

Twigden Homes Limited

Directors' report and financial statements

30 June 2002

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 2002.

Principal activity

The principal activity of the Company is residential land and property development.

Business review

The company has continued to trade profitably throughout the year.

Proposed dividend

The directors recommend that a final ordinary dividend of £1,873,000 be paid making, with the interim of £552,000, a total of £2,425,000 for the year.

Directors and directors' interests

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

D. Homer

G.D. Baker

K. Dixon

L. E. Garner (appointed 5th February 2002)

R.W. Gregory (resigned 30th October 2001)

J.G. Hodgetts

A. E. Page

A. P. Walkerdine

A. B. Walsh

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

	30 June 2002		1 July 2001	
			or later date of appointment	
	Shares	Options	Shares	Options
G. D. Baker	6,946	465	3,823	465
J. G. Hodgetts	14,358	6,868	16,753	6,868
A. E. Page	30,849	7,184	36,978	9,184
A. P. Walkerdine	-	465	-	465

Options exercised during the year were:

Performance Related Scheme, 1996, price £1,895

A. E. Page 2,000 shares

Any directors who were also directors of the parent company or the ultimate parent company at 30 June 2002 appear in the Directors' Report of that company.

Directors' report (*continued*)

Employees

The Company is an equal opportunity employer. The Company provides relevant information on matters of concern to employees through newsletters and formal and informal meetings with local management. The ultimate parent company operates a Sharesave Scheme for all eligible employees of Group companies and makes available a dealing service to enable employees to buy and sell its shares with a minimum of formality and on attractive commission terms. The Company encourages and assists, whenever practicable, the recruitment, training, and career development of disabled people and the retention of those who become disabled during the course of their employment and who can be employed in a safe working environment. The Group also operates an AESOP scheme for all employees.

Auditors

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

By order of the board



A. B. Walsh
Secretary

The Shrubbery
Church Street
St. Neots
Cambridgeshire
PE19 2BY
16 September 2002

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.

KPMG Audit Plc

37 Hills Road
Cambridge
CB2 1XL

Report of the independent auditors to the members of Twigden Homes Limited

We have audited the financial statements on pages 5 to 16.

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 30 June 2002 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

16 September 2002

Profit and loss account
for the year ended 30 June 2002

	<i>Note</i>	2002 £	2001 £
Turnover		46,024,984	46,530,771
Cost of sales		(38,895,686)	(39,446,507)
Gross profit		7,129,298	7,084,264
Administrative expenses		(1,720,942)	(1,887,765)
Operating profit		5,408,356	5,196,499
Income from shares in group undertakings	2	350,000	21,376
Interest receivable and similar income	3	45,974	63,028
Interest Payable and similar charges	4	(1,818,259)	(2,253,625)
Profit on ordinary activities before taxation	5-7	3,986,071	3,027,278
Tax on profit on ordinary activities	8	(1,034,665)	(912,813)
Profit for the financial year		2,951,406	2,114,465
Dividends on equity shares	9	(2,425,000)	(1,855,663)
Retained profit for the year		526,406	258,802

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

All operating profit relates to continuing activities.

Balance sheet

At 30 June 2002

	Note	£	2002	£	£	2001	£
Fixed assets							
Tangible assets	10		64,270			58,009	
Investments	11		137,236			137,236	
			<hr/>			<hr/>	
			201,506			195,245	
Current assets							
Land Stock and Work in Progress	12	72,539,051		44,710,477			
Debtors	13	5,447,273		8,018,247			
			<hr/>	<hr/>			
			77,986,324		52,728,724		
Creditors: amounts falling due within one year	14	69,728,308		(46,803,472)			
			<hr/>	<hr/>			
Net current assets			8,258,016			5,925,252	
			<hr/>			<hr/>	
Total assets less current liabilities			8,459,522			6,120,497	
			<hr/>			<hr/>	
Creditors: amounts falling due after more than one year	15		(1,800,000)			-	
Provisions for liabilities and charges	16		(12,619)			-	
			<hr/>			<hr/>	
Net assets			6,646,903			6,120,497	
			<hr/>			<hr/>	
Capital and reserves							
Called up share capital	17		2			2	
Profit and loss account	18		6,646,901			6,120,495	
			<hr/>			<hr/>	
Equity Shareholders' funds			6,646,903			6,120,497	
			<hr/>			<hr/>	

These financial statements were approved by the board of directors on 16 September and were signed on its behalf by:



K. Dixon
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2002

	2002 £	2001 £
Profit for the financial year	2,951,406	2,114,465
Dividends	(2,425,000)	(1,855,663)
	<hr/>	<hr/>
Net addition to shareholders' funds	526,406	258,802
Opening shareholders' funds	6,120,497	5,861,695
	<hr/>	<hr/>
Closing shareholders funds	6,646,903	6,120,497
	<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. These financial statements present information about the company as an individual undertaking and not about its group.

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.

As the company is a wholly owned subsidiary of Kier Residential Limited, within the Group headed by Kier Group plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Kier Group plc, within which the company is included, can be obtained from Companies House, Crown Way, Cardiff.

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 and machinery – 10% to 33% per annum.

Fixtures, fittings, tools and equipment – 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 cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Deferred Taxation

In accordance with FRS 19 'Deferred tax', deferred taxation is provided fully and on a non discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes. No provision is made in respect of tax liabilities which would arise if properties were sold in their existing state at their book values unless it is intended to dispose of those assets.

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.

Notes (continued)

Pension Costs

The company is a member of the Kier Group plc pension scheme. The pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of the employees in the pension schemes, in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable salary roll. Variations from regular cost are spread over the average remaining service lives of current employees in the pension scheme.

Investments

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

2 Income from shares in group undertakings

	2002	2001
	£	£
Dividend receivable from subsidiary company.	350,000	21,376

3 Interest receivable and similar income

	2002	2001
	£	£
Rent Receivable	17,370	11,035
Interest Receivable	28,604	51,993
	<u>45,974</u>	<u>63,028</u>

4 Interest payable and similar charges

	2002	2001
	£	£
On bank loans and overdrafts	1,818,259	2,253,625

5 Profit on ordinary activities before taxation

	2002	2001
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Cost of sales:		
Depreciation	5,437	3,541
Hire of plant and machinery	614,492	706,687
Administration expenses:		
Audit fee	32,000	26,600
Depreciation	22,057	45,008
Operating lease rentals - Plant and machinery	48,031	55,365
- other	99,000	96,000

Notes (continued)

6 Remuneration of directors

	2002	2001
	£	£
Emoluments	407,871	366,652
Pension contribution	48,199	41,745
Benefits in kind	28,176	-
	<hr/> 484,246	<hr/> 408,397

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 to 30 June 2002, the three year period to 30 June 2003 and the three year period to June 2004. Full details of the plan are disclosed in the Kier Group plc accounts. A provision of £46,821 (2001: £28,593) has been made in the accounts reflecting one third of the estimated potential cost to the Company of the awards under the plan.

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

	2002	2001
	£	£
Emoluments	88,255	85,881
Pension contribution	10,197	9,320
Benefits in kind	1,565	-
	<hr/> 100,017	<hr/> 95,201

At 30 June 2002 the accrued pension of the highest paid director amounted to £10,882, (2001: £8,470).

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	
	2002	2001
Office and Management	37	29
Sites	72	72
	<hr/> 109	<hr/> 101

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	2,343,204	2,200,805
Social security costs	217,867	186,309
Other pension costs	208,307	81,879
	<hr/> 2,769,378	<hr/> 2,468,993

Notes (continued)

8 Taxation

	2002 £	2001 £
(a) Analysis of charge in period		
Current Tax : (FRS 16)		
UK corporation tax on profits for the year at 30%	1,101,734	912,813
Adjustments in respect of previous years	(79,688)	-
Total current tax (note 8b)	<u>1,022,046</u>	<u>912,813</u>
Deferred tax : (FRS 19)		
Accelerated capital allowances - current year	1,046	-
Accelerated capital allowances - prior year	11,573	-
Total deferred tax	<u>12,619</u>	<u>-</u>
Tax on profit on ordinary activities	<u>1,034,665</u>	<u>912,813</u>

(b) Factors affecting the tax charge for period:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).
The differences are explained below.

	2002 £	2001 £
Profit on ordinary activities before tax	3,986,071	3,027,278
Current tax at 30%	<u>1,195,821</u>	<u>908,183</u>
Effects of:		
Expenses not deductible for tax purposes	13,465	6,137
Accelerated Capital allowances	(2,552)	4,906
Dividend receivable from subsidiary company	(105,000)	(6,413)
Adjustment for trading loss relieved in prior year	(79,688)	-
Current tax charge for period (note 8a)	<u>1,022,046</u>	<u>912,813</u>

9 Dividends and other appropriations

	2002 £	2001 £
Equity shares:		
Interim paid	552,000	1,238,000
Final dividend proposed	1,873,000	617,663
	<u>2,425,000</u>	<u>1,855,663</u>

Notes (continued)

10 Tangible fixed assets

	Plant and machinery	Fixtures, Fittings, Tools and Equipment	Total
	£	£	£
Cost			
At beginning of year	432,745	65,823	498,568
Additions - intra-group	78,690	-	78,690
Disposals - external	(38,593)	-	(38,593)
At end of year	472,842	65,823	538,665
Depreciation			
At beginning of year	383,835	56,724	440,559
Charge for year	20,098	7,396	27,494
Depreciation - intra-group	33,499	-	33,499
Disposals - external	(27,157)	-	(27,157)
At end of year	410,275	64,120	474,395
Net book value			
At 30 June 2002	62,567	1,703	64,270
At 30 June 2001	48,910	9,099	58,009

11 Shares in group undertakings

The investment in subsidiaries is made up as follows:-

	2002 £	2001 £
Shares at cost	137,236	137,236

The following information relates to subsidiaries owned at the year end.

Twigden Homes Southern Limited Ordinary Shares £1 100%

The principal activity of Twigden Homes Southern Limited is that of private residential housebuilding and developments. The company is incorporated in England. All the shares and voting rights are held by Twigden Homes Limited.

Notes (continued)

12 Stocks

	2002	2001
	£	£
Land Stock	53,614,800	27,930,675
Work in progress	18,924,251	16,779,802
	<hr/>	<hr/>
	72,539,051	44,710,477
	<hr/>	<hr/>

13 Debtors

	2002	2001
	£	£
Trade debtors	362,643	515,990
Amounts owed by group undertakings	3,374,960	6,943,381
VAT recoverable	1,175,601	490,821
Dividend Receivable	350,000	21,376
Prepayments and accrued income	27,269	19
Corporation tax	156,800	46,660
	<hr/>	<hr/>
	5,447,273	8,018,247
	<hr/>	<hr/>

14 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	31,225,565	31,113,167
Trade creditors	4,744,988	4,559,720
Amounts owed to group undertakings	10,409,803	7,575,995
Amount due to fellow subsidiary	998,606	998,606
Taxation and social security	30,200	23,410
Proposed dividend	1,873,000	617,663
Land Creditor	16,005,982	-
Accruals and deferred income	4,440,164	1,914,911
	<hr/>	<hr/>
	69,728,308	46,803,472
	<hr/>	<hr/>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Land Creditors	1,800,000	-

16 Provisions for liabilities and charges

	Deferred Taxation
At 1 July 2001	-
Deferred tax charge in profit and loss for year	12,619
Provision at end of year	12,619

17 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	2	2

18 Reserves

	2002 £	2001 £
Profit and loss account		
At beginning of year	6,120,495	5,861,693
Retained profit for the year	526,406	258,802
At end of year	6,646,901	6,120,495

19 Contingent liabilities

The company has given an unlimited guarantee to secure the bank borrowings of Kier Residential Limited. At 30 June 2002 the amount outstanding was £nil (2001: £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.

Notes (continued)

20 Capital Commitments

The company has no future capital commitments in the year.

21 Obligations under leasing agreements

The annual instalments under non-cancellable operating leases entered into by the company are set out below:

	2002 £	2001 £
Within one year		
Plant and machinery	49,194	55,140
Between one and five years		
Plant and machinery	162,744	126,348
Land and buildings	99,000	96,000
	<hr/> 310,938 <hr/>	<hr/> 277,488 <hr/>

22 Pensions

a) SSAP 24 Pension costs

The principal UK pension scheme is the Kier Group Pension Scheme which includes a defined benefit section and a defined contribution plan. The assets of the Scheme are held under trust separately from those of the Group; the Trustees are responsible for investing the assets and delegate day-to-day decisions to independent professional investment managers. Pension costs are assessed on the advice of an independent qualified actuary using the projected unit method and the following main assumptions for the financial year ending 30 June 2002:

- pension liabilities will be discounted at the rates of 7.0% pre-retirement and 6.0% per annum post-retirement (6.8% per annum and 5.5% per annum respectively were adopted for the formal actuarial valuation as at 1 April 2000);
- salary increases will be 4.1% to 4.6% per annum (4.3% to 4.8% per annum was adopted for the formal actuarial valuation as at 1 April 2000);
- present and future pensions will increase at either 2.6% (Limited Price Indexation) or at rates set in the Scheme rules (2.7% per annum was adopted for the formal actuarial valuation as at 1 April 2000);
- assets will be taken at market value (less an asset allocation adjustment of £10m)

b) FRS 17 Retirement Benefits

The Accounting Standard Board has published an Exposure Draft of an amendment to FRS 17 'Retirement Benefits'. The proposed amendment extends the transitional arrangements in FRS 17 and therefore defers the mandatory requirement for its full adoption. The Accounting Standards Board intends to adopt a UK standard for pensions based upon the proposals of the International Accounting Standard Board.

Twigden Homes Limited is a member of the Kier Group Pension Scheme a section of which provides benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme. Full disclosure of the deficit in the Kier Group Pension Scheme (defined benefit section) is provided in the accounts of the ultimate parent company, Kier Group plc.

Notes *(continued)*

23 Related party transactions

During the year under review K Dixon and G D Baker, directors of the company, each purchased a house in the sum of £269,500 and £308,700 respectively. These transactions were undertaken in accordance with the company's conditions of sale and no amounts remained unpaid as at 30 June 2002.

24 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.