

Twigden Homes Limited

Directors' report and financial statements

30 June 2003

Registered number 2205712



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Twigden Homes Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

Principal activity and business review

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

The company has continued to trade profitably throughout the year.

Results and dividends

	£
The profit for the year after taxation dealt with in the financial statements is	2,356,976
Dividends	
- interim paid	793,000
- final proposed	1,348,000
	<hr/>
Increase in reserves	215,976
	<hr/>

Directors and directors' interests

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

D. Homer	(retired 30 th June 2003)
G.D. Baker	
K. Dixon	
L. E. Garner	
R.W. Gregory	(appointed 26 th March 2003)
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 2003		1 July 2002 or later date of appointment	
	Shares	Options	Shares	Options
G. D. Baker	7,333	465	6,946	465
J. G. Hodgetts	13,048	6,868	14,358	6,868
A. E. Page	30,240	7,184	30,849	7,184
A. P. Walkerdine	-	465	-	465

No performance related options held by directors were exercised or lapsed during the year.

Any interests or rights of directors who were also directors of the holding company or the ultimate holding company at 30 June 2003 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
12 September 2003

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.

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 our audit work, for this report, or for the opinions we have formed.

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

12 September 2003

Profit and loss account
for the year ended 30 June 2003

	<i>Note</i>	2003 £	2002 £
Turnover – continuing operations		52,043,706	46,024,984
Cost of sales		(44,532,079)	(38,895,686)
Gross profit		7,511,627	7,129,298
Administrative expenses		(1,788,345)	(1,720,942)
Operating profit – continuing operations		5,723,282	5,408,356
Income from shares in group undertakings	2	50,000	350,000
Interest receivable and similar income	3	30,169	45,974
Interest payable and similar charges	4	(2,478,473)	(1,818,259)
Profit on ordinary activities before taxation	5-7	3,324,978	3,986,071
Taxation on profit on ordinary activities	8	(968,002)	(1,034,665)
Profit for the financial year		2,356,976	2,951,406
Dividends on equity shares	9	(2,141,000)	(2,425,000)
Retained profit for the year		215,976	526,406

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

Balance sheet

At 30 June 2003

	Note	£	2003	£	£	2002	£
Fixed assets							
Tangible assets	10		40,618			64,270	
Investments	11		137,236			137,236	
			177,854			201,506	
Current assets							
Stock and Work in Progress	12	72,080,716		72,539,051			
Debtors	13	6,781,030		5,447,273			
			78,861,746		77,986,324		
Creditors: amounts falling due within one year	14	72,128,898		69,728,308			
Net current assets			6,732,848			8,258,016	
Total assets less current liabilities			6,910,702			8,459,522	
Creditors: amounts falling due after more than one year	15		-			(1,800,000)	
Provisions for liabilities and charges	16		(47,823)			(12,619)	
Net assets			6,862,879			6,646,903	
Capital and reserves							
Called up share capital	17		2			2	
Profit and loss account	18		6,862,877			6,646,901	
Equity Shareholders' funds			6,862,879			6,646,903	

These financial statements were approved by the board of directors on 12 September 2003 and were signed on its behalf by:



R.W.Gregory
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2003

	2003 £	2002 £
Profit for the financial year	2,356,976	2,951,406
Dividends	(2,141,000)	(2,425,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	215,976	526,406
Opening shareholders' funds	6,646,903	6,120,497
	<hr/>	<hr/>
Closing shareholders funds	<u>6,862,879</u>	<u>6,646,903</u>

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

	2003	2002
	£	£
Dividend receivable from subsidiary company.	50,000	350,000

3 Net Interest receivable/(payable) and similar income

	2003	2002
	£	£
Interest receivable		
On bank deposits	17,749	28,604
Other	12,420	17,370
	<u>30,169</u>	<u>45,974</u>
Interest payable		
On bank overdrafts repayable within five years	1,849,708	1,818,259
On intra group balances	628,765	-
	<u>2,478,473</u>	<u>1,818,259</u>

4 Profit on ordinary activities before taxation

	2003	2002
	£	£

Profit on ordinary activities before taxation is stated after charging

Cost of sales:		
Depreciation	-	5,437
Hire of plant and machinery	577,928	614,492
Administration expenses:		
Audit fee	33,902	32,000
Depreciation	47,884	22,057
Operating lease rentals - Plant and machinery	42,884	48,031
- other	120,890	99,000

Notes (continued)

5 Information relating to directors and employees

	2003	2002
Directors' remuneration as executives:	£	£
Emoluments	443,859	407,871
Pension contributions	59,333	48,199
Compensation for loss of office	-	-
	<hr/> 503,192 <hr/>	<hr/> 456,070 <hr/>

	2003	2002
Details of the highest paid director during the year were	£	£
Emoluments	88,959	88,255
Pension contribution	12,199	10,197
	<hr/> 101,158 <hr/>	<hr/> 98,452 <hr/>

At 30 June 2003 the accrued pension of the highest paid director amounted to £26,474, (2002: £10,882).

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 financial statements. A provision of £58,912 (2002: £46,821) has been made in the financial statements to spread the cost of the plan evenly over the three year period

	2003	2002
Staff costs, including directors:	£	£
Wages and salaries	2,727,628	2,343,204
Social security costs	222,654	217,867
Other pension costs	235,408	208,307
	<hr/> 3,185,690 <hr/>	<hr/> 2,769,378 <hr/>

The average number of persons employed by the company during the year including directors was 124 (2002:109)

Notes (continued)

6 Taxation

	2003 £	2002 £
(a) Analysis of charge for the year		
Current Tax : (FRS 16)		
UK corporation tax on result for the year	932,798	1,101,734
Adjustments in respect of previous years	-	(79,688)
Total current tax (note 8b)	<u>932,798</u>	<u>1,022,046</u>
Deferred tax : (FRS 19)		
Origination and reversal of timing differences	21,129	1,046
Adjustments in respect of previous years	14,075	11,573
Total deferred tax	<u>35,204</u>	<u>12,619</u>
Tax on profit on ordinary activities	<u>968,002</u>	<u>1,034,665</u>

(b) Factors affecting the tax charge for period:

The tax assessed for the period is lower (2002:lower) than the standard rate of corporation tax in the UK (30%)

The differences are explained below.

	2003 £	2002 £
Profit on ordinary activities before tax	3,324,978	3,986,071
Profit on ordinary activities multiplied by the standard Rate of corporation tax in the UK (30%)	<u>997,493</u>	<u>1,195,821</u>
Effects of:		
Expenses not deductible for tax purposes	9,804	13,465
Depreciation in excess of capital allowances	4,573	(2,552)
Dividend receivable from subsidiary company	(15,000)	(105,000)
Adjustment for trading loss relieved in prior year	-	(79,688)
Land Remediation Relief	(60,071)	-
Other	(4,001)	-
Total current tax	<u>932,798</u>	<u>1,022,046</u>

(c) Factors that may change future tax charges

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

7 Dividends and other appropriations

	2003 £	2002 £
Equity shares:		
Interim paid	797,000	552,000
Final dividend proposed	1,344,000	1,873,000
	<u>2,141,000</u>	<u>2,425,000</u>

Notes (continued)

8 Tangible fixed assets

	Plant and machinery	Fixtures, Fittings, Tools and Equipment	Total
	£	£	£
Cost			
At beginning of year	472,842	65,823	538,665
Additions	24,237	270	24,507
Disposals - intra-group	(1,319)	-	(1,319)
Disposals	(323,005)	(58,249)	(381,254)
	<hr/>	<hr/>	<hr/>
At end of year	172,755	7,844	180,599
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	410,275	64,120	474,395
Charge for year	46,413	1,471	47,884
Disposals- intra-group	(1,044)	-	(1,044)
Disposals	(323,005)	(58,249)	(381,254)
	<hr/>	<hr/>	<hr/>
At end of year	132,639	7,342	139,981
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2003	40,116	502	40,618
	<hr/>	<hr/>	<hr/>
At 30 June 2002	62,567	1,703	64,270
	<hr/>	<hr/>	<hr/>

9 Shares in group undertakings

The investment in subsidiaries is made up as follows:-

	2003 £	2002 £
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)

10 Stocks

	2003	2002
	£	£
Land Stock	50,257,073	53,614,800
Work in progress	21,823,643	18,924,251
	<hr/>	<hr/>
	72,080,716	72,539,051
	<hr/>	<hr/>

11 Debtors

	2003	2002
	£	£
Trade debtors	563,519	362,643
Amounts owed by group undertakings	5,889,495	3,374,960
VAT recoverable	195,310	1,175,601
Dividend Receivable	41,000	350,000
Prepayments and accrued income	91,706	27,269
Corporation Tax	-	156,800
	<hr/>	<hr/>
	6,781,030	5,447,273
	<hr/>	<hr/>

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	40,078,515	31,225,565
Trade creditors	5,901,630	4,744,988
Amounts owed to group undertakings	14,852,350	10,409,803
Amount due to fellow subsidiary	998,606	998,606
Taxation and social security	45,290	30,200
Proposed dividend	1,344,000	1,873,000
Land Creditor	3,745,208	16,005,982
Accruals and deferred income	4,928,651	4,440,164
Corporation Tax	234,648	-
	<hr/>	<hr/>
	72,128,898	69,728,308
	<hr/>	<hr/>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Land Creditors	-	1,800,000
	<u> </u>	<u> </u>

14 Provisions for liabilities and charges

	2003 £	2002 £
Deferred taxation movement	£	£
At 1 July	12,619	-
Transferred (to)/from profit and loss account	35,204	12,619
	<u> </u>	<u> </u>
At 30 June	47,823	12,619
	<u> </u>	<u> </u>
Amounts fully provided for deferred taxation	£	£
Accelerated depreciation	47,823	12,619
Other timing differences	-	-
	<u> </u>	<u> </u>
Deferred tax liabilities / (asset)	47,823	12,619
	<u> </u>	<u> </u>

15 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

18 Reserves

	2003 £	2002 £
Profit and loss account		
At beginning of year	6,646,901	6,120,495
Retained profit for the year	215,976	526,406
	<u> </u>	<u> </u>
At end of year	6,862,877	6,646,901
	<u> </u>	<u> </u>

Notes (continued)

19 Contingent liabilities

The company has given an unlimited guarantee to secure the bank borrowings of Kier Residential Limited. At 30 June 2003 the amount outstanding was £nil (2002: £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.

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:

	2003 £	2002 £
Within one year		
Plant and machinery	27,020	49,194
Between one and five years		
Plant and machinery	160,046	162,744
Land and buildings	138,000	99,000
	<hr/> 325,066 <hr/>	<hr/> 310,938 <hr/>

22 Pensions

a) SSAP 24 Pension costs

The Company participates in the Kier Group Pension Scheme which includes a defined benefit section and a defined contribution plan. The assets of the Scheme are held 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 2003:

- pension liabilities will be discounted at the rates of 7.25% pre-retirement and 6.25% per annum post-retirement
- salary increases will be 4.3% to 4.8% per annum
- present and future pensions will increase at either 2.7% or at rates set in the Scheme rules

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.

Notes (continued)

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 financial statements of the ultimate parent company, Kier Group plc.

23 Related party transactions

During the year under review Mrs A Page, a director of the company, purchased a property built by Bellwinch Homes Limited for £146,466. This price was after the deduction of the standard staff discount of 2%.

24 Ultimate holding company

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