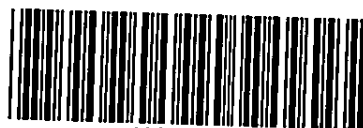


Kier Homes Caledonia Limited
Directors' report and financial
statements
Registered number 2243256
30 June 2013

TUESDAY



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COMPANIES HOUSE

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Directors' report

The directors present their Directors' report and financial statements for the year ended 30 June 2013.

Principal activities and business review

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

Development and performance of the business

The Company sold 69 homes in the year (2012 90 homes) representing a decrease of 23% compared with last year. Average prices for private sales were higher for the year at £165,000 (2012: £138,000). Revenue of £11,386,000 was generated from house sales (2012 £12,452,000). Operating loss from housing sales was £1,559,000 (2012 £825,000 loss) at a margin of (14%) (2012 (7%))

The business continues to be directed, managed and controlled centrally from Lysander House and a management charge of £986,000 (2012. £965,000) was incurred in the financial year.

As at 30 June 2013, the land bank contained 926 units (2012 959)

Market and Outlook

There will be a continued focus on the basics of good house building to deliver the performance of the business. We remain mindful of the wider economic challenges facing the UK economy but expect the recent announcement of the Help to Buy (Scotland) scheme will provide a boost to the Scottish housing market.

We will continue to monitor our stock levels closely ensuring efficient utilisation of cash in line with sales rates on our sites

Risks and uncertainties

The Company is required to comply with environmental and planning issues, which, by nature of its operations, requires that considerable resource is devoted to its Health and Safety commitments and its duty of care to its employees and the public

The housing market is subject to fluctuations in demand and activity. The Company continually reviews its products and specifications in order to maximise its revenues and therefore maintain and improve margins

Directors' report *(continued)*

The Board of Directors are well placed to deal with the ongoing challenges facing the Company in the current market place

Key Performance Indicators

The Company uses a number of financial and non-financial KPIs to monitor and measure performance. Financial KPIs include profit before tax, operating margin and efficient usage of cash. Non – financial KPIs include land bank plots, construction costs versus viability, sales visitors and reservation rates, AIR safety trends and customer satisfaction

The KPIs together with their benchmark targets have not been reproduced as they are considered to be commercially sensitive

Results and dividends

The loss for the year after taxation dealt with in the financial statements is £4,196,000 (2012: loss £3,457,000)

There were no dividends paid during the year (2012: *£nil*).

The directors do not recommend the payment of any final dividend in respect of the current year ended 30 June 2013 (2012: *£nil*).

Directors

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

J B Anderson	(appointed 20 February 2013)
A J Gordon-Stewart	
I M Lawson	(resigned 21 June 2013)
D H R Browne	
C King	
N C Moore	
T D Thomas	

Director's 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 2013, including amounts not currently due, represent 41 creditor days (2012: 38 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

The Company's auditor, KPMG Audit Plc, has notified the Company that it is not seeking reappointment due to a planned transfer of its business to its parent entity, KPMG LLP. In accordance with Section 485 of the Companies Act, resolutions for the appointment of KPMG LLP as auditor of the Company, and to authorise the Directors to determine its remuneration, are 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 2013

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 KIER HOMES CALEDONIA LIMITED

We have audited the financial statements of Kier Homes Caledonia Limited for the year ended 30 June 2013 set out on pages 7 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 4, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2013 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.



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

11 September 2013

Profit and loss account
for the year ended 30 June 2013

	<i>Note</i>	2013 £000	2012 £000
Turnover		11,386	12,452
Cost of sales	2	(11,781)	(12,087)
Gross (loss) / profit		(395)	365
Administrative expenses	2	(1,164)	(1,190)
Operating loss		(1,559)	(825)
Other interest receivable and similar income	5	-	4
Interest payable and similar charges	6	(3,939)	(3,838)
Loss on ordinary activities before taxation	2-4	(5,498)	(4,659)
Tax credit on loss on ordinary activities	7	1,302	1,202
Loss on ordinary activities after taxation		(4,196)	(3,457)
Loss for the financial year	15	(4,196)	(3,457)

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 cost results and the results stated above

Balance sheet
at 30 June 2013

	Note	2013 £000	2012 £000
Current assets			
Stocks and work in progress	9	66,110	66,884
Debtors	10	3,738	4,633
		<u>69,848</u>	<u>71,517</u>
Creditors: amounts falling due within one year	12	<u>(91,892)</u>	<u>(89,365)</u>
Net current liabilities		<u>(22,044)</u>	<u>(17,848)</u>
Total assets less current liabilities		<u>(22,044)</u>	<u>(17,848)</u>
Net liabilities		<u>(22,044)</u>	<u>(17,848)</u>
Capital and reserves			
Called up share capital	13	-	-
Convertible loan equity	14	5,173	5,173
Profit and loss account	15	(27,217)	(23,021)
Shareholders' deficit		<u>(22,044)</u>	<u>(17,848)</u>

These financial statements were approved by the board of directors on 11 September 2013 and were signed on its behalf by



A J Gordon-Stewart
Director

Company No 2243256

Notes from page 10-19 form part of the financial statements.

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2013

	2013 £000	2012 £000
Loss for the financial year	(4,196)	(3,457)
Net reduction to shareholders' funds	(4,196)	(3,457)
Opening shareholders' deficit	(17,848)	(14,391)
Closing shareholders' deficit	(22,044)	(17,848)

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, 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 consolidated financial statements of Kier Group Plc, within which this Company is included, can be obtained from the address given in note 20

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.

This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. 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

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

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are 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 participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is 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', accounts 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The credit for taxation is based on the 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 land sales and land exchanges is taken on the unconditional exchange of contract.

Dividends

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

	2013 £000	2012 £000
Loss on ordinary activities before taxation is stated after charging		
Operating leases - Land and buildings	40	47
- Plant and machinery	30	34
Management Charge from Kier Homes Limited	986	965
	<hr/>	<hr/>
Auditor's remuneration.		
	2013 £000	2012 £000
Audit of financial statements pursuant to legislation	11	13
	<hr/>	<hr/>

The audit fee for the financial year 30 June 2013 has been paid through the parent company Kier Homes Limited and charged to Kier Homes Caledonia Limited through a management charge

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.

Notes (continued)

3 Remuneration of directors

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

4 Staff numbers and costs

All staff remuneration is paid by Kier Homes Limited and charged to Kier Homes Caledonia Limited through a management charge as disclosed in note 2.

5 Other interest receivable and similar income

	2013 £000	2012 £000
Other interest receivable	-	4

6 Interest payable and similar charges

	2013 £000	2012 £000
On bank loans and overdrafts	1,689	1,582
Inter-company interest	2,250	2,256
	3,939	3,838

Notes (continued)

7 Taxation

Analysis of credit in year

	£000	2013 £000	£000	2012 £000
<i>UK corporation tax</i>				
UK Corporation tax credit based on the result for the year	(1,306)		(1,195)	
Adjustments in respect of prior years	4		(234)	
Total current tax credit		(1,302)		(1,429)
<i>Deferred tax (see note 11)</i>				
Origination/reversal of timing differences	-		5	
Adjustment in respect of previous years	-		222	
Total deferred tax		-		227
Total tax credit for the year		(1,302)		(1,202)

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.

Factors affecting the tax credit for the current year

The current tax credit for the year is lower (2012 higher) than the standard rate of corporation tax in the UK of 23.75% (2012: 25.5%). The differences are explained below.

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,498)	(4,659)
Current tax at 23.75% (2012: 25.5%)	(1,306)	(1,188)
<i>Effects of</i>		
Expenses adjusted for tax purposes	-	(2)
Other short term timing differences	-	(5)
Under / (over) provision in respect of prior years	4	(234)
Current tax credit for year	(1,302)	(1,429)

Notes (continued)

7 Taxation (continued)

Factors that may change future tax credits

The Chancellor has so far cut the main rate of corporation tax from 28% to 24%, and announced further reductions to come, to 23% from April 2013 and 21% from April 2014. At the March 2013 budget the Government announced it will reduce it further by an additional 1% in April 2015, so it will reach 20%.

The first reduction from 24% to 23% was substantively enacted on 3 July 2012 and was effective from 1 April 2013.

The reduction in the main rate of UK corporation tax from 23% to 20% was substantively enacted after the balance sheet date on the 2 July 2013.

8 Dividends

The aggregate amount of dividends proposed, but not recognised as liabilities as at the year end is *£nil* (2012: *£nil*).

9 Stocks

	2013 £000	2012 £000
Land and work in progress held for development	66,110	66,884

10 Debtors

	2013 £000	2012 £000
Trade debtors	1,821	2,449
Amounts owed by group undertakings	-	500
Corporation tax	1,623	1,633
Prepayments and accrued income	39	51
Other debtors	255	-
	3,738	4,633

Notes (continued)

11 Deferred tax asset

	2013 £000	2012 £000
Deferred taxation movement		
At beginning of year	-	227
Transferred from profit and loss account	-	(227)
	<hr/>	<hr/>
At end of year	-	-
	<hr/>	<hr/>

12 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank loans and overdrafts	37,347	35,057
Trade creditors	1,708	1,812
Amounts owed to group undertakings	51,256	51,481
Other taxation and social security	5	8
Accruals and deferred income	1,576	1,007
	<hr/>	<hr/>
	91,892	89,365
	<hr/>	<hr/>

Amounts owed to group undertakings includes a £50,000,000 loan from its parent company Kier Homes Limited which is repayable on demand and incurs interest charges at 4.5% per annum.

Notes (continued)

13 Called up share capital

	2013 £000	2012 £000
Authorised		
100 ordinary shares of £1 each	-	-
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	-	-
	<u> </u>	<u> </u>

14 Convertible loan equity

	2013 £000	2012 £000
Convertible loan equity	5,173	5,173
	<u> </u>	<u> </u>

This represents the value attached to the convertible feature of an unsecured convertible loan which matured and was paid on 30 June 2009. The £5,173,000 was measured at the inception of the convertible loan by subtracting the present value of the convertible loan of £29,827,000 from the nominal value of £35,000,000

15 Profit and loss account

	2013 £000	2012 £000
At beginning of year	(23,021)	(19,564)
Loss for the financial year	(4,196)	(3,457)
	<u> </u>	<u> </u>
At end of year	(27,217)	(23,021)
	<u> </u>	<u> </u>

16 Contingent liabilities

There are no contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, other than those 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

Notes (continued)

17 Commitments

- (a) The Company has no future capital commitments
- (b) Annual commitments under non-cancellable operating leases are as follows:

	2013 Land and buildings £000	Other £000	2012 Land and buildings £000	Other £000
Operating leases which expire				
Within one year	16	-	-	-
In the second to fifth years inclusive	-	-	24	34
	16	-	24	34

18 Pension scheme

The Company is a member of the Kier Group Pension Scheme a section of which provided 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 is 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.

19 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.

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

The Company is a wholly owned subsidiary of Kier Homes 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. The consolidated accounts of the group are available to the public and may be obtained from Companies House, Crown Way, Cardiff.