

Birch Homes Limited

Directors' Report and Financial Statements

31 December 2001

Registered Number 2196684



Directors' Report and Financial Statements

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Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2001.

Review of the Business

On 1 January 2001, the trade and assets of the company were transferred to The Miller Group Limited, the company's ultimate parent company

The company did not trade during the year. The directors do not recommend the payment of a dividend.

Directors and Directors' Interests

The Directors who held office during the year were as follows:

K M Miller
J S Richards
P J Gadsby
C J Endsor
C J Neve (resigned 31 July 2001)
A J Noton
J A Goodman
R M Hepwood

None of the Directors who held office at the end of the financial year had any interest in the share capital of the company. The interests of the directors in the shares of The Miller Group Limited, the parent company, are shown in the accounts of that company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By order of the board


Iain MacKinnon
Secretary

14 June 2002

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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.

Independent Auditors' Report to the Members of Birch Homes Limited

We have audited the financial statements on pages 4 to 12.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 Companies Act 1985. We also report to you if, in our opinion, the Directors' 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 Directors' remuneration and transactions with the company is not disclosed.

Basis of Audit 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 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

**KPMG
Chartered Accountants
Registered Auditors**

14 June 2002

Profit and Loss Account

for the year ended 31 December 2001

	<i>Note</i>	12 months to 31 December 2001 £000	15 months to 31 December 2000 £000
Turnover	1	-	46,471
Cost of Sales		-	(37,085)
Gross profit		-	9,386
Administrative expenses		-	(2,488)
Operating profit		-	6,898
Interest payable and similar charges	4	-	(1,443)
Profit on ordinary activities before taxation	5	-	5,455
Tax on profit on ordinary activities	6	-	(2,168)
Profit for the financial period		-	3,287
Dividends on equity shares	7	-	(3,100)
Retained profit for the period	15	-	187

There are no recognised gains or losses other than those disclosed above.

On 1 January 2001, the company's trade and assets were transferred to its ultimate parent company, the Miller Group Limited.

Balance sheet
at 31 December 2001

	Note	31 December 2001 £000	31 December 2000 £000
Fixed assets			
Tangible assets	8	-	274
Current assets			
Stocks	9	-	32,244
Debtors	10	6,264	376
		<hr/> 6,264	<hr/> 32,620
Creditors: amounts falling due within one year	11	-	(26,437)
		<hr/>	<hr/>
Net current assets		6,264	6,675
Total assets less current liabilities		6,264	6,949
Creditors: amounts falling due after more than one year	12	-	(193)
		<hr/>	<hr/>
Net assets		6,264	6,756
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	6,264	6,264
		<hr/>	<hr/>
Equity shareholders' funds	16	6,264	6,264
		<hr/>	<hr/>

These accounts were approved by the board of Directors on 14 June 2002 and were signed on its behalf by:



Keith M Miller
Director

Notes

(forming part of the financial statements)

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard 1, to prepare a cash flow statement, as it is a wholly owned subsidiary of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 16.

Turnover

Turnover represents the value of new house sales and land invoiced during the year, exclusive of value added tax.

Amounts invoiced in respect of the sale of part exchange houses have been treated as a reduction in cost of sales and are not included in turnover.

Stocks

Stocks are stated at the lower of cost and net realisable value. In respect of finished goods and work in progress, cost represents the cost of purchase and an appropriate proportion of fixed and variable overheads. Net realisable value is the estimated selling price after allowing for the cost of realisation.

Land options

Options to purchase land for housing developments are carried within stock.

If at any stage the directors foresee that an option will not be exercised, the option cost is immediately written off to the profit and loss account.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	25%
Fixtures and fittings	25%

Notes (continued)

Leases and hire purchase

Assets acquired under finance leases and similar hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors. Rental payments are apportioned between the finance element, which is charged to the profit and loss account and the capital element which reduces the outstanding lease obligations.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. Net debit balances are recognised as assets only to the extent that they are expected to be recovered.

Pension costs

Contributions to the defined contribution pension scheme are charged to the profit and loss account in the year in which they are incurred.

2. Staff numbers and costs

The average number of persons employed by the company, including directors, during the year was as follows:

	12 Months to 31 December 2001 Number	15 months to 31 December 2000 Number
Production and sales	-	57
Management and administration	-	31
	<hr/> -	<hr/> 88
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	12 Months to 31 December 2001 £000	15 Months to 31 December 2000 £000
Wages and salaries	-	2,286
Social security costs	-	220
Other pension costs	-	54
	<hr/> -	<hr/> 2,560
	<hr/>	<hr/>

Notes *(continued)*

3. Directors' emoluments

	12 Months to 31 December 2001 £000	15 months to 31 December 2000 £000
Emoluments for qualifying services	-	407
Company contributions to money purchase pension scheme	-	9
	<u>-</u>	<u>416</u>
	<u>-</u>	<u>416</u>

Retirement benefits are accruing to no directors (2000: four) under a money purchase pension scheme.

4. Interest payable and similar charges

	12 Months to 31 December 2001 £000	15 months to 31 December 2000 £000
On bank loans and overdrafts	-	1,427
Finance charges payable in respect of finance leases and hire purchase contracts	-	16
	<u>-</u>	<u>1,443</u>
	<u>-</u>	<u>1,443</u>

5. Profit on ordinary activities before taxation

	12 Months to 31 December 2001 £000	15 months to 31 December 2000 £000
<i>This is stated after charging / (crediting) the following:</i>		
Depreciation of tangible fixed assets	-	178
Operating lease rentals - hire of plant and machinery	-	632
- land and buildings	-	32
Auditors' remuneration - audit services	-	8
Profit on sale of fixed assets	-	(3)
	<u>-</u>	<u>815</u>
	<u>-</u>	<u>815</u>

Notes (continued)

6. Taxation

	12 Months to 31 December 2001 £000	15 months to 31 December 2000 £000
UK corporation tax at 30% (2000: 30.0%)	-	1,662
Losses surrendered (for no consideration)	-	516
Deferred taxation	-	(10)
	<hr/>	<hr/>
	-	2,168
	<hr/>	<hr/>

7. Dividends

	12 Months to 31 December 2001 £000	15 months to 31 December 2000 £000
Equity dividends paid	-	3,100
	<hr/>	<hr/>

8. Tangible fixed assets

	Fixtures and Fittings £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2001	142	550	692
Group transfers	(142)	(550)	(692)
At 31 December 2001	<hr/> -	<hr/> -	<hr/> -
Depreciation			
At 1 January 2001	116	302	418
Group transfers	(116)	(302)	(418)
At 31 December 2001	<hr/> -	<hr/> -	<hr/> -
Net Book Value			
At 31 December 2001	<hr/> -	<hr/> -	<hr/> -
At 31 December 2000	<hr/> 26	<hr/> 248	<hr/> 274

Notes (continued)

8. Tangible fixed assets (continued)

The net book value and depreciation charged on fixed assets under hire purchase contracts included in the above analysis is as follows:

	12 Months to 31 December 2001 £000	15 Months to 31 December 2000 £000
Net book value	-	178
Depreciation	-	74

9. Stocks

	2001 £000	2000 £000
Land for development	-	18,642
Work in progress	-	8,377
Finished goods and goods for resale	-	5,225
	-	32,244

Finished goods represents showhouses and properties awaiting legal completion.

10. Debtors

	2001 £000	2000 £000
Trade debtors	-	206
Amounts due by parent company	6,264	-
Other debtors	-	91
Prepayments and accrued income	-	79
	6,264	376

Notes (continued)

11. Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank loans and overdrafts	-	17,003
Obligations under finance leases and hire purchase contracts	-	74
Payments received on account – customer deposits	-	92
Trade creditors	-	656
Amounts owed to group undertakings	-	1,029
Corporation tax	-	719
Other taxes and social security	-	18
Other creditors	-	4,888
Accruals and deferred income	-	1,958
	<hr/>	<hr/>
	-	26,437
	<hr/>	<hr/>

12. Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Obligations under finance leases and hire purchase contracts	-	26
Other creditors	-	167
	<hr/>	<hr/>
	-	193
	<hr/>	<hr/>

13. Obligations under finance leases and hire purchase contracts

The hire purchase payments to which the company was committed at 31 December 2001 are due within the following periods from the balance sheet date.

	2001 £000	2000 £000
Within one year	-	82
Between two and five years	-	28
	<hr/>	<hr/>
	-	110
Less: interest allocated to future periods	-	(10)
	<hr/>	<hr/>
	-	100
	<hr/>	<hr/>

Notes (continued)

14. Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	-	-
	<hr/>	<hr/>

15. Reconciliation of movement in shareholders' funds

	12 Months to 31 December 2001 £000	15 months to 31 December 2000 £000
Profit for the financial period	-	3,287
Less dividends	-	(3,100)
	<hr/>	<hr/>
	-	187
Opening shareholders' funds	6,264	6,077
	<hr/>	<hr/>
Closing shareholders' funds	6,264	6,264
	<hr/>	<hr/>

16. Ultimate parent company

The ultimate parent company is The Miller Group Limited, which is registered in Scotland and incorporated in Great Britain. The accounts of The Miller Group Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.