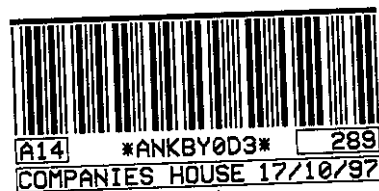


TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

FINANCIAL STATEMENTS

Period 17 Months Ended 30 June 1997

Registered Number: 3152729



TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

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TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

COMPANY INFORMATION

REGISTERED OFFICE

The Shrubbery
Church Street
St. Neots
Cambs
PE19 2BU

DIRECTORS

D. Homer
G. D. Baker
K. Dixon
R. W. Gregory
J. G. Hodgetts
R. P. Page

SECRETARY

M. J. McColl

AUDITORS

KPMG
37 Hills Road
Cambridge
CB2 1XL

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)
REPORT OF THE DIRECTORS

The directors present their report and financial statements for the period ended 30 June 1997.

1. **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

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

The company was incorporated on 25 January 1996 as Miller Homes (Midlands) Ltd, a subsidiary of Miller Group Ltd, and on 30 January 1996 changed its name to Miller Homes (Southern) Limited. On 6th February 1996 the company acquired the business assets of Miller Homes Southern, a division of Miller Group Ltd., by way of a hive down agreement. The assets and liabilities of the division were hived down at book value. The consideration given by Miller Homes (Southern) Ltd. to its then parent Miller Group Ltd. was in the form of an intercompany loan and no goodwill arose from the hive down. The company commenced trading on 6 February 1996.

On 30 April 1996 the company was acquired by Twigden Homes Limited and on 3 May 1996 its name was changed to Twigden Homes Southern Limited. The company has continued to trade profitably in the South East where improvements in the housing market have been evident.

2. **RESULTS AND DIVIDENDS** £000

The results for the period after taxation
dealt with in the financial statements are: 882

Dividends - proposed (588)

Increase in reserves £294

3. **FIXED ASSETS**

The changes during the period in the company's fixed assets are summarised in note 1 to the financial statements.

4. **DIRECTORS**

The current directors of the company are:-

D. V. Brand	-	appointed 30 April 1996, resigned 21 June 1996
D. Homer	-	appointed 30 April 1996
R. W. Gregory	-	appointed 30 April 1996
K. Dixon	-	appointed 24 June 1996
J. G. Hodgetts	-	appointed 24 June 1996
R. P. Page	-	appointed 24 June 1996
G. D. Baker	-	appointed 1 July 1996

On incorporation the directors of the company were, K. M. Miller and J. S. Richards, both of whom resigned on 30 April 1996.

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

5. **DIRECTORS' INTERESTS**

There were no directors interests recorded in the register kept in accordance with the provisions of Section 325 of the Companies Act 1985.

Any directors who were also directors of the parent company or the ultimate parent company at 30 June 1997 appear in the Directors' Report of that company.

6. **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 to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking steps that are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

7. **AUDITORS**

The auditors, KPMG, have indicated to the directors that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, they have indicated their intention to resign and the directors intend to appoint KPMG Audit Plc as auditors.

By order of the Board



M. J. McCOLL
Secretary

The Shrubbery
Church Street
St. Neots
Cambridgeshire
PE19 2BU

7 October 1997

REPORT OF THE AUDITORS KPMG

TO THE MEMBERS OF

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

We have audited the accounts on Pages 5 to 12.

Respective Responsibilities of Directors and Auditors

As described on Page 3 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 accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 30th June 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG



Chartered Accountants
Registered Auditors
37 Hills Road
Cambridge
CB2 1XL


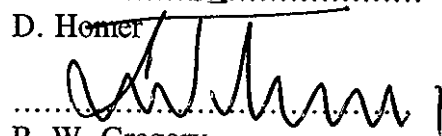
7 October 1997

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)
BALANCE SHEET
30 June 1997

17 months ended
 30 June 1997

	Notes	£	£
FIXED ASSETS			
Tangible assets	1		34,455
CURRENT ASSETS			
Land stock and work in progress	2	4,820,433	
Debtors	3	176,610	
Cash in hand		450	
		<u>4,997,493</u>	
CREDITORS			
Amounts falling due within one year	4	(4,590,725)	
NET CURRENT ASSETS			<u>406,768</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>441,223</u>
NET ASSETS			<u>£441,223</u>
CAPITAL AND RESERVES			
Called up share capital	5		100,000
Revaluation reserve	7		47,000
Profit and loss account	6		294,223
SHAREHOLDERS FUNDS			<u>£441,223</u>

These financial statements were approved by the Board of Directors on 7 October 1997 and signed on its behalf by:-


)
 D. Homer) Directors

)
 R. W. Gregory)

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

PROFIT AND LOSS ACCOUNT
Period 17 months ended 30 June 1997

	Notes	17 months ended 30 June 1997 £
TURNOVER		25,948,599
Cost of sales		(23,525,635)
GROSS PROFIT		2,422,964
Administration expenses		(783,147)
OPERATING PROFIT		1,639,817
Waiver of inter-company debt	9	608,514
Interest receivable		7,256
Interest payable	8	(906,281)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	1,349,306
Taxation	10	(467,083)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		882,223
Dividends	11	(588,000)
RETAINED PROFIT FOR THE PERIOD	6	£294,223

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

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared consistently in accordance with applicable accounting standards and under the historical cost accounting convention and on a going concern basis.

TURNOVER

Turnover arises from the sale of houses and land and goods and services provided and excludes intra group trading and value added tax.

PROFITS

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.

TANGIBLE FIXED ASSETS

Depreciation is provided on tangible fixed assets in order to write off the cost less residual value over the estimated lives of the assets. The rates of depreciation are as follows:-

Plant, vehicles and fixtures - 10% to 33% per annum

LEASED ASSETS

Operating lease rentals are charged in full to the profit and loss account.

STOCK AND WORK IN PROGRESS

Stock and work in progress, which includes attributable overheads, is stated at the lower of cost and net realisable value.

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.

CASHFLOW

The company's cashflows will be included in the group cashflow statement prepared by the ultimate parent company and therefore a separate cashflow statement has not been prepared.

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)
NOTES TO THE FINANCIAL STATEMENTS
Period 17 months ended 30 June 1997

1. **FIXED ASSETS**

Tangible Fixed Assets

	Plant and Equipment £	Fixtures, Fittings & Equipment £	Total £
Cost:			
Hived down	165,576	145,685	311,261
Additions	-	-	-
Disposals	(19,633)	-	(19,633)
At 30 June 1997	<u>£145,943</u>	<u>£145,685</u>	<u>£291,628</u>
Depreciation:			
Hived down	46,006	98,896	144,902
Revaluation	47,000	-	47,000
Charge for period	58,758	22,761	81,519
Disposals	(16,248)	-	(16,248)
At 30 June 1997	<u>£135,516</u>	<u>£121,657</u>	<u>£257,173</u>
Net Book Value:			
At 30 June 1997	<u>£10,427</u>	<u>£24,028</u>	<u>£34,455</u>

Period Ended
30 June 1997
£

2. **STOCK AND WORK IN PROGRESS**

Land stock	3,043,638
Work in progress	1,776,795
	<u>£4,820,433</u>

A legal charge exists over a number of sites included within land stock and work in progress in favour of National Westminster Bank plc. The amount outstanding against these sites at the 30 June 1997 was £nil.

3. **DEBTORS**

Trade debtors	£ 68,569
VAT recoverable	92,177
Prepayments	15,864
	<u>£176,610</u>

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period 17 months ended 30 June 1997

	17 months ended 30 June 1997
4. CREDITORS	£
Amounts falling due within one year	
Trade creditors	1,648,686
Due to parent undertaking	1,752,266
Corporation tax	458,620
Taxation and social security	236
Accruals	730,917
	<hr/>
	£4,590,725
	<hr/>
5. SHARE CAPITAL	£
Authorised	
100,000 ordinary shares of £1 each	100,000
	<hr/>
Allotted, issued and fully paid ordinary shares of £1 each	100,000
	<hr/>
6. PROFIT AND LOSS ACCOUNT	£
Retained in period	<u>£294,223</u>

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)
NOTES TO THE FINANCIAL STATEMENTS
Period 17 months ended 30 June 1997

Page 10

17 months ended
30 June 1997

**7. RECONCILIATION OF MOVEMENTS
ON SHAREHOLDERS' FUNDS**

	£
Results for the period	882,223
Dividends	(588,000)
Net adjustment to shareholders' funds	294,223
Funds hived down	1
Revaluation reserve	47,000
Allotment of ordinary shares of £1	99,999
Shareholders' funds carried forward	£441,223

**8. PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION**

The profit on ordinary activities
is stated after charging or crediting

	£
Cost of sales	
Depreciation	58,758
Hire of plant and machinery	153,342
Interest receivable:	
Deposits	6,996
Late completion of sales	260
	£7,256
Interest payable:	
On bank overdrafts payable within five years otherwise than by instalments	906,281
Administration expenses:	
Audit fee	11,000
Depreciation	22,761
Operating lease rentals	
- Plant and machinery	11,380
- Other	4,231

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period 17 months ended 30 June 1997

9. INTER COMPANY DEBT

Prior to the acquisition of the company by Twigden Homes Ltd. the previous parent company, Miller Group Ltd. cancelled an inter company debt due by the company in the amount of £608,514.

10. TAXATION

	£
UK Corporation tax based on the profit for the period at 32.5%	459,833
	<hr/>

11. DIVIDENDS

Proposed final dividend of £5.88 per share	£588,000
	<hr/>

12. EMPLOYEES

The average weekly number of employees during the year was made up as follows:-

	Period Ended 30 June 1997
	No.
Office and management	6
Sites	20
	<hr/>
	26
	<hr/>
Staff costs amounted to:	£
Wages and salaries	975,038
Social security costs	55,733
Pension costs	44,506
	<hr/>
	£1,075,277
	<hr/>

No remuneration was paid to the directors during the period.

TWIGDEN HOMES SOUTHERN LIMITED
(formerly Miller Homes (Southern) Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period 17 months ended 30 June 1997

13. PENSIONS

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.

14. OPERATING LEASE COMMITMENTS

At 30 June 1997 the company had the following annual commitments under non-cancellable operating leases:

	30 June 1997
	£
Operating leases which expire:	
Within one year	
Plant and equipment	7,352
	<hr/>
Within two to five years	
Plant and equipment	38,280
	<hr/>

15. CONTINGENT LIABILITIES

The company has given an unlimited guarantee to secure the bank borrowings of Twigden Limited. At 30 June 1997 the amount outstanding was £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.

16. CAPITAL COMMITMENTS

The company has no future capital commitments as at 30 June 1997.

17. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period under review.

18. PARENT COMPANIES

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