

Twigden Homes Limited

Directors' report and financial statements

30 June 1999

Registered number 2205712



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1999.

Principal activities

The company's principal activity is as a private sector housebuilder.

Business review

The company has continued to trade profitably throughout the year.

Proposed dividend

The directors recommend that a final ordinary dividend of £3,184,000 be paid.

Year 2000 Statement

The Company is a member of Kier Group plc which has established a working party to manage the business risks relevant to Year 2000 compliance. Critical systems operating within the Company have been identified and where necessary are being either modified or replaced. The Directors consider the costs of compliance are not material.

The Company, in consultation with its major trading partners, has identified critical areas and sought confirmation that these risks have been mitigated.

Directors and directors' interests

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

C. R. W. Busby resigned 12 October 1998

D. V. Brand resigned 12 October 1998

D. Homer

G.D. Baker

K. Dixon

R.W. Gregory

J.G. Hodgetts

R.P. Page resigned 1 July 1998

A. E. Jones appointed 1 July 1998

A. P. Walkerdine appointed 1 February 1999

The directors had the following interests in the "A" ordinary shares of Kier Group plc;

	30 June 1999		1 July 1998	
			or later date of appointment	
	Shares	Options	Shares	Options
G. D. Baker	2,812	688	6,452	688
J. G. Hodgetts	27,588	6,868	27,588	6,868
A. E. Jones	147	-	147	-

No options were exercised or lapsed during the period under review.

Any directors who were also directors of the parent company or the ultimate parent company at 30 June 1999 appear in the Directors' Report of that company.

Directors' report (*continued*)

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 for that period. In preparing those financial statements, the directors are required to:

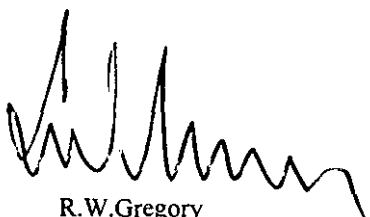
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

Auditors

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

By order of the board



R.W. Gregory
Secretary

The Shrubbery
Church Street
St. Neots
Cambridgeshire
PE19 2BU
17 September 1999

KPMG Audit Plc

37 Hills Road
Cambridge
CB2 1XL

Report of the auditors, KPMG Audit Plc, to the members of Twigden Homes Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2 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 the company's affairs as at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

17 September 1999

Profit and loss account
for the year ended 30 June 1999

	<i>Note</i>	1999 £	1998 £
Turnover		65,692,261	35,848,750
Cost of sales		(57,677,891)	(31,009,525)
Gross profit		<hr/> 8,014,370	<hr/> 4,839,225
Administrative expenses		(1,597,497)	(1,295,737)
Operating profit		<hr/> 6,416,873	<hr/> 3,543,488
Other income	3	34,565	35,533
Income from shares in group undertakings	2	1,558,000	555,000
Interest Receivable	3	15,480	29,776
Interest Payable	4	(2,342,838)	(1,748,560)
Profit on ordinary activities before taxation	5	<hr/> 5,682,080	<hr/> 2,415,237
Tax on profit on ordinary activities	8	(1,753,692)	(655,801)
Profit for the financial year		<hr/> 3,928,388	<hr/> 1,759,436
Dividends on equity shares	9	(3,184,000)	(1,375,000)
Retained profit for the year		<hr/> <hr/> 744,388	<hr/> <hr/> 384,436

The company had no recognised gains and losses other than the profit for the year.

Balance sheet

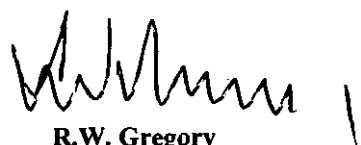
At 30 June 1999

	Note	1999		1998
		£	£	£
Fixed assets				
Tangible assets	10	110,226		119,069
Investments	11	137,246		137,246
		247,472		256,315
Current assets				
Land Stock and Work in Progress	12	48,732,465	43,187,541	
Debtors	13	8,502,032	8,338,965	
Cash at bank and in hand		-	1,487	
		57,234,497	51,527,993	
Creditors: amounts falling due within one year	14	(52,427,999)	(47,474,726)	
Net current assets		4,806,498		4,053,267
Total assets less current liabilities		5,053,970		4,309,582
Net assets		5,053,970		4,309,582
Capital and reserves				
Called up share capital	15	2	2	
Profit and loss account		5,053,968		4,309,580
Shareholders' funds		5,053,970		4,309,582

These financial statements were approved by the board of directors on 17 September and were signed on its behalf by:



D. Homer
Director



R.W. Gregory
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 1999

	1999 £	1998 £
Profit for the financial year	3,928,388	1,759,436
Dividends	(3,184,000)	(1,375,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	744,388	384,436
Opening shareholders' funds	4,309,582	3,925,146
	<hr/>	<hr/>
Closing shareholders' funds	5,053,970	4,309,582
	<hr/> <hr/>	<hr/> <hr/>

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

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:

Plant, vehicles and fixtures – 10% to 33% per annum.

Leases

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

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred 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.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Turnover and profit recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Profits in respect of house sales are taken at the time of legal completion of the sale. Profits in respect of land sales and land exchanges are taken on the unconditional exchange of contract.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Notes (continued)

2 Income from shares in group undertakings

	1999	1998
	£	£
Dividend receivable from subsidiary company.	1,558,000	555,000
	<u> </u>	<u> </u>

3 Other income and interest receivable

	1999	1998
	£	£
Rent Receivable	34,565	35,533
Interest Receivable	15,480	29,776
	<u> </u>	<u> </u>
	50,045	65,309
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	1999	1998
	£	£
On bank loans and overdrafts	2,342,838	1,748,560
	<u> </u>	<u> </u>

5 Profit on ordinary activities before taxation

	1999	1998
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	757	5,826
Hire of plant and machinery	483,332	588,304
Administration expenses:		
Audit fee	18,720	20,200
Depreciation	47,183	51,380
Operating lease rentals - Plant and machinery	53,311	56,568
- other	72,000	72,000

Notes (continued)

6 Remuneration of directors

	1999	1998
	£	£
Directors Remuneration		
Emoluments	251,888	-
Pension contribution	24,264	-
	<hr/>	<hr/>
	276,152	-
	<hr/> <hr/>	<hr/> <hr/>

Details of the remuneration of the highest paid director during the year were as follows:

	1999	1998
	£	£
Emoluments	76,453	-
Pension contribution	7,466	-
	<hr/>	<hr/>
	83,919	-
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 1998 the accrued pension of the highest paid director amounted to £4,906.

7 Staff numbers and costs

The average number of persons employed by the company (excluding directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Office and Management	30	29
Sites	82	71
	<hr/>	<hr/>
	112	100
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	1,784,440	1,770,357
Social security costs	140,828	138,072
Other pension costs	136,306	135,705
	<hr/>	<hr/>
	2,061,574	2,044,134
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Taxation

	1999	1998
	£	£
UK corporation tax at 31% (1998: 31 %)	1,753,692	655,801
	<u> </u>	<u> </u>

The charge for group relief for the current year represents relief payable at 12.2% (1998: 4.3%)

No provision for deferred tax has been made in the year under review and there is no under provision at 30 June 1998.

9 Dividends and other appropriations

	1999	1998
	£	£
Equity shares:		
Final dividend proposed	3,184,000	1,375,000
	<u> </u>	<u> </u>

Notes (continued)

10 Tangible fixed assets

	Plant and machinery	Fixtures, fittings, tools and Equipment	Total
	£	£	£
Cost			
At beginning of year	377,032	51,623	434,655
Additions	36,580	4,856	41,436
Disposals	(17,310)	-	(17,310)
	<hr/>	<hr/>	<hr/>
At end of year	396,302	62,479	458,781
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	288,947	26,639	315,586
Charge for year	38,503	9,437	47,940
On disposals	(14,971)		(14,971)
	<hr/>	<hr/>	<hr/>
At end of year	312,479	36,076	348,555
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 1999	83,823	26,403	110,226
	<hr/>	<hr/>	<hr/>
At 30 June 1998	88,085	30,984	119,069
	<hr/>	<hr/>	<hr/>

11 Investments

Investments comprise the following: -

Twigden Homes Southern Limited	Ordinary Shares £1	100%
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The principal activity of Twigden Homes Southern Limited is that of private residential housebuilding and developments.

12 Stocks

	1999 £	1998 £
Land Stock	28,345,880	26,178,032
Work in progress	20,386,585	17,009,509
	<hr/>	<hr/>
	48,732,465	43,187,541
	<hr/>	<hr/>

Notes (continued)

13 Debtors

	1999	1998
	£	£
Trade debtors	2,425,064	81,207
Amounts owed by group undertakings	4,035,920	7,021,390
VAT recoverable	287,889	731,183
Prepayments and accrued income	195,159	183,185
Dividend Receivable	1,558,000	322,000
	<hr/>	<hr/>
	8,502,032	8,338,965
	<hr/> <hr/>	<hr/> <hr/>

14 Creditors: amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	32,261,671	34,975,747
Trade creditors	3,321,585	4,805,633
Amounts owed to group undertakings	9,315,771	3,949,235
Taxation and social security	17,827	174,730
Corporation Tax	1,292,195	596,749
Deferred Land Payments	3,887,991	-
Accruals and deferred income	2,330,959	2,972,632
	<hr/>	<hr/>
	52,427,999	47,474,726
	<hr/> <hr/>	<hr/> <hr/>

15 Called up share capital

	1999	1998
	£	£
Authorised		
Equity: Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	2	2
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16 Contingent liabilities

The company has given an unlimited guarantee to secure the bank borrowings of Kier Residential Limited. At 30 June 1999 the amount outstanding was £nil (1998: £nil).

There are contingent liabilities in respect of guarantees and claims under contracting and other agreements, including joint ventures, entered into in the normal course of business for which adequate allowance has, in the opinion of the directors, been made.

17 Capital Commitments

The company has no future capital commitments in the year.

18 Pension scheme

The Company participates in the Kier Group Pension Scheme which is a defined benefit scheme based on final pensionable salary. The assets of the scheme are held under trust separately from those of the Group and are invested directly on the advice of independent professional investment managers. Contributions paid to the group scheme are based on pension costs across the Group as a whole. Details of the scheme are set out in the accounts of the ultimate holding company, Kier Group plc.

19 Related party transactions

During the year under review there were no related party transactions.

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate parent company is Kier Group plc and the immediate parent company is Kier Residential Limited. Both companies are registered in England. The financial statements of Kier Group plc are available from Companies House, Crown Way, Cardiff.