Bellwinch Homes Limited

Directors' report and financial statements

Registered number 0614248

30 June 2012

Contents

Directors' report

The directors present their Directors' report and financial statements for the year ended 30 June 2012.

Principal activities and business review

The principal activity of the Company is residential land and property development. The trade and assets and liabilities of the Company have been transferred to another group company and the Company does not expect to enter into new transactions in the future.

Development and performance of the business

The Company sold 218 homes in the year (2011: 165 homes) representing an increase of 32% compared with last year. Average prices for private sales were higher for the year at £188,000 (2011: £159,000). Revenue of £38,131,000 was generated from house sales (2011: £30,540,000). Operating profit from housing sales was £288,000 for the year (2011: £2,713,000 profit before exceptional items) at a margin of 1% (2011: 9%). Land sales took place in the year generating £9,750,000 of revenue and £1,867,000 of operating profit.

The business continues to be directed, managed and controlled centrally from Lysander House and a management charge of £2,417,000 (2011: £2,403,000) was incurred in the financial year.

The ultimate parent company of the trading group, Kier Homes Limited, conducted a re-organisation of the operations of the trading group during the financial year. Bellwinch Homes Limited entered into an intra-group business transfer agreement with Kier Homes Limited (and others) to transfer all of its assets and liabilities, at net book value, to Kier Homes Limited with effect of 30 June 2012.

Results and dividends

The loss for the year after taxation dealt with in the financial statements is £287,000 *(2011: loss £2,710,000 after exceptional costs of £3,330,000)*

There were no Dividends paid during the year *(2011: £nil).*

The directors do not recommend the payment of any final dividend in respect of the current year ended 30 June 2012 *(2011: £nil).*

Directors

The directors who held office during the year, or who were appointed subsequently, were as follows:

AJ Gordon-Stewart
IM Lawson
D H R Browne
C King
N C Moore
T D Thomas

Directors' report *(continued)*

Employees

Employees continue to be our most valuable asset. The ability to attract, develop and retain talented employees is key to our long term success.

The Company is an equal opportunities employer. It provides relevant information on matters of concern to employees through newsletters and formal and informal meetings with management The Company encourages and assists, wherever 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.

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.

Policy and practice on payment of creditors

The Company agrees payment terms with its suppliers and sub contractors 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 sub contractors have provided the goods or services in accordance with the contract terms and conditions. Acting in accordance with this policy, the Company's aggregate trade creditors at 30 June 2012, including amounts not currently due, represent nil creditor days *(2011: 34 days)*.

Disclosure of information to auditor

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 to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information

Auditor

In accordance with Section 489 of the Companies Act 2006 a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

A J Gordon-Stewart
Director

Lysander House
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

11 September 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELLWINCH HOMES LIMITED

We have audited the financial statements of Bellwinch Homes Limited for the year ended 30 June 2012 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

• give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its loss for the year then ended
• have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Marshall (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

11 September 2012

Profit and loss account
for the year ended 30 June 2012

	Note	2012 £000	2011 £000
Turnover		**47,881**	30,540
Cost of sales (2011 including exceptional costs of £3,330,000)	2	**(43,237)**	(28,459)
Gross profit		**4,644**	2,081
Administrative expenses	2	**(2,489)**	(2,698)
Operating profit / (loss)		**2,155**	(617)
Interest payable and similar charges	4	**(2,700)**	(3,169)
Dividends received from subsidiary	6	**1**	-
Loss on ordinary activities before taxation	2-4	**(544)**	(3,786)
Tax credit on loss on ordinary activities	5	**257**	1,076
Loss on ordinary activities after taxation		**(287)**	(2,710)
Loss for the financial year	14	**(287)**	(2,710)

All of the above results relate to continuing activities.

There were no other recognised gains or losses other than the loss for the financial year and the previous financial year

There is no difference between the historical costs result and the result stated above.

Balance sheet
at 30 June 2012

	Note		**2012**		2011
		£000	**£000**	£000	£000
Fixed assets					
Investments	*7*		**-**		68
			-		68
Current assets					
Stocks and work in progress	*8*	**-**		85,959	
Debtors	*9*	**-**		8,691	
		-		94,650	
Creditors amounts falling due within one year	*10*	**(3,905)**		(98,336)	
Net current liabilities			**(3,905)**		(3,686)
Total assets less current liabilities			**(3,905)**		(3,618)
Net liabilities			**(3,905)**		(3,618)
Capital and reserves					
Called up share capital	*12*		**9,554**		9,554
Convertible loan equity	*13*		**1,478**		1,478
Capital redemption reserve	*14*		**5,400**		5,400
Other reserves	*14*		**44**		44
Profit and loss account	*14*		**(20,381)**		(20,094)
Shareholders' deficit			**(3,905)**		(3,618)

These financial statements were approved by the board of directors on

11 September 2012 and were signed on its behalf by:

A J Gordon-Stewart
Finance Director

Company No. 0614248

The notes on pages 9 –19 form part of these financial statements

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2012

	2012	2011
	£000	£000
Loss for the financial year	**(287)**	(2,710)
Net reduction to shareholders' funds	**(287)**	(2,710)
Opening shareholders' deficit	**(3,618)**	(908)
Closing shareholders' deficit	**(3,905)**	(3,618)

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 financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice) 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.

The Company is exempt under section 400 of the Companies Act 2006 from the obligation to prepare group financial statements as it is a wholly owned subsidiary of another company incorporated in Great Britain. The financial statements present information about the Company as an undertaking and not about its group.

The consolidated financial statements of Kier Group plc, within which this Company is included, can be obtained from the address given in note 19.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding the Company's net liabilities, which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided by Kier Homes Limited, the Company's parent undertaking. Kier Homes Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company.

As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As noted in the Directors' Report, the trade and assets and liabilities of the Company have been transferred to another group company and the Company does not expect to enter into new transactions in the future

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Exceptional Items

Items that are both material in size and unusual or infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that separate recording of exceptional items provides helpful information about the Company's underlying business performance.

Notes *(continued)*

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings, tools and equipment	-	10% - 33% per annum
Land and buildings	-	2% per annum
Leases	-	Over the lease term

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company used to operate a defined contribution pension scheme. The assets of the scheme were held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company used to participate in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme were held separately from those of the Company. The Company was unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounted for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stock and work in progress, which includes attributable overheads, is stated at the lower of cost and net realisable value. Where net realisable value is below cost a write down is taken to cost of sales.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes *(continued)*

1 Accounting policies (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Taxation

The charge for taxation is based on the profit / (loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover comprises the sale of houses, land, and goods and services provided excluding value added tax

Turnover is considered by the directors to be a single class of activity The Company operates solely 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 social housing sales is taken based on the equivalent units with regard to the value of work certified. Revenue in respect of land sales and land exchanges are taken on the unconditional exchange of contract.

Dividend Policy

Dividends unpaid at the balance sheet date are only recognised as a liability at the date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes *(continued)*

2 Notes to the profit and loss account

	2012 £000	2011 £000
Loss on ordinary activities before taxation is stated after charging:		
Management charge from Kier Homes Limited	**2,417**	2,403
Operating leases - Plant and machinery	**-**	4

Auditor's remuneration:

	2012 £000	2011 £000
Audit of financial statements pursuant to legislation	**17**	17

The audit fee for the financial year 30 June 2012 has been paid through the parent company Kier Homes Limited and charged through a management charge in the year.

Amounts receivable by the Company's auditor and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Kier Group plc

Exceptional charge:

	2012 £000	2011 £000
Cost of sales		
Land and work in progress write down	**-**	3,330

The exceptional charge in 2011 cost of sales relates to the carrying value of land and work in progress for development being written down to net realisable value as a result of reduced forecast revenue on a number of sites.

Notes *(continued)*

3 Remuneration of directors

Directors' emoluments are paid through the Kier Homes Limited parent company and charged to Bellwinch Homes Limited through a management charge. The remuneration of those Directors is dealt with in the financial statements of Kier Homes Limited.

Directors are remunerated by Kier Homes Limited and details are disclosed in those accounts.

4 Interest payable and similar charges

	2012	2011
	£000	£000
Bank loans and overdrafts	**915**	1,369
Inter-company loans	**1,785**	1,800
	2,700	3,169

5 Taxation

Analysis of credit in year

	2012		2011	
	£000	**£000**	£000	£000
UK corporation tax				
UK Corporation tax credit based on the result for the year	**(220)**		(256)	
Adjustments in respect of prior years	**(963)**		76	
Total current tax credit		**(1,183)**		(180)
Deferred taxation (see note 11)				
Origination/reversal of timing differences	**11**		(872)	
Effect of decreased tax rate	**5**		60	
Adjustment in respect of previous years	**910**		(84)	
Total deferred tax		**926**		(896)
Total tax credit for the year		**(257)**		(1,076)

The tax figures disclosed above exclude any debt capitalisation and transfer pricing adjustments. Any unmatched differences arising from the debt capitalisation and transfer pricing adjustments will be borne by Kier Limited.

Notes *(continued)*

5 Taxation *(continued)*

Factors affecting the tax credit for the current year

The current tax credit for the year is higher *(2011: lower)* than the standard rate of corporation tax in the UK of 25.5% (*2011: 27.5%*). The differences are explained below.

	2012	2011
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(544)**	(3,786)
Current tax at 25 5% *(2011 27 5%)*	**(139)**	(1,041)
Effects of·		
Capital allowances for period more than depreciation	**(5)**	(7)
Other short term timing differences	**(6)**	879
Land remediation relief	**(70)**	(87)
(Over)/ under provision in respect of prior years	**(963)**	76
Current tax credit for year	**(1,183)**	(180)

6 Dividends

	2012	2011
	£000	£000
Dividends received from subsidiary undertakings	**1**	-

A dividend was received from the company's subsidiary Wessex Estates Limited. The settlement of the dividend achieved the disposal of Wessex Estates Limited trade, assets and liabilities to its parent company, Bellwinch Homes Limited, leaving only share capital of £20,000 in the company. The settlement of the dividend was achieved by setting off the inter-company creditor due to Wessex Estates Limited *(2011: £nil).*

Notes *(continued)*

7 Fixed asset investments

	£000
Net book value	
At beginning of year	68
Transfer to Kier Homes Limited	(68)
At end of the year	-

	2012 £000	2011 £000
Land and work in progress held for development	-	85,959

The ultimate parent company of the trading group, Kier Homes Limited, conducted a re-organisation of the operations of the trading group during the financial year. Bellwinch Homes Limited transferred all of its land and work in progress to Kier Homes Limited as part of this re-organisation.

Land and work in progress held for development at 30 June 2011 is shown after a write down of £3,330,000 to reduce the values on certain sites to net realisable value.

Notes *(continued)*

8 Debtors

	2012 £000	2011 £000
Trade debtors	-	4,150
Amounts owed by group undertakings	-	1,863
Corporation tax	-	1,427
Prepayments and accrued income	-	270
Deferred tax (note 11)	-	981
	-	8,691

9 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdrafts	-	24,997
Trade creditors	-	9,022
Amounts owed to group undertakings	**3,905**	63,237
Other taxation and social security	-	8
Accruals and deferred income	-	1,072
	3,905	98,336

Notes *(continued)*

11 Deferred tax

	2012	2011
	£000	£000
At beginning of year	**981**	85
Effect of rate change	**(5)**	(60)
Transferred to profit and loss account	**(921)**	956
Transferred to Kier Homes Limited	**(55)**	-
At end of year	**-**	981

The elements of deferred taxation are as follows:

	2012	2011
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	**19**	25
Other short term timing differences	**36**	956
Transferred to Kier Homes Limited	**(55)**	-
Deferred tax asset (note 9)	**-**	981

12 Called up share capital

	2012	2011
	£000	£000
Authorised		
1,010,000,000 ordinary shares of 1p each	**10,100**	10,100
5,400,000 deferred shares of £1 each	**5,400**	5,400
	15,500	15,500
Allotted, called up and fully paid		
955,400,000 ordinary shares of 1p each	**9,554**	9,554

Notes *(continued)*

13 Convertible loan equity

	2012 **£000**	2011 £000
Convertible loan equity	**1,478**	1,478

This represents the value attached to the convertible feature of an unsecured convertible loan which matured and was paid on 30 June 2009. The £1,478,000 was measured at the inception of the convertible loan by subtracting the present value of the convertible loan of £8,522,000 from the nominal value of £10,000,000.

14 Reserves

	Capital redemption reserve £000	**Other Reserves £000**	**Profit and loss account £000**
At beginning of year	5,400	44	(20,094)
Loss for the financial year	-	-	(288)
Dividends (note 6)	-	-	1
At end of year	**5,400**	**44**	**(20,381)**

15 Contingent liabilities

There are 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 Kier Group plc has no net liability.

16 Commitments

The Company has no future capital commitments.

17 Pension scheme

The Company was a member of the Kier Group Pension Scheme a section of which provided benefits based on final pensionable pay. Because the Company was 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 was accounted for 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.

Notes *(continued)*

18 Related party disclosures

The ultimate holding party is Kier Group plc. In accordance with paragraph 3(c) of FRS 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.

19 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a wholly owned subsidiary of Bellwinch Limited. The ultimate holding company is Kier Group plc. The parent of the only group for which group financial statements have been drawn up is Kier Group plc. The parent company is 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.