OF THE BOARD

SECRETARY

20 July 1990



## Chartered Accountants

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## REPORT OF THE AUDITORS TO THE MEMBERS OF

### ALFRED McALPINE HOMES SOUTH LIMITED

We have audited the accounts and notes on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the state of the company's affairs at 31st October 1989 and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

TOUCHE ROSS & CO.  
Chartered Accountants,  
London.

20 July 1990

Member  
**DRT** International

Aberdeen, Belfast, Birmingham, Blackpool, Bristol, Cardiff, Coleraine, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Newport, Newry and Swansea

Principal place of business at which a list of partners' names is available  
Hill House, 1 Little New Street, London EC4A 3TR

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business



ALFRED McALPINE HOMES SOUTH LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st OCTOBER 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
TURNOVER	1	38,881,267	29,501,302
Cost of sales		<u>36,045,358</u>	<u>22,128,960</u>
GROSS PROFIT		2,835,909	7,372,342
Operating costs	2	<u>1,104,918</u>	<u>1,111,072</u>
OPERATING PROFIT		1,730,991	6,261,270
Interest receivable	3	34,884	62,861
Interest payable	4	<u>(1,808,615)</u>	<u>(661,094)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,5	(42,740)	5,663,037
Tax on (loss)/profit on ordinary activities	6	<u>276,155</u>	<u>1,936,529</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(318,895)	3,726,508
Dividends	7	<u>3,000,000</u>	<u>1,850,000</u>
(LOSS)/PROFIT TRANSFERRED (FROM)/TO RESERVES	17	<u>(3,318,895)</u> =====	<u>1,876,508</u> =====



ALFRED McALPINE HOMES SOUTH LIMITED

BALANCE SHEET

YEAR ENDED 31st OCTOBER 1989

	<u>Notes</u>	£	<u>1989</u>	£	£	<u>1988</u>	£
FIXED ASSETS							
Tangible assets	9		257,180			252,917	
Investments	10		<u>102</u>			<u>100</u>	
			257,282			253,017	
CURRENT ASSETS							
Stocks	11	28,338,028		35,751,078			
Debtors	12	2,249,764		900,024			
Cash at bank and in hand		<u>43,405</u>		<u>241,603</u>			
		30,631,197		36,892,705			
CREDITORS: Amounts falling due within one year	13	<u>27,912,596</u>		<u>29,359,136</u>			
NET CURRENT ASSETS			<u>2,718,601</u>			<u>7,533,569</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			2,975,883			7,786,586	
CREDITORS: Amounts falling due after one year	14		-			1,492,130	
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>1,530</u>			<u>1,208</u>	
			<u>2,974,353</u>			<u>6,293,248</u>	
CAPITAL AND RESERVES							
Called up share capital	16		200,000			200,000	
Profit and loss account	17		<u>2,774,353</u>			<u>6,093,248</u>	
			<u>2,974,353</u>			<u>6,293,248</u>	

These accounts and notes were approved by the Board of Directors on  
20 July 1990.

P.J. DAVIES

W.A. OLIVER

Directors



ALFRED McALPINE HOMES SOUTH LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31st OCTOBER 1989

	£	1989	£	1988	£
SOURCE OF FUNDS					
(Loss)/profit before taxation			(42,740)		5,663,037
Adjustments not involving movements of funds:-					
Depreciation	89,642			97,263	
Profit on disposal of fixed assets	(661)			(2,077)	
		88,981			95,186
TOTAL GENERATED FROM OPERATIONS		46,241			5,758,223
Proceeds of sale of fixed assets		79,547			18,165
		125,788			5,776,388
APPLICATION OF FUNDS					
Purchase of investments	2			-	
Dividend paid	4,850,000			1,300,000	
Taxation paid	801,306			1,227,153	
Purchase of fixed assets	172,791			106,582	
		(5,824,099)			(2,633,735)
		(5,698,311)			3,142,653
MOVEMENT IN WORKING CAPITAL					
Decrease/(increase) in stocks	7,413,050			(16,051,244)	
Increase in debtors	(1,349,740)			(338,893)	
(Decrease)/increase in creditors	(664,296)			13,345,670	
		5,399,014			(3,044,467)
		(299,297)			98,186
		=====			=====
MOVEMENT IN NET LIQUID FUNDS					
(Decrease)/increase in cash at bank and in hand balances			(198,198)		98,186
Increase in bank loans and overdrafts			(101,099)		-
			(299,297)		98,186
			=====		=====





ALFRED McALPINE HOMES SOUTH LIMITED

ACCOUNTING POLICIES

YEAR ENDED 31st OCTOBER 1989

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) 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%

(c) Stocks

Stocks, representing land held 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.

(d) Turnover

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

(e) Deferred taxation

Deferred taxation is provided on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future. Provision is made at the tax rates applicable to the period when it is anticipated that the timing differences will reverse.

(f) Land options

Option payments made by the company to secure future land purchase opportunities are written off on a straight line basis over the length of the option period. All options are reviewed annually by the directors to establish whether or not any further amortisation needs to be provided.



ALFRED McALPINE HOMES SOUTH LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31st OCTOBER 1989

1. TURNOVER

	<u>1989</u> £	<u>1988</u> £
Analysis of turnover		
Housebuilding - U.K.	38,881,267 =====	29,501,302 =====
Analysis of (losses)/profits		
Housebuilding - U.K.	(42,740) =====	5,663,037 =====

2. OPERATING COSTS

Administration costs	1,104,918 =====	1,111,072 =====
----------------------	--------------------	--------------------

3. INTEREST RECEIVABLE

Interest from banks	14,152	18,358
Other interest	<u>20,732</u>	<u>44,503</u>
	34,884 =====	62,861 =====

4. INTEREST PAYABLE

Bank loans and overdrafts repayable within five years	9,035	-
Interest to group companies	1,594,722	390,181
Other interest	<u>204,858</u>	<u>270,913</u>
	1,808,615 =====	661,094 =====



ALFRED McALPINE HOMES SOUTH LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31st OCTOBER 1989

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES  
BEFORE TAXATION

	<u>1989</u> £	<u>1988</u> £
is after charging:		
Directors' emoluments (note 8)	261,173	274,357
Depreciation of tangible fixed assets	89,642	97,263
Auditors' remuneration	25,000	20,000
	=====	=====
and after crediting:		
Profit on disposal of fixed assets	(661)	(2,077)
	=====	=====

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Corporation tax at 35% (1988-35%)	275,833	1,992,017
Deferred taxation	322	1,208
Prior year adjustments	-	(56,696)
	-----	-----
	276,155	1,936,529
	=====	=====

The tax charge for the year is disproportionate to the loss for the year due to the write off of loans to related companies which is disallowable for tax purposes.

7. DIVIDENDS

Dividends paid of £15 per share (1988 - £9.25)	3,000,000	1,850,000
	=====	=====

8. DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

Executive remuneration	249,445	256,207
Pension contributions	11,728	18,150
	-----	-----
	261,173	274,357
	=====	=====
Emoluments excluding pension contributions		
Chairman	-	-
	=====	=====
Highest paid director	51,688	73,953
	=====	=====



ALFRED McALPINE HOMES SOUTH LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31st OCTOBER 1989

8. DIRECTORS AND EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	<u>1989</u>	<u>1988</u>
Number of other directors in the scale	Number	Number
£ 0 - £ 5,000	6	1
£10,001 - £15,000	2	-
£15,001 - £20,000	3	-
£25,001 - £30,000	1	2
£30,001 - £35,000	1	-
£35,001 - £40,000	-	2
£45,001 - £50,000	1	-
£55,001 - £60,000	-	1
£70,001 - £75,000	-	1

(b) Employee costs during the year, including directors

	£	£
Wages and salaries	838,959	732,432
Social security costs	73,884	56,720
Other pension costs	<u>30,033</u>	<u>30,114</u>
	942,876	819,266
	=====	=====

Average number employed during the year, including directors

	Number	Number
Production	3	1
Sales	37	23
Administration	<u>26</u>	<u>29</u>
	66	53
	===	===

(c) Directors' interests in share capital

The shareholding of P.J. Davies in Alfred McAlpine PLC is shown in the notes to the accounts of that company. No other director held any shares in the company or in Alfred McAlpine PLC during the year.

On 20th November 1989 Messrs. P.J. Davies, W.A. Oliver and T.V. Flower were granted options over the ordinary shares of Alfred McAlpine Developments Limited. Details of these options are shown in the notes to the accounts of Alfred McAlpine Homes Limited.

On 20th November 1989 R. Gray was granted options over 10,000 ordinary shares of Alfred McAlpine Developments Limited at a price of 116p per ordinary share.



ALFRED McALPINE HOMES SOUTH LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31st OCTOBER 1989

9. TANGIBLE FIXED ASSETS

	Office equipment and motor vehicles £
Cost:	
At 1st November 1988	434,913
Additions	139,707
Disposals	(129,520)
Intra-group transfers	<u>56,588</u>
At 31st October 1989	<u>501,688</u>
Depreciation:	
At 1st November 1988	181,996
Provided during the year	89,642
Disposals	(50,634)
Intra-group transfers	<u>23,504</u>
At 31st October 1989	<u>244,508</u>
Net book value at 31st October 1989	<u>257,180</u>
Net book value at 31st October 1988	<u>252,917</u>

10. INVESTMENTS HELD AS FIXED ASSETS

	<u>1989</u> £	<u>1988</u> £
(a) Investment in subsidiary	<u>100</u> =====	<u>100</u> =====

The investment, which is stated at cost, represents a 100% interest in Alfred McAlpine Southern Developments Limited incorporated in Great Britain, whose principal activity is that of industrial development.

(b) Investments in related companies:

Unlisted shares at cost	£
Additions in year	<u>2</u>
At 31st October 1989	<u>2</u> ===

The related companies are Cheamland Developments Limited and St. Annes Village Limited, companies incorporated in Great Britain whose principal activity is housing development. The company has a 50% shareholding in these companies.

ALFREO McALPINE HOMES SOUTH LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31st OCTOBER 1989

10. INVESTMENTS HELD AS FIXED ASSETS (continued)

Using the equity method of accounting the company's share of the results of the related companies for the year would be as follows:

	<u>1989</u> £	<u>1988</u> £
Share of loss before taxation	1,223,130	-
Share of tax credit	<u>428,095</u>	<u>-</u>
Share of loss after taxation	795,035 =====	- =====

The value of the investment in the related companies using the equity method of accounting would be as follows:

Shares at cost	2	-
Share of post acquisition losses	<u>(795,035)</u>	<u>-</u>
	(795,033) =====	- =====

11. STOCKS

Work in progress	28,338,028 =====	35,751,078 =====
------------------	---------------------	---------------------

12. DEBTORS

Falling due within one year:

Amounts owed by group companies	-	9,862
Amounts owed by related companies	897,066	-
Prepayments and accrued income	17,324	4,954
Other debtors	<u>1,281,339</u>	<u>885,208</u>
	2,195,729	900,024

Falling due after more than one year:

Other debtors	<u>54,035</u>	<u>-</u>
	2,249,764 =====	900,024 =====



ALFRED McALPINE HOMES SOUTH LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31st OCTOBER 1989

13. CREDITORS

	<u>1989</u> £	<u>1988</u> £
Amounts falling due within one year:		
Bank loans and overdraft	101,099	-
Payments received on account	-	175,807
Amounts owed to group companies	16,035,645	12,218,938
Trade creditors	8,918,722	11,913,141
Accruals and deferred income	592,691	14,720
Taxation and social security	1,731,404	2,256,877
Other creditors	533,035	929,653
Proposed dividends	-	1,850,000
	<u>27,912,596</u> =====	<u>29,359,136</u> =====

Included within trade creditors there are £8,202,131 (1988 - £11,418,923) of land creditors secured on assets of the company.

14. CREDITORS

Amount falling due after one year:

Trade creditors	-	1,492,130
	<u>=====</u>	<u>=====</u>

Included within trade creditors there are £Nil (1988 - £1,492,130) of land creditors secured on assets of the company.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1st November 1988 £	Charged to Profit and loss account £	Balance at 31st October 1989 £
Deferred taxation	1,208	322	1,530
	<u>=====</u>	<u>=====</u>	<u>=====</u>

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

	<u>1989</u>	<u>1988</u>
	Amount provided £	Amount provided £
Capital allowances in excess of depreciation	1,530	1,208
	<u>=====</u>	<u>=====</u>

Total  
potential  
tax  
£

Total  
potential  
tax  
£

1,530

1,208



ALFRED McALPINE HOMES SOUTH LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31st OCTOBER 1989

16. CALLED UP SHARE CAPITAL

	<u>1989</u> £	<u>1988</u> £
Authorised, allotted and fully paid:		
Ordinary shares of £1 each	200,000 =====	200,000 =====

17. PROFIT AND LOSS ACCOUNT

At 1st November 1988	6,093,248	4,216,740
Transfer to profit and loss	(3,318,895)	1,876,508
At 31st October 1989	2,774,353 =====	6,093,248 =====

18. CONTINGENT LIABILITIES

There are contingent liabilities in respect of land purchase commitments of certain related companies up to a maximum of £9,475,000 and a composite guarantee and debenture agreement in respect of Alfred McAlpine Developments Limited group bank borrowings. At 31st October 1989 the land purchase commitment was £9,475,000.

19. PENSION COSTS

The company is a member of a defined Benefit Pension Scheme administered through Alfred McAlpine PLC. The Alfred McAlpine Retirement Benefits Plan (1973) provides benefits based on final pensionable salary for eligible employees. The assets of the Scheme are held separately from the Group and are managed on the Trustees behalf by investment managers Hill Samuel Investment Management Ltd, Martin Currie Investment Management Ltd and Mercury Asset Management Ltd. The Plan is funded by contributions from the employer and employee and returns achieved by investments. The contributions of the employer are charged to the Profit and Loss account so as to spread the cost over the employees working lives.

The contributions are determined by a qualified actuary using the projected unit method. The most recent valuation was at 1 June 1989.

20. ULTIMATE HOLDING COMPANY

The ultimate holding company is Alfred McAlpine PLC which is incorporated in Great Britain.