

## **Twigden Homes Limited**

### **Directors' report and financial statements**

30 June 2005

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 2005.

### **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	2,370,171
Dividends:	
- interim paid	(2,409,000)
- final proposed	(1,502,000)
	<hr/>
Retained loss	(1,540,829)
	<hr/>

### **Directors**

The directors of the Company during the year were:-

L. E. Garner	
R. W. Gregory	(resigned 27 April 2005)
J. G. Hodgetts	
A. E. Page	
A. P. Walkerdine	
A. B. Walsh	(resigned 18 July 2005)
T. J. Barke	
D. P. Seth	(appointed 31 August 2004)
M. C. Gregory	(appointed 18 April 2005)

## **Directors' report** *(continued)*

### **Directors' interests**

The directors had the following beneficial interests in the Ordinary Shares of Kier Group plc:-

	30 June 2005		30 June 2004	
	Shares	Options	or later date of appointment	
J. G. Hodgetts	13,531	-	10,568	5,882
A. E. Page	22,415	1,180	36,288	7,062
A. P. Walkerdine	-	-	465	-
A. B. Walsh	-	590	-	590

Options exercised during the year were:

	2005	2004
A. E. Page	5,882	1,302
A. P. Walkerdine	-	465

Options granted during the year were:

	2005	2004
A. E. Page	-	1,180
A. B. Walsh	-	590

Full details of the Long Term Incentive Plan are provided in the Report and Accounts of the ultimate parent company, Kier Group plc.

Any interests or rights of directors who were also directors of the holding company or the ultimate holding company at 30 June 2005 appear in the directors' report of that company.

### **Employees**

The Company is an equal opportunity employer. It provides relevant information on matters of concern to employees through newsletters and formal and informal meetings with local management. Kier Group plc 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 competitive commission terms. The Group also operates an AESOP scheme for all employees. 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.

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

## Policy and practice on payment of creditors

The Company agrees payment terms with its suppliers and subcontractors on an individual contract basis rather than following a standard code. The policy is to abide by these agreed terms whenever it is satisfied that the suppliers or subcontractors have provided the goods or services in accordance with the contract terms and conditions.

The Company's aggregate trade creditors at 30 June 2005 were equivalent to 42 days invoicing (2004: 47 days). The balance reflects amounts which are neither certified nor due for payment relating to contracts in progress, but which are included in trade creditors in order to conform with the accruals concept in preparing financial statements.

## Donations


Donations to charities in the United Kingdom were £199 (2004: £172). No political donations were made (2004: £nil).

## Auditors

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/she ought to have taken in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

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

  
M.C. Gregory  
Secretary

The Shrubbery  
Church Street  
St. Neots  
Cambridgeshire  
PE19 2BY  
13 September 2005

## **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 3, 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 2005 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*  
37 Hills Road  
Cambridge  
CB2 1XL

13 September 2005

**Profit and loss account**  
*for the year ended 30 June 2005*

	<i>Note</i>	<b>2005</b> £	2004 £
<b>Turnover – continuing operations</b>		<b>57,896,618</b>	62,838,650
Cost of sales		<b>(49,851,705)</b>	(54,040,221)
<b>Gross profit</b>		<b>8,044,913</b>	8,798,429
Administrative expenses		<b>(2,504,626)</b>	(2,069,881)
<b>Operating profit – continuing operations</b>		<b>5,540,287</b>	6,728,548
Income from shares in group undertakings	3	<b>35,000</b>	14,000
Interest receivable and similar income	4	<b>3,809</b>	151,677
Interest payable and similar charges	5	<b>(3,240,702)</b>	(3,002,523)
<b>Profit on ordinary activities before taxation</b>	2	<b>2,338,394</b>	3,891,702
Tax on profit on ordinary activities	8	<b>31,777</b>	(540,360)
<b>Profit for the financial year</b>		<b>2,370,171</b>	3,351,342
Dividends on equity shares	9	<b>(3,911,000)</b>	(2,885,000)
<b>Retained (loss)/profit for the year</b>	17	<b>(1,540,829)</b>	466,342

The above results have all been derived from continuing operations.

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

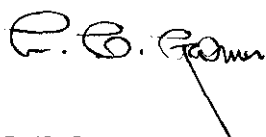
The notes on pages 8 to 16 form part of these financial statements.

## Balance sheet

At 30 June 2005

	Note	2005	2004
		£	£
<b>Fixed assets</b>			
Tangible assets	10	125,325	54,200
Investments	11	5,137,236	5,137,236
		<hr/>	<hr/>
		5,262,561	5,191,436
<b>Current assets</b>			
Stocks and work in progress	12	108,310,242	82,915,944
Debtors	13	5,277,760	11,351,026
		<hr/>	<hr/>
		113,588,002	94,266,970
<b>Creditors: Amounts falling due within one year</b>	14	(113,062,171)	(92,129,185)
		<hr/>	<hr/>
<b>Net current assets</b>		525,831	2,137,785
		<hr/>	<hr/>
<b>Net assets</b>		5,788,392	7,329,221
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	2	2
Profit and loss account	17	5,788,390	7,329,219
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		5,788,392	7,329,221
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 13 September 2005 and were signed on its behalf by:



**L. E. Garner**  
Director

The notes on pages 8 to 16 form part of these financial statements.

**Reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2005*

	2005 £	2004 £
<b>Profit for the financial year</b>	<b>2,370,171</b>	3,351,342
Dividends	(3,911,000)	(2,885,000)
	<hr/>	<hr/>
<b>Net (decrease in)/addition to shareholders' funds</b>	<b>(1,540,829)</b>	466,342
Opening shareholders' funds	7,329,221	6,862,879
	<hr/>	<hr/>
Closing shareholders' funds	<u><u>5,788,392</u></u>	<u><u>7,329,221</u></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 of the 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. (see note 23).

#### ***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 and work in progress***

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.

#### ***Turnover***

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

Turnover is considered by the directors to be a single class of activity. The company operates principally in the United Kingdom.

#### ***Revenue recognition***

Revenue in respect of house sales is taken at the time of legal completion of the sale. Revenue 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 Profit on ordinary activities before taxation

*Profit on ordinary activities before taxation is stated after charging:*

	2005 £	2004 £
<i>Cost of sales:</i>		
Operating lease rentals - plant and machinery	712,586	946,912
<i>Administrative expenses:</i>		
Audit fee	36,000	33,000
Depreciation	42,385	34,427
Operating lease rentals - plant and machinery	129,601	67,497
- other	125,516	129,000
	<hr/>	<hr/>

## 3 Income from shares in group undertakings

	2005 £	2004 £
Dividend receivable from subsidiary company.	35,000	14,000
	<hr/>	<hr/>

## 4 Interest receivable and similar income

	2005 £	2004 £
On intra group balances	-	29,624
Other	3,809	122,053
	<hr/>	<hr/>
	3,809	151,677
	<hr/>	<hr/>

## 5 Interest payable and similar charges

	2005 £	2004 £
On bank overdrafts repayable within five years	1,240,468	1,280,840
On intra group balances	1,800,006	1,654,510
Other	200,228	67,173
	<hr/>	<hr/>
	3,240,702	3,002,523
	<hr/>	<hr/>

## Notes (continued)

### 6 Continuing operations - acquisitions

During the year, the company purchased certain trade and assets of Ashwood Homes (Holbeach) Limited for a total cash consideration of £10,572,472 as follows:

	Book & Fair Value
	£
Fixed assets	52,650
Land	8,885,686
Work in progress	<u>1,634,136</u>
	10,572,472
Consideration – cash	<u>(10,572,472)</u>
Goodwill	<u>-</u>

There was no trading during the period from acquisition (13 June 2005) to 30 June 2005.

### 7 Information relating to directors and employees

	2005	2004
<i>Directors' remuneration as executives:</i>	£	£
Directors' emoluments	647,608	621,201
Compensation for loss of office	-	86,272
Pension contributions	65,620	64,040
	<u>713,228</u>	<u>771,513</u>

	2005	2004
<i>Details of the highest paid director during the year were:</i>	£	£
Emoluments	113,176	116,771
Pension contributions	16,647	13,220
	<u>129,823</u>	<u>129,991</u>

Retirement benefits are accruing to the following number of directors under:

	2005	2004
	Number	Number
Defined benefits scheme	<u>5</u>	<u>5</u>

At 30 June 2005 the accrued pension of the highest paid director amounted to £18,740 (2004: £16,065).

The directors of the Company participate in the Kier Group 1999 Long Term Incentive Plan, which is dependent upon the performance of Kier Group plc over a three year period. Full details of the plan are disclosed in the Kier Group plc financial statements.

## Notes (continued)

	2005 £	2004 £
<i>Staff costs, including directors:</i>		
Wages and salaries	3,688,205	3,257,838
Social security costs	355,080	293,818
Other pension costs	283,468	244,506
	<u>4,326,753</u>	<u>3,796,162</u>

The average number of persons employed by the company during the year, including directors, was 132 (2004:142). Details of the pension scheme have been outlined in note 21 of the financial statements.

## 8 Taxation

(a) Analysis of charge for the year	2005 £	2004 £
Current Tax		
UK corporation tax on result for the year	656,688	1,155,674
Adjustments in respect of previous years	(692,485)	(550,863)
Total current tax (note 8b)	<u>(35,797)</u>	<u>604,811</u>
Deferred tax		
Origination and reversal of timing differences	4,020	635
Adjustments in respect of previous years	-	(65,086)
Total deferred tax	<u>4,020</u>	<u>(64,451)</u>
Tax on profit on ordinary activities	<u>(31,777)</u>	<u>540,360</u>

### (b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below.

	2005 £	2004 £
Profit on ordinary activities before tax	2,338,394	3,891,702
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%) (2004: 30%)	<u>701,518</u>	<u>1,167,510</u>
Effects of:		
Adjustments in respect of previous years	(692,485)	(550,863)
Capital allowances (in excess of)/ less than depreciation	(4,020)	(635)
Dividend receivable from subsidiary company	(10,500)	(4,200)
Land Remediation Relief	(36,666)	(743)
Expenses not deductible for tax purposes	6,356	5,054
Other	-	(11,312)
Total current tax	<u>(35,797)</u>	<u>604,811</u>

## Notes (continued)

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

The Directors are not aware of any significant factors that may affect future tax charges.

### 9 Dividends

	2005 £	2004 £
Equity shares:		
Interim paid	2,409,000	783,000
Final dividend proposed	1,502,000	2,102,000
	<u>3,911,000</u>	<u>2,885,000</u>

### 10 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<b>Cost</b>			
At beginning of year	212,388	16,220	228,608
Additions – external	105,738	7,772	113,510
	<u>318,126</u>	<u>23,992</u>	<u>342,118</u>
At end of year	318,126	23,992	342,118
<b>Depreciation</b>			
At beginning of year	165,326	9,082	174,408
Charge for year	37,926	4,459	42,385
	<u>203,252</u>	<u>13,541</u>	<u>216,793</u>
At end of year	203,252	13,541	216,793
<b>Net book value</b>			
At 30 June 2005	<u>114,874</u>	<u>10,451</u>	<u>125,325</u>
At 30 June 2004	<u>47,062</u>	<u>7,138</u>	<u>54,200</u>

## Notes (continued)

### 11 Fixed asset investments

The investment in subsidiaries is made up as follows:-

	2005 £	2004 £
<i>Shares at cost:</i>		
At beginning of year	5,137,236	137,236
Additions	-	5,000,000
	<hr/>	<hr/>
At end of year	<u>5,137,236</u>	<u>5,137,236</u>

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

<i>Subsidiary undertakings</i>	<i>Class of shares held</i>	<i>% of shares held</i>
Twigden Homes Southern Limited	Ordinary shares £1	100%
Barnabus Road (Garages) Limited	Ordinary shares £1	100%

The principal activity of both Twigden Homes Southern Limited and Barnabus Road (Garages) Limited is that of private residential housebuilding and developments. Both companies are incorporated in England. All the shares and voting rights are held by Twigden Homes Limited.

### 12 Stock and work in progress

	2005 £	2004 £
Land stock held for development	77,682,511	60,084,695
Work in progress	30,627,731	22,831,249
	<hr/>	<hr/>
	<u>108,310,242</u>	<u>82,915,944</u>

### 13 Debtors

	2005 £	2004 £
Trade debtors	1,529,514	1,208,680
Amounts owed by group undertakings	949,643	7,325,235
VAT recoverable	345,661	630,787
Dividend receivable	29,000	8,000
Corporation tax recoverable	201,757	228,673
Deferred tax asset (see note 15)	12,608	16,628
Other debtors	2,168,555	1,529,758
Prepayments and accrued income	41,022	403,265
	<hr/>	<hr/>
	<u>5,277,760</u>	<u>11,351,026</u>

## Notes (continued)

### 14 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	30,830,818	15,078,167
Trade creditors	6,626,719	5,823,386
Amounts owed to group undertakings	57,984,953	53,228,125
Taxation and social security	104,221	42,832
Proposed dividend	1,502,000	2,102,000
Land creditors	9,888,920	11,850,665
Accruals and deferred income	6,124,540	4,004,010
	<hr/> 113,062,171 <hr/>	<hr/> 92,129,185 <hr/>

Included in land creditors is £5,000,000 (2004: £5,000,000) secured against the underlying land.

### 15 Deferred taxation

	2005 £	2004 £
Deferred taxation movement		
At beginning of year	16,628	(47,823)
Transferred to profit and loss account	(4,020)	64,451
	<hr/> 12,608 <hr/>	<hr/> 16,628 <hr/>
At end of year		
	<hr/> 12,608 <hr/>	<hr/> 16,628 <hr/>
Amounts fully provided for deferred taxation		
Depreciation in excess of capital allowances	12,608	16,628
	<hr/> 12,608 <hr/>	<hr/> 16,628 <hr/>
Deferred tax asset (Note 13)	12,608	16,628
	<hr/> 12,608 <hr/>	<hr/> 16,628 <hr/>

The deferred tax asset in the current year is included within debtors (see note 13).

### 16 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

## Notes (continued)

### 17 Profit and loss account

	2005 £	2004 £
At beginning of year	7,329,219	6,862,877
Retained (loss)/profit for the year	(1,540,829)	466,342
	<hr/>	<hr/>
At end of year	5,788,390	7,329,219
	<hr/>	<hr/>

### 18 Contingent liabilities

The company has given an unlimited guarantee to secure the bank borrowings of Kier Residential Limited. At 30 June 2005 the amount outstanding was £nil (2004: £nil).

There are no contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, entered into in the normal course of business.

The company is party to cross guarantees in respect of group banking arrangements in which the Kier Group Plc has no net liability.

### 19 Capital commitments

The company has no future capital commitments at the year end.

### 20 Obligations under leasing agreements

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

	2005 £	2004 £
Within one year		
Other	74,000	16,392
Between one and five years		
Other	111,896	168,293
Land and buildings	121,000	119,000
	<hr/>	<hr/>
	306,896	303,685
	<hr/>	<hr/>

## Notes (continued)

### 21 Pension scheme

#### 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 under trust from those of the Group and invested directly on the advice of independent qualified actuary using the projected unit method and the following main assumptions for the financial year ended 30 June 2005:

- pension liabilities will be discounted at the rates of 7.25% per annum 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% (Limited Price Indexation) or at rates set in the Scheme rules;

#### b) FRS 17 Retirement Benefits

The Company 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 FRS17 '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.

### 22 Related party transactions

The ultimate holding company is Kier Group plc. In accordance with paragraph 3(c) of FRS No. 8 "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the group or investees of the group qualifying as related parties.

### 23 Ultimate parent company

The Company is a wholly owned subsidiary of Kier Residential Limited. The ultimate parent company is Kier Group plc. The largest and smallest group in which the results of the company are consolidated is that headed by 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.