

Twigden Homes Southern Limited

Directors' report and financial statements

30 June 1999

Registered number 3152729



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors to the members of Twigden Homes Southern Limited	3
Profit and loss account	4
Balance sheet	5
Reconciliation of movements in shareholders' funds	6
Notes	7

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 £13.78p per share be paid making, with the interim of £1.80p per share, a total of £15.58p per share for the year.

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:

D. Homer

G.D. Baker resigned 1 October 1998

K. Dixon resigned 1 October 1998

R.W. Gregory

J.G. Hodgetts resigned 1 October 1998

R.P. Page resigned 1 October 1998

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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:

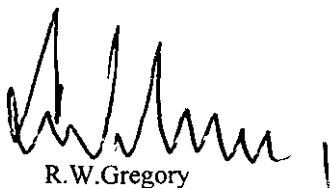
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

We have audited the financial statements on pages 4 to 12.

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	1	3,658,735	10,052,173
Cost of sales		(1,826,716)	(8,105,897)
Gross profit		1,832,019	1,946,276
Administrative expenses		(83,556)	(264,506)
Operating profit		1,748,463	1,681,770
Interest Receivable	4	161,320	8,957
Interest Payable	5	-	(10,375)
Profit on ordinary activities before taxation	2	1,909,783	1,680,352
Tax on profit on ordinary activities	6	(593,105)	(523,152)
Profit for the financial year		1,316,678	1,157,200
Dividends on equity shares	7	(1,558,000)	(555,000)
Retained (loss)/profit for the year		(241,322)	602,200

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

Balance sheet

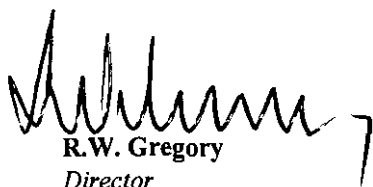
At 30 June 1999

	Note	1999		1998
		£	£	£
Fixed assets				
Tangible assets	8		1,343	13,387
Current assets				
Land Stock and Work in Progress	9	101,687		1,584,649
Debtors	10	3,392,841		1,788,053
Cash at bank and in hand		50		400
		<u>3,494,578</u>		<u>3,373,102</u>
Creditors: amounts falling due within one year	11	(2,693,820)		(2,343,066)
Net current assets			800,758	1,030,036
Total assets less current liabilities			<u>802,101</u>	<u>1,043,423</u>
Net assets			<u>802,101</u>	<u>1,043,423</u>
Capital and reserves				
Called up share capital	12		100,000	100,000
Revaluation reserve			47,000	47,000
Profit and loss account			655,101	896,423
Shareholders' funds			<u>802,101</u>	<u>1,043,423</u>

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/[loss] for the financial year	1,316,678	1,157,200
Dividends	(1,558,000)	(555,000)
	<hr/>	<hr/>
Net (reduction in)/addition to shareholders' funds	(241,322)	602,200
Opening shareholders' funds	1,043,423	441,223
	<hr/>	<hr/>
Closing shareholders' funds	802,101	1,043,423
	<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.

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.

Notes (continued)

2 Profit on ordinary activities before taxation

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	7,753	15,978
Hire of plant and machinery	18,612	103,814
Administration expenses:		
Audit fee	5,000	3,300
Depreciation	3,935	5,090
Operating lease rentals – Plant and machinery	-	7,499

3 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	2	6
Sites	4	10
	<hr/> 6	<hr/> 16
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and salaries	157,994	329,384
Social security costs	4,877	25,947
Other pension costs	5,047	27,309
	<hr/> 167,918	<hr/> 382,640
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Interest receivable

	1999	1998
	£	£
Interest receivable	155,625	-
Interest receivable on deposits	5,339	8,775
Interest on late completion of sales	356	182
	<u>161,320</u>	<u>8,957</u>

5 Interest payable

	1999	1998
	£	£
On bank loans and overdrafts	-	10,375
	<u>-</u>	<u>10,375</u>

6 Taxation

	1999	1998
	£	£
UK corporation tax at 31% (1998 : 31 %)	593,105	523,152
	<u>593,105</u>	<u>523,152</u>

7 Dividends and other appropriations

	1999	1998
	£	£
Equity shares:		
Interim dividend paid	180,000	233,000
Final dividend proposed	1,378,000	322,000
	<u>1,558,000</u>	<u>555,000</u>

Notes (continued)

8 Tangible fixed assets

	Plant and Machinery	Fixtures, fittings, tools and equipment	Total
	£	£	£
Cost			
At beginning of year	203,115	88,514	291,629
Disposals	-	(8,895)	(8,895)
	<hr/>	<hr/>	<hr/>
At end of year	203,115	79,619	282,734
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	195,242	83,000	278,242
Charge for year	7,753	3,935	11,688
On disposals	-	(8,539)	(8,539)
	<hr/>	<hr/>	<hr/>
At end of year	202,995	78,396	281,391
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 1999	120	1,223	1,343
	<hr/>	<hr/>	<hr/>
At 30 June 1998	7,873	5,514	13,387
	<hr/>	<hr/>	<hr/>

9 Stocks

	1999 £	1998 £
Land Stock	-	658,557
Work in progress	101,687	926,092
	<hr/>	<hr/>
	101,687	1,584,649
	<hr/>	<hr/>

Notes (continued)

10 Debtors

	1999	1998
	£	£
Trade debtors	31,797	4,250
Amounts owed by group undertaking	3,357,137	1,756,081
Other debtors	3,907	26,568
Prepayments and accrued income	-	1,154
	<hr/>	<hr/>
	3,392,841	1,788,053
	<hr/> <hr/>	<hr/> <hr/>

11 Creditors: amounts falling due within one year

	1999	1998
	£	£
Trade creditors	310,448	640,804
Corporation Tax	596,243	526,425
Taxation and social security	101	168
Accruals and deferred income	409,028	853,669
Dividend proposed	1,378,000	322,000
	<hr/>	<hr/>
	2,693,820	2,343,066
	<hr/> <hr/>	<hr/> <hr/>

12 Called up share capital

	1999	1998
	£	£
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	100,000	100,000
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	100,000	100,000

Notes (continued)

13 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.

14 Capital Commitments

The company has no future capital commitments in the year ended 30.06.99 and the period ended 30.06.98.

15 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.

16 Related party transactions

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

17 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 Twigden Homes Limited. Both companies are registered in England. The financial statements of Kier Group plc are available from Companies House, Crown Way, Cardiff.