

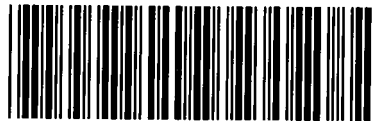
Registration number: 02243256

Kier Homes Caledonia Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2018

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Kier Homes Caledonia Limited

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Kier Homes Caledonia Limited

Company Information

Directors	S J Cooper J B Anderson D H R Browne N C Moore T D Thomas
Company secretary	B Melges
Registered office	Tempsford Hall Sandy Bedfordshire SG19 2BD
Bankers	National Westminster Bank 81 High Street Bedford Bedfordshire MK40 1YN
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Kier Homes Caledonia Limited

Strategic Report for the Year Ended 30 June 2018

The directors present their strategic report for Kier Homes Caledonia Limited (the "Company") for the year ended 30 June 2018.

Fair review of the business and future development

The Company is a member of the Kier Group plc ("Kier") group of companies (the "Kier Group" and the "Group").

Principal activities

The principal activity of the Company are that of a private house builder on residential land who's financial results are set out in the Income Statement on page 17.

Turnover for the year was £12,581,000 (2017: £17,452,000), a decrease of 28% in the year. The number of house sale completions decreased by 49 to 67 (2017: 116)

The gross profit for the year was £113,000 compared with a gross loss of £543,000 in 2017.

The operating profit for the year was £298,000 compared with a loss of £1,123,000 in 2017 due in part to a decrease in administration expenses to a credit of £185,000 (2017: £580,000). The business continues to be directed, managed and controlled centrally by the parent company Kier Living Limited but no management charge has been charged in the year (2017: £1,120,000).

Finance costs of £3,279,000 (2017: £3,518,000) showed a 7% decrease.

As at 30 June 2018, the land bank contained 440 units (2017: 507). The current land bank provides sufficient pipeline for the Company's current business plan.

As at the year-end total negative equity was £42,074,000 (2017: £39,570,000). The movement in the balance mainly comprised the loss before taxation of £2,981,000 (2017: £4,641,000).

As at the end of the year the order book for unit completions (4 units) represented 100% of the total required for the year ending June 2019. Following these sales the 3 remaining owned sites will be mothballed until such time as it becomes financially viable to build out and sell the remaining units.

Corporate responsibility

The Kier Group attaches great importance to its corporate responsibility, as evidenced by the corporate responsibility section in the Kier Group plc 2018 Annual Report and in its Corporate Responsibility Report for 2018, which is available at www.kier.co.uk. As a member of the Kier Group, the Company abides by the same principles.

Kier Homes Caledonia Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal controls and for ensuring that significant risks are identified and appropriately managed. The Board has delegated the review of the effectiveness of the Company's risk management processes to the Kier Group Risk Management and Audit Committee (RMAC), including the systems established to identify, assess, manage and monitor risk. The risks faced by the Company are reviewed by the RMAC on a quarterly basis.

The nature of the industries and the business environment in which the Company operates are inherently risky. Although it is recognised that it is not possible to eliminate all such risk and uncertainties, the Company has well-established risk management and internal control systems to manage them.

On behalf of the Board, the RMAC identifies the risk that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process. The principal risks as relevant to the Company are set out below, together with a summary of the actions taken to mitigate each risk.

Insufficient finance / funding - The Company is dependant for its working capital on funds provided by Kier Living Limited the company's immediate parent undertaking which is a subsidiary of the Kier Group plc. Measures are taken to minimise cash requirements such as ensuring cash is collected in a timely manner. Regular updates to forecast cash requirements are provided to the immediate parent undertaking.

Ineffective contract delivery - Build programmes are monitored on a weekly basis and performance of supply chain regularly reviewed. New members to our supply chain actively are sought subject to our vetting procedures.

Impact of Brexit - The business has not seen any adverse effect from Brexit, but will continue to monitor the sales rates, house prices and on-going demand

Safety, health and sustainability

The Company's activities are inherently complex and potentially hazardous and require the continuous management of safety, health and sustainability risks.

Failure to do so could result in any of the following:

- an increase in safety or environmental incidents on site;
- the cost of sickness absence not reducing;
- Kier's energy costs not reducing;
- the failure to meet client's expectations;
- the failure to meet investors' expectations;
- reduced ability to bid for and win new work;
- reputational damage; and
- financial penalties arising from fines, legal action and project delays.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continuation of the Group's safety, health and environmental ("SHE") behavioural change programme;
- Management continuing to undertake visible leadership tours;
- Continued focus on the reduction in lost time accidents and the resulting cost of sickness absence;
- Implementation of Kier's energy saving programme; and
- Continued implementation of various social impact strategies.

Kier Homes Caledonia Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Regulation

The Company's operations are subject to increased scrutiny, regulation and oversight due to external factors (for example, corporate failures, the Grenfell Tower fire and Brexit).

The UK construction and services sectors have recently experienced a significant increase in the level of public focus under which they operate. We expect that scrutiny to increase, particularly for major suppliers to the public sector.

These sectors are also subject to increasing regulation and reporting requirements, including new regulations relating to building standards, payments to suppliers and the gender pay gap.

Failure to manage effectively the increased scrutiny and oversight and/or comply with new regulations could result in:

- the loss of business;
- the failure to win new business;
- increased operating costs;
- the Company defending material claims; and
- reputational damage.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Regular engagement with government and government agencies with respect to the Company's performance and other matters of interest;
- Close monitoring and planning of the impact of new legislation and regulations;
- Establishing strategies and policies to ensure compliance with regulatory requirements; and
- Collaborative engagement with our clients and subcontractors.

Funding

The Company relies on Kier Group borrowing and bonding facilities. Without these, revenue and profit would reduce.

Political, market or lender sentiment may affect the Kier Group's available funding, thereby reducing its liquidity and restricting its ability to invest and deliver plans for future growth.

The Kier Group has a number of committed and uncommitted facilities available to meet its funding needs. Any or all of these facilities could be reduced or removed.

A reduction in or removal of the Kier Group's principal financing facilities could result in the Company experiencing:

- a slowdown of investment for future growth;
- reduced profit as a result of the inability to fund growth opportunities; and
- the loss of confidence by stakeholders (for example, clients, subcontractors and employees).

The key mitigations and controls in place to safeguard against these risks are as follows:

- Focus on cash forecasting and working capital management to generate positive cash flow;
- Maintenance of appropriate levels of committed bank facilities;
- Maintenance of appropriate bank and surety bonding facilities;
- Collaborative engagement with banks, lenders and sureties; and
- Continue to identify appropriate alternative funding structures.

Kier Homes Caledonia Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Market and sector performance

Delivery of the Company's strategy depends on the economic performance of the UK, in particular, and the markets and sectors in which the Company operates.

A downturn in the Company's markets and/or unsuccessful allocation of investment capital could result in:

- a failure to meet the Company's financial targets;
- a failure of one or more of the Company's businesses;
- an increase in the competition for new work; and
- a decrease in stakeholder confidence in the Company.

The Company will continue to evaluate market performance, including the impact of macro-economic factors and the associated market risk of specific events (for example, Brexit) in order to safeguard against these risks.

Operating model

The Company needs to maintain and evolve its operating model so as to build and sustain the long-term confidence of its key stakeholders, deliver sector-leading customer experience and maximise the opportunities for growth. The Company needs to maintain an efficient operating model.

Failure to do so could result in:

- business failure;
- the failure to deliver growth and profitability;
- the failure to remain competitive;
- the failure to reduce costs; and
- the failure to meet the expectations of stakeholders (for example, clients, subcontractors and employees).

In order to safeguard against these risks the Company will continue to monitor the long-term prospects, opportunities and risks associated with its key markets and adapt the operating model accordingly.

Contract management

Effective contract management is central to the Company's business model. Each contract requires careful and effective management, according to a number of factors, including type of work, location, length of contract and form of contract.

Failure to manage contracts effectively could result in:

- a failure to meet the Company's financial targets;
- the Company incurring losses;
- the Company failing to win new work;
- reputational damage to the Company; and
- a loss of confidence of stakeholders (for example, clients, subcontractors and employees).

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continued use of metrics to provide early warnings of under-performing contracts;
- Completion of the review of the Kier Group's contract risk governance framework; and
- The Kier Group's continued focus on supply-chain procurement.

Kier Homes Caledonia Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Cyber-security

Cyber-attack and data loss is a risk to all organisations and individuals. The Company is at risk because it handles sensitive information of a personal, confidential and commercial nature, its business operations depend upon IT systems and it has an increasing profile with clients, suppliers and other stakeholders.

Failure to manage the cyber-security risk may result in:

- business interruptions and operational delay;
- the loss of data, resulting in confidentiality breaches, financial loss and reputational damage; and
- fines from regulatory authorities.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continue to strengthen the Kier Group's dedicated cyber-security team;
- Consider outsourcing elements of the Kier Group's IT systems where it is appropriate to do so; and
- Continue to test information security alongside recognised UK and International standards (for example, ISO27001).

Pre-contract governance

Effective pre-contract governance is essential to ensure that the Company understands the risks associated with projects and has in place appropriate plans to mitigate those risks.

A failure in the Company's pre-contract controls could result in:

- poorly performing contracts;
- the Company incurring losses;
- the failure to meet a client's expectations on cost and quality;
- claims and litigation against the Company;
- a failure to meet the Company's financial targets; and
- the Company failing to win new work.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continue to assess contract risk through the Kier Group's standing orders, commercial standards and screening assessment matrix;
- Continue to focus on selective tendering; and
- Share lessons learned across the Kier Group.

Kier Homes Caledonia Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

People

The Company recognises the importance of a clear people strategy to the delivery of its overall strategy and the need to identify, retain and motivate people with the right skills, experience and behaviours. In particular, the Company recognises the benefits of a diverse workforce which is representative of society.

Failure to deliver the Company's people strategy could result in:

- the failure to deliver a specific business need or contract requirement;
- reputational damage, to both the corporate and the employee brand;
- the failure to develop future leaders;
- the over-reliance on key staff; and
- a failure to meet the Company's financial targets.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continue to progress internal targets on gender diversity at all levels;
- Continue to focus on skills development and retention plans for critical skills and the talent pipeline; and
- Embed visible leadership of the balanced business agenda and engagement actions so as to create a fully inclusive work environment.

Innovation

The Company operates in an increasingly dynamic and changing environment. To exploit the opportunities that this presents, the Company seeks to embrace innovation and capitalise on technological advancements.

Failure to do so may result in:

- a failure to maintain the Company's market position;
- the failure to reduce cost or increase the speed of delivery for clients;
- the failure to provide visibility of performance; and
- the failure to attract and retain staff.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Ensure that employees have access to online innovation and idea-sharing platforms;
- Further develop the Company's partnerships with clients and third party organisations to progress its innovation agenda; and
- Monitor, and respond to, prospective market disruptors.

Kier Homes Caledonia Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Brexit

The UK will be leaving the EU in March 2019. The Kier Group has established a senior level 'Brexit Taskforce' to consider the potential effect of Brexit on the Group, which will be influenced by the outcome of the negotiations between the UK Government and the European Commission.

The Group has identified potential risks relating to the supply chain, the workforce and the supply and cost of materials, in particular. The Group is developing contingency plans against a range of scenarios, including one in which the UK leaves the EU without an agreement and, potentially, without a transition period. The Group is monitoring developments and will amend and update these plans accordingly.

Approved by the Board on 18/12/18 and signed on its behalf by:



.....
S J Cooper
Director

Kier Homes Caledonia Limited

Directors' Report for the Year Ended 30 June 2018

The directors of Kier Homes Caledonia Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2018.

Directors of the Company

The directors who held office during the year and up to the date of signing these financial statements were as follows:

S J Cooper

J B Anderson

D H R Browne

C King (resigned 2 July 2018)

N C Moore

T D Thomas

Financial risk management

Objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk and liquidity risk.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

Price risk is managed through holding a diversified portfolio of properties for sale to minimise the risks associated with a fall in market value.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the company is fully supported by its parent company

Employees

The Group recognises the benefits of a diverse workforce which is representative of society. Kier's Shaping Your World campaign and Balanced Business Network ('BBN'), an internal Kier forum, are both key contributors to attracting a more diverse range of people. The BBN plays a key role in making Kier a place that anyone can work in, by promoting an inclusive environment where people can feel confident about bringing their whole selves to work and driving action to deliver real change. The diversity of the workforce remains a priority for Kier and stretching targets have been set to improve this.

Employment of disabled persons

The companies in the Kier Group, of which the company is a member, are equal opportunities employers. The Group consider applications for employment from disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, wherever practicable, the recruitment, training, career development and promotion of disabled people and the retention of, and appropriate training for, those who become disabled during their appointment.

Further information on the Group's people and communities policy is set out in the Corporate Responsibility Report for 2018 which is available at www.kier.co.uk.

Kier Homes Caledonia Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

Employee involvement

The Group provides information to employees through newsletters, video addresses, the Group's intranet, social media and formal and informal meetings with various groups of employees and management. The Group also conducts engagement surveys to obtain feedback on matters of importance to employees. The Group operates Sharesave Schemes for eligible employees and a Share Incentive Plan for all employees, which includes a share-matching element.

Environmental matters

The safety of those on the Group's sites is of paramount importance to Kier as are the Group's obligations with respect to the health and wellbeing of its employees and the environment.

The Kier Group Safety, Health and Environment Committee continues to drive improvements in the management of safety, health and environment ('SHE') risk throughout the business.

The role of the Committee includes:

- Reviewing the Group's strategy with respect to SHE matters and challenging management to implement it;
- Encouraging management's commitment and accountability with respect to managing the Group's SHE risks;
- Reviewing and, as necessary, approving material Group-wide SHE initiatives, policies and procedures;
- Receiving reports on any major SHE incidents and challenging management to communicate the lessons learned from those incidents across the Group; and
- Monitoring and challenging management on the Group's performance against SHE targets.

For further information on Kier Group's activities with regards to SHE matters, please see the Kier Group plc 2018 Annual Report (available at www.kier.co.uk).

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided by Kier Living Limited, the Company's immediate holding company. Kier Living 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 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 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.

Kier Homes Caledonia Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

Directors' liabilities

The articles of association of the Company entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, Kier maintains insurance for the directors and officers of the companies within the Kier Group to cover certain losses or liabilities to which they may be exposed due to their office.

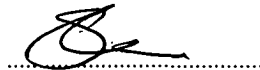
Reappointment of auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

Statement of disclosure of information to the Auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 18/12/18 and signed on its behalf by:



S J Cooper
Director

Kier Homes Caledonia Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kier Homes Caledonia Limited

Independent Auditors' Report to the Members of Kier Homes Caledonia Limited

Report on the audit of the Financial Statements

Opinion

In our opinion, Kier Homes Caledonia Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2018; the Income Statement; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes of the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Kier Homes Caledonia Limited

Independent Auditors' Report to the Members of Kier Homes Caledonia Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Kier Homes Caledonia Limited

Independent Auditors' Report to the Members of Kier Homes Caledonia Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the financial statements and the audit

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Kier Homes Caledonia Limited

**Independent Auditors' Report to the Members of Kier Homes Caledonia Limited
(continued)**

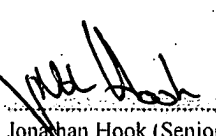
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 18 Dec 2018

Kier Homes Caledonia Limited

Income Statement for the Year Ended 30 June 2018

	Note	2018 £ 000	2017 £ 000
Revenue	4	12,581	17,452
Cost of sales		<u>(12,468)</u>	<u>(17,995)</u>
Gross profit/(loss)		113	(543)
Administrative credit/expense		<u>185</u>	<u>(580)</u>
Operating profit/(loss)		298	(1,123)
Finance costs	5	<u>(3,279)</u>	<u>(3,518)</u>
Loss before taxation		(2,981)	(4,641)
Tax on loss	8	<u>477</u>	<u>784</u>
Loss for the financial year		<u><u>(2,504)</u></u>	<u><u>(3,857)</u></u>

The above results were derived from continuing operations.

Kier Homes Caledonia Limited

Statement of Comprehensive Income for the Year Ended 30 June 2018

	2018	2017
	£ 000	£ 000
Loss for the financial year	<u>(2,504)</u>	<u>(3,857)</u>
Total comprehensive expense for the year	<u><u>(2,504)</u></u>	<u><u>(3,857)</u></u>

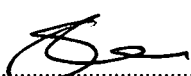
Kier Homes Caledonia Limited

(Registration number: 02243256)

Statement of Financial Position as at 30 June 2018

	Note	2018 £ 000	2017 £ 000
Assets			
Current assets			
Inventories	9	39,423	46,431
Trade and other receivables	10	865	393
Income tax asset		1,444	968
Cash and cash equivalents	11	1	-
		<u>41,733</u>	<u>47,792</u>
Equity and liabilities			
Current liabilities			
Trade and other payables	14	53,083	56,002
Loans and borrowings	13	30,724	31,360
		<u>83,807</u>	<u>87,362</u>
Equity			
Other reserves		5,173	5,173
Profit and loss account		(47,247)	(44,743)
		<u>(42,074)</u>	<u>(39,570)</u>
Total equity and liabilities		<u>41,733</u>	<u>47,792</u>

The financial statements on pages 17 to 29 were approved by the Board of Directors on 18/12/18 and signed on its behalf by:



S J Cooper

Director

The notes on pages 21 to 29 form an integral part of these financial statements.

Kier Homes Caledonia Limited

Statement of Changes in Equity for the Year Ended 30 June 2018

	Other reserves £ 000	Accumulated Losses £ 000	Total Equity £ 000
At 1 July 2017	5,173	(44,743)	(39,570)
Loss for the financial year	-	(2,504)	(2,504)
Total comprehensive expense for the year	-	(2,504)	(2,504)
At 30 June 2018	5,173	(47,247)	(42,074)

	Other reserves £ 000	Accumulated Losses £ 000	Total Equity £ 000
At 1 July 2016	5,173	(40,886)	(35,713)
Loss for the financial year	-	(3,857)	(3,857)
Total comprehensive expense for the year	-	(3,857)	(3,857)
At 30 June 2017	5,173	(44,743)	(39,570)

The notes on pages 21 to 29 form an integral part of these financial statements.

Kier Homes Caledonia Limited

Independent Auditors' Report to the Members of Kier Homes Caledonia Limited

Report on the audit of the Financial Statements

Opinion

In our opinion, Kier Homes Caledonia Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2018; the Income Statement; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes of the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Kier Homes Caledonia Limited

Independent Auditors' Report to the Members of Kier Homes Caledonia Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018

1 General information

The Company is a private company limited by share capital incorporated and domiciled in England & Wales.

The address of its registered office is:

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council. Accordingly in the year ended 30th June 2016 the company made a transition from reporting old UK GAAP to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. Statements have been produced in accordance with the Companies Act 2006. Financial Reports have all been prepared under an Historical cost and a going concern basis.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:

IAS 7: Complete exemption from preparing a cash flow statement and related notes;

IAS 8: The listing of new or revised standards that have not been adopted (and information about their likely impact) has been omitted;

IFRS 7: Complete exemption from all of the disclosure requirements of IFRS 7, Financial Instruments, other than for those instruments where these disclosures are still required to comply with the law;

IFRS 13: Complete exemption from all of the disclosure requirements of IFRS 13, Fair value measurement;

IAS 24: Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member; and

IAS 24: Exemption from disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 July 2017 have had a material effect on the financial statements.

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

- The amount of revenue can be reliably measured
- It is probable that future economic benefits will flow to the entity
- Development Turnover is recognised on legal completion on a plot by plot basis

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Inventories

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not yet matched with turnover.

Speculative housing land, stock plots and work in progress, which includes attributable overheads, is stated at the lower of cost and net realisable value.

Part exchange stock is stated at the lower of cost and net realisable value.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Management believe that its current valuation of mothballed residential sites is supportable in all material respects in light with of management's current development plans.

Profit

Profit on Housing Developments is calculated in accordance with UK accounting standards and industry practice

The Principle estimation technique used by the company attributing profit on housing developments to a particular accounting period is the preparation of forecasts on a development by development basis. These focus on cost to complete and enable an assessment to be made to the final outturn on each development. Consistent scheme review procedures are in place in respect of scheme forecasting.

The general principles for profit recognition are:

- Profit on speculative housing and mixed tenure housing developments is recognised on completion on a plot by plot basis.
- Provision is made for losses incurred or foreseen in bring the development to completion as soon as they become apparent, and
- Claims receivable are recognised as income when received or certified for payment except that, in preparing forecasts to completion, a prudent and reasonable evaluation of claims receivable may be included to mitigate foreseeable losses.

4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2018	2017
	£ 000	£ 000
Sale of goods	12,581	17,452

5 Finance costs

	2018	2017
	£ 000	£ 000
Interest on bank overdrafts and borrowings	3,279	3,518

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

6 Directors' remuneration

Directors' emoluments are paid through the Kier Living Limited parent company. The remuneration of those directors is dealt with in the financial statements of Kier Living Limited.

7 Auditors' remuneration

The audit fee for the financial year ended 30 June 2018 has been paid through the parent company Kier Living Limited and charged to Kier Homes Caledonia Limited through a management charge. The audit fee attributable for Kier Home Caledonia Limited for 2017 was £11,330 (2017; £11,000). No other fees were payable to the auditors for its services to the Company.

8 Tax on loss

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	(565)	(917)
UK corporation tax adjustment to prior periods	<u>89</u>	<u>(45)</u>
	<u>(476)</u>	<u>(962)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(1)	2
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>-</u>	<u>176</u>
Total deferred taxation	<u>(1)</u>	<u>178</u>
Tax receipt in the income statement	<u>(477)</u>	<u>(784)</u>

The tax on loss before taxation for the for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.75%)

The differences are reconciled below:

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

8 Tax on loss (continued)

	2018	2017
	£ 000	£ 000
Loss before taxation	<u>(2,981)</u>	<u>(4,641)</u>
Corporation tax at standard rate	(567)	(917)
Increase/(decrease) in current tax from unrecognised temporary difference from a prior period	89	(45)
Deferred tax expense from unrecognised temporary difference from a prior period	-	177
Deferred tax expense relating to changes in tax rates or laws	<u>1</u>	<u>1</u>
Total tax credit	<u>(477)</u>	<u>(784)</u>

The deferred tax balance as at the year end has been recognised at 17.0% which is the enacted corporation tax rate that will be effective from 1 April 2020.

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

8 Tax on loss (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 July 2017 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2018 £ 000
Accelerated tax depreciation		2		2
Other items	16	(1)		15
Net tax assets/(liabilities)	<u>16</u>	<u>1</u>		<u>17</u>

Deferred tax movement during the prior year:

	At 1 July 2016 £ 000	Recognised in income £ 000	At 30 June 2017 £ 000
Accelerated tax depreciation	18	(18)	-
Other items	177	(161)	16
Net tax assets/(liabilities)	<u>194</u>	<u>(178)</u>	<u>16</u>

9 Inventories

	2018 £ 000	2017 £ 000
Work in progress	<u>39,423</u>	<u>46,431</u>

The cost of inventories recognised as an expense in the year amounted to £12,468,000 (2017 - £17,995,000). This is included within cost of sales.

10 Trade and other receivables

	2018 £ 000	2017 £ 000
Trade receivables	10	206
Receivables from related parties	379	5
Prepayments	137	36
Other receivables	<u>339</u>	<u>146</u>
	<u>865</u>	<u>393</u>

Details of non-current trade and other receivables

£17k (2017: £16k) of other receivable is classified as non current. This relates to deferred tax.

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

10 Trade and other receivables (continued)

11 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash on hand	<u>1</u>	<u>-</u>

12 Share capital

Allotted, called up and fully paid shares

	No.	2018 £ 000	No.	2017 £ 000
Ordinary shares of £1 each	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

13 Loans and borrowings

	2018 £ 000	2017 £ 000
Current loans and borrowings		
Bank overdrafts	<u>30,724</u>	<u>31,360</u>

14 Trade and other payables

	2018 £ 000	2017 £ 000
Current		
Trade payables	1,197	1,745
Accrued expenses	1,862	2,492
Amounts due to related parties	<u>50,024</u>	<u>51,765</u>
Total current trade and other payables	<u>53,083</u>	<u>56,002</u>

15 Dividends

The directors are proposing a final dividend of £Nil (2017 - £Nil) per share totalling £Nil (2017 - £Nil). This dividend has not been accrued in the statement of financial position.

Kier Homes Caledonia Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

16 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is Kier Living Limited registered address Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

These financial statements are available upon request from Kier Group plc.

The Company is a wholly owned subsidiary of Kier Group plc registered address Tempsford Hall, Sandy, Bedfordshire, SG19 2BD. The immediate holding company and controlling party is Kier Living Limited. The parent of the largest group for which group financial statements have been drawn up is 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.