

K I. (INVESTMENTS) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

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The directors present their annual report and audited financial statements for the year ended 30 June 2006

**1 PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the Company is an investment holding company

**2 RESULTS AND DIVIDENDS**

	2006 £	2005 £
The profit for the year after taxation		
Dealt with in the accounts is	<u>2,259,415</u>	<u>2,164,304</u>
Dividends - final proposed	(1,900,000)	-
Dividends - interim paid	<u>(2,227,451)</u>	<u>-</u>

The dividend paid by the Company during the year ended 30 June 2005 has been restated owing to the adoption of Financial Reporting Standard 21 "Events after the balance sheet date" The impact of the accounting change is that dividends are recognised only in the period in which they are paid

The Company paid dividends of £4,127,451 (2005 £Nil) in the year The Directors propose a final dividend of £nil (2005 £1,900,000)

**3 DIRECTORS**

The directors of the Company during the year were -

R A Haller BSc MICE	Resigned 11 November 2005
P J Cave MBA MEng CEng MICE MIMarE	Appointed 11 November 2005
D J Cox ACMA	Resigned 19 August 2005
T P Davies ACA	Appointed 19 August 2005

The Articles of Association of the Company provide for the indemnification of its Directors out of the assets of the Company in the event that they suffer any loss or liability in the execution of their duties as directors The Company has insurance in favour of its officers in respect of certain losses or liabilities to which they may be exposed due to their office

**4 DIRECTORS' INTERESTS**

There were no directors' share interests recorded in the register kept in accordance with the provisions of Section 325 of the Companies Act 1985 Any interests or rights of directors who were also directors of the holding company or the ultimate holding company at 30 June 2006 appear in the directors' report of that company

**5 DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to 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 these financial statements, the directors are required to:

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

5 DIRECTORS' RESPONSIBILITIES (continued)

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

6 AUDITOR

As far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware and each of us has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

A resolution to reappoint the auditor, KPMG Audit Plc, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



T P Davies  
DIRECTOR

Tempsford Hall  
Sandy  
Bedfordshire  
SG19 2BD

12 September 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF K.I (INVESTMENTS) LIMITED**

We have audited the financial statements of K I (Investments) Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for all audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page number 1, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG Audit PLC  
Chartered Accountants  
Registered Auditor  
12 September 2006

**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 JUNE 2006**

	Notes	2006 £	2005 As restated (1) £
Income from shares in subsidiary undertakings		2,227,451	2,229,000
Amounts written back/(provided) for diminution in value of investments in subsidiary undertakings		435,509	(64,696)
Write off investment in subsidiary undertaking		(1,038,000)	-
Profit/(loss) on disposal of investment		634,455	-
		<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE AND AFTER TAXATION</b>	<b>2</b>	<b>2,259,415</b>	<b>2,164,304</b>
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(1) See note 1 of Accounting Policies

The results shown above relate to continuing operations

There are no recognised gains or losses other than the profit for the year

The notes on pages 6 to 9 form part of these accounts

**BALANCE SHEET AT 30 JUNE 2006**

	Notes	2006 £	2005 As restated (1) £
<b>FIXED ASSETS</b>			
Investments	4	74,730	1,361,986
<b>CURRENT ASSETS</b>			
Debtors due within one year	5	269,608	860,694
<b>CURRENT LIABILITIES</b>			
Creditors - amounts falling due within one year	6	(303,331)	(313,638)
<b>NET CURRENT ASSETS</b>		(33,723)	547,056
<b>NET ASSETS</b>		41,007	1,909,042
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	100	100
Profit and loss account	8	40,907	1,908,942
<b>SHAREHOLDERS' FUNDS</b>	9	41,007	1,909,042

The accounts were approved by the Board of Directors on 12 September 2006 and were signed on its behalf by -



T P Davies ) Director

(1) See note 1 of Accounting Policies

The notes on pages 6 to 9 form part of these accounts

**Notes to the financial statements****1 Accounting policies****Convention**

The financial statements are prepared under the historical cost convention, on a going concern basis, and in accordance with the Companies Act 1985 and applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Under FRS1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is wholly owned subsidiary undertaking.

During the year, the Company adopted FRS21 "Events after the Balance Sheet Date" which superseded SSAP17. Under the new standard, final dividends payable and receivable are recognised only in the period in which they are declared and therefore become a liability and interim dividends are recognised in the period in which they are paid, whereas under SSAP17 dividends were accrued for when proposed. This has resulted in an increase of £1,900,000 in retained profit for the year ended 30 June 2005, and an increase in reserves of £1,900,000 at 30 June 2005.

The Company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group financial statements and to deliver them to the Registrar of Companies as it is a wholly owned subsidiary of another company incorporated in Great Britain.

**Foreign currencies**

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting foreign currency denominated assets and liabilities are translated at the exchange rates ruling at the balance sheet date unless they are covered by forward foreign exchange contracts in which case the contract rates are used. Exchange differences arising from foreign currency transactions are reflected in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the exchange rates ruling at the balance sheet date. Trading profits or losses are translated at the average exchange rates prevailing during the accounting period. Exchange differences arising from the re-translation of net investments in overseas subsidiary undertakings at the year end rates are taken directly to reserves. All other translation differences are reflected in the profit and loss account.

**2. Information relating to directors, employees and profit before taxation**

The directors' emoluments and auditors' remuneration are paid through holding companies.

No persons were employed by the Company during the year (2005 Nil)

The directors of the Company participate in the Kier Group 1999 Long Term Incentive Plan, which is dependent upon performance of Kier Group plc over a three year period. Full details of the plan are disclosed in the Kier Group plc accounts. There are no costs in respect of this scheme recorded in these accounts.

**3. Taxation**

<b>(a) Analysis of charge/(credit) in period</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Current tax (FRS 16)		
UK corporation tax on profits for the year at 30%	-	-
Tax on profit on ordinary activities (note 3 (b))	-	-
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## Notes to the financial statements (continued)

## 3 Taxation (continued)

(b): Factors affecting the tax charge/(credit) for period	2006 £	2005 £
Profit on ordinary activities before tax	2,259,415	2,164,304
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	677,825	649,291
Effects of		
Income from shares in subsidiary undertakings	(668,235)	(668,700)
Amounts provided for diminution in value of investments in subsidiary undertakings	(130,653)	19,409
Write off investment in subsidiary undertaking	311,400	-
Profit on sale of investment	(190,337)	-
Current tax charge for period (note 3 (a))	-	-

## (c) Factors that may affect future tax charges

The Company is not aware of any significant factors that may affect future tax charges

## 4 Fixed assets – investments

	Cost £	Provision for Diminution in Value £	Net Book Value £
Cost at 1 July	1,883,121	(521,135)	1,361,986
Disposal in year	(1,723,545)	431,859	(1,291,686)
Additions in year	11,085	-	11,085
Movements during the year		(6,655)	(6,655)
	<u>170,661</u>	<u>(95,931)</u>	<u>74,730</u>

## 5 Debtors

	2006 £	2005 £
Amounts falling due within one year		
Amounts due from parent undertaking	61,074	860,694
Amounts due from subsidiary undertakings	208,534	-
	<u>269,608</u>	<u>860,694</u>

## Notes to the financial statements (continued)

## 6 Creditors

	2006 £	2005 £
Amounts falling due within one year		
Amounts provided against losses in subsidiary undertakings	303,331	313,638
	<u>          </u>	<u>          </u>

## 7. Called up share capital

	2006 £	2005 £
Ordinary shares of £1 each Authorised	1,000	1,000
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid	100	100
	<u>          </u>	<u>          </u>

## 8. Profit and loss account

	2006 £	2005 £
At 1 July (as previously restated)	8,942	(255,362)
Prior period adjustment in relation to dividends payable (note1)	1,900,000	-
	<u>          </u>	<u>          </u>
At 1 July (as restated)	1,908,942	(255,362)
Profit for the financial year	2,259,416	2,164,304
Dividends	(4,127,451)	-
	<u>          </u>	<u>          </u>
At 30 June	40,907	1,908,942
	<u>          </u>	<u>          </u>

## Notes to the financial statements (continued)

## 9. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit/(loss) for the financial year	2,259,416	2,164,304
Dividends	(4,127,451)	-
Net movement in shareholders' funds	(1,868,035)	2,164,304
Shareholders' funds at 1 July	9,042	(255,262)
Prior period adjustment in relation to dividends payable (note 1)	1,900,000	-
At 1 July (as restated)	1,909,042	(255,262)
Shareholders' funds at 30 June	41,007	1,909,042

## 10 Transactions with related parties

The ultimate holding company is Kier Group plc. In accordance with paragraph 3 (c) of Financial Reporting Standard No 8 "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the group. There are no other related party transactions.

## 11 Contingent liabilities

There are contingent liabilities in respect of guarantees and claims under contracting and other agreements, including joint arrangements, entered into in the normal course of business.

## 12 Ultimate holding company

The Company is a wholly-owned subsidiary of Kier International Limited. The ultimate holding company is Kier Group plc. The parent of the largest group for which group accounts have been drawn up is Kier Group plc and the parent of the smallest group for which accounts, including the Company, have been drawn up is Kier International Limited. Both these parent companies are registered in England and copies of their accounts will be filed with Companies House, Crown Way, Cardiff where they will be available to the public.