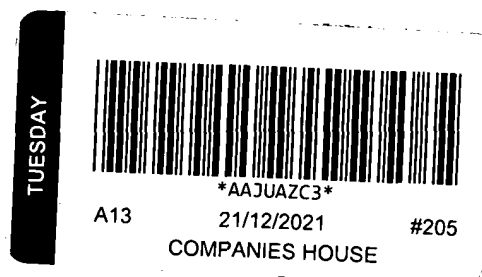


Registration number: 02624887

Kier Facilities Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2021



Kier Facilities Services Limited

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Kier Facilities Services Limited

Company Information

Directors	Clive Thomas Mark Whittaker John Large Basil Mendonca
Company secretary	Jaime Tham
Registered office	2nd Floor Optimum House Clippers Quay Salford England M50 3XP
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2021

The directors present their strategic report for Kier Facilities Services Limited (the "Company") for the year ended 30 June 2021.

Fair review of the business and future developments

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

Principal Activities

The principal activities of the company are facilities management and building services maintenance which includes a number of Private Finance Initiative (PFI) contracts.

During the year to 30th June 2021 the management team have successfully completed the strategic objectives as previously described of rationalising the business, exiting loss making contracts and improving the way the business is managed and operated. This has led to further improvement in the operational and financial performance of the business during the year.

Following successful completion of these strategic objectives the company has now re-commenced bidding for new work and is taking advantage of opportunities to extend existing contracts in order to further develop the business.

The trading results for the year are set out in the Income Statement on page 16.

The Company's revenue has decreased by 9% during the year to £147.5m with an adjusted operating profit of £14.9m. Adjusted operating profit has improved by £5.5m on prior year despite the revenue reduction and the adjusting items form the final phase to exit loss making contracts.

The Statement of Financial Position on page 18 of the financial statements shows the Company's financial position at 30 June 2021 with total assets increasing to £74.9m compared to £59.1m a year earlier. The net position has improved to assets of £21.9m from a liability of £(12.5)m.

The FY21 cash position has also improved from a net overdraft of £(23.1)m to a cash balance of £21.6m. The improvement over the year is due to underlying performance and £20m cash injection from Kier Group.

The overdraft charge was £0.5m compared to £1.0m paid in the prior year. In addition £0.3m (2020: £0.1m) of interest has been charged on other charges including IFRS16 and unwinding of an onerous contract.

The tax on profit before taxation for the year is the lower than the standard rate of corporation tax in the UK of 19% (2020: lower than the standard rate of corporation tax in the UK of 19%). The details can be found in Note 10.

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2021 (continued)

The current year adjusting items are minimal and relate to prior years' strategic decision to rationalise the business. Below discloses those remaining adjusting items incurred during the 2021 financial year :

a) Losses on contracts terminated as a result of the strategic review

The gross loss on contracts terminated as a result of the strategic review, inclusive of non recurring associated overheads, amounts to £0.2m.

b) Onerous lease provision of £0.1m following the decision to exit existing office space

In 2020, alongside the rationalisation of the business, an onerous provision of £0.4m was created until the existing office space could be exited. In 2021 this was achieved and a further £0.1m provision was created to cover the 3 month rent free period in 2022 for the new tenant.

The Company, as a wholly owned member of the Kier Group and operating within the Group's Construction division, uses key performance indicators across all of its contracts and the wider business to manage performance including operating margins, debt and cash management. The performance of the Construction division is discussed in detail in the Kier Group plc Annual Report and Accounts 2021 which can be found at www.kier.co.uk

Corporate responsibility

Please see the Environmental, Social and Governance report in the Kier Group plc 2021 Annual Report (pages 50 - 68 inclusive), which is available at www.kier.co.uk, for details of the Group's corporate responsibility activities. As a member of the Group, the Company has participated in these activities.

Stakeholders

Kier is committed to engaging with our people, our stakeholders and the communities in which we operate, and creating a healthy and sustainable culture. The Directors of the Company have had regard for the matters set out in section 172(1) (a) to (f) of the Companies Act when performing their duty under s172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business. The Company is a member of the Kier Group; engagement with its or the Group's key stakeholders, including employees, shareholders, Government, the supply chain, lenders, the environment and the communities in which the Group or the Company operates continues to be an integral part of the Board's decision-making.

The 2021 Annual Report of Kier Group plc (page 69) provides examples of how the Directors of Kier Group plc had regard to the matters set out in s172(1) (a) to (f) of the Companies Act 2006 during the year when performing their duty under section 172.

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2021 (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 risks 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 risks 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 and uncertainties of the Company, including financial risk and management, are consistent with the principal risks of the Group and are not managed separately.

Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 60 to 63 of Kier Group plc's annual report for the year ended 30 June 2021.

Principal risks

Health and safety

Principal risk: failure to maintain a safe working environment and prevent a major incident.

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

Potential impact:

- An increase in safety or environmental incidents on site;
- The failure to meet clients' expectations, adversely affecting the ability to bid for and win new work; and
- Financial penalties arising from fines, legal action and project delays.

Mitigating actions:

- Minimise the operational impact of relaxing restrictions in the workplace and community;
- Continued focus on the five basics of SHE risk management; and
- Implementing the Kier Group's new sustainability framework, 'Building for a Sustainable World'; and
- Setting a tone from the top, through activities such as senior management visible leadership tours.

Legislation and regulation

Principal risk: failure to comply with and manage effectively current legislation and regulation and any changes to them.

The sectors in which the Company operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements including those introduced by new legislation or regulation.

Potential impact:

- Penalties for failing to adhere to legislation or regulation;
- Increased operating costs of compliance; and
- The loss of business and resultant reputational damage.

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2021 (continued)

Mitigating actions:

- Appropriate policies that are regularly reviewed and relevant training to support policy implementation;
- Regular engagement with Government and Government agencies with respect to the Company's performance;
- Monitoring of, and planning for, the impact of new legislation and regulations; and
- Collaborative engagement with external stakeholders.

Funding

Principal risk: failure to maintain adequate financial liquidity and/or comply with financial covenants.

Failure to maintain adequate financial liquidity and/or comply with financial covenants resulting in an inability to execute the Company's strategy effectively.

Potential impact:

- The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees);
- Conducting existing business becomes increasingly challenging; and
- The loss of future business.

Mitigating actions:

- During the year, the Kier Group completed a capital raise, which together with the sale of Kier Living raised over £351m of gross proceeds for the Group. In support of the capital raise the Group secured an extension of a significant proportion of its committed funding to 31 January 2025 providing the Group with financial and operational flexibility to continue to pursue its strategic objectives.
- Effective cash forecasting and working capital management in combination with continued monitoring and prudent financial planning to ensure covenant compliance is maintained; and
- Continued collaborative engagement with customers, suppliers, HMRC, pension scheme trustees, banks, lenders and sureties.

Maintaining an order book

Principal risk: a general market or sector downturn materially and adversely affects the Company's ability to secure work - UK Government spending, certainty and timing, including competitiveness of current market.

The Company's strategy sets out specific sectors that it wishes to trade within. The pipeline of work could be adversely affected by a general or sector downturn or cause a delay to projects going to site.

The Kier Group manages the impact of an economic downturn by building a strong order book. It concentrates on sectors with long-term frameworks and customers who prefer repeat procurement.

Potential impact:

- A failure of one or more of the Company's businesses;
- Increased competition for new work; and
- A decrease in stakeholder confidence in the Company.

Mitigating actions:

- Tailoring the Company's offer to meet customer needs; and
- Maintaining an efficient cost base.

Contract management of changes

Principal risk: failure to manage contracts effectively at each stage of a project's lifecycle. The business suffers a significant loss as a result of failing to follow the contract administration.

The Company has a large number of contracts in progress at any one time. Changes to contracts may lead to additional costs being incurred, delays and delayed receipt of cash.

Potential impact:

- A failure to manage project delivery and WIP and, ultimately, to meet the Company's financial targets;
- The Company incurring losses on individual contracts; and
- The Company failing to win new work.

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2021 (continued)

Mitigating actions:

- To update the Company's standards for contract amendments;
- To cascade the Commercial Handbook into the business through webinars; and
- To implement the new Commercial Standards across the Company.

People

Principal risk: failure to attract and retain key employees.

The Company's employees are critical to its current performance. The Company needs to identify, retain and motivate people with the right skills, experience and behaviours and to identify tomorrow's leaders.

Potential impact:

- An adverse effect on the delivery of the Company's purpose and strategy;
- A lack of operational leadership, potentially leading to poor project performance; and
- An erosion of the Company's employer brand.

Mitigating actions:

- Diversity and Inclusion roadmap;
- Wellbeing strategy;
- New leadership development offer in place; and
- Create an effective, inclusive work environment, through our Performance Excellence culture.

Supply chain

Principal risk: failure to maintain effective working relationships with the supply chain and, as a result of COVID-19 bottlenecks and recovery, supply chain insolvencies, capacity, pricing, inflation volatility.

The Company relies on its partners for the delivery of its projects. Maintaining a close working relationship is a priority for the Company.

Potential impact:

- Unavailability of appropriate resources, impacting on project delivery and cost;
- Use of suppliers from outside the preferred supplier list increases cost and decreases quality; and
- Poor relationships lead to lack of confidence in the Company and adverse publicity.

Mitigating actions:

- To update the Kier subcontract to reflect the principles of the Construction Playbook;
- To place a Procurement Director directly into each business to deliver their supply chain management strategy; and
- To continue to meet prompt payment reporting requirements.

Strategy

Principal risk: Failure to deliver the Company's strategy.

The Company fails to deliver its strategy in terms of medium-term strategic objectives.

Potential impact:

- An adverse impact on the Company's net debt and liquidity;
- Failure to secure positions on national and regional frameworks; and
- Failure to meet stakeholders' expectations may lead to a decline in confidence in the Company.

Mitigating actions:

- Delivery of the balance sheet strategy;
- Delivery of our Performance Excellence culture;
- Continued focus on cash management; and
- Effective communication with stakeholders.

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2021 (continued)

Cyber, IT security and data protection

Principal risk: The Company is exposed to cyber, IT security or data protection breaches.

Failure to keep up to date with modern attack landscape as well as protecting from current conventional cyber risks could cause heavy reputational damage or financial fines.

Potential impact:

- Operational impact - e.g. delivery of projects, key systems outage, failure to win work, loss of confidential and/or other data;
- Financial impact - regulatory fines/prosecutions; and
- Reputational/brand damage.

Mitigating actions:

- Vulnerabilities are understood and mitigated;
- Certification to the Government's Cyber Essentials Plus Scheme and ISO 27001;
- Privileged access to all core systems subject to multi-factor authentication; systems run security agents for additional monitoring; and
- Advanced use of Microsoft Office 365, cloud and collaboration services.

Climate change

Principal risk: Failure to identify and effectively manage climate change risks and opportunities.

The Company's operations are subject to physical and financial climate change risks, while climate resilience measures offer opportunities to innovate and expand/enhance capabilities.

Potential impact:

- Failure to meet client and investor expectations or regulatory requirements; and
- Loss of opportunity to contribute to UK climate action policy and direction;
- Reputational damage;
- Failure to prepare/plan for physical and financial impacts of more extreme and frequent weather conditions affecting operations and supply chain.

Mitigating actions:

- Implementing the Kier Group's new sustainability framework, 'Building for a Sustainable World', particularly:
 - Net Zero Carbon pathway and Science Based Targets
 - Zero Avoidable Waste strategy
 - Sustainable Procurement strategy
- Sustainability Leadership Forum ('SLF'); chaired by Kier's CEO and supported by business stream SLFs that are led by a managing director or commercial director;
- Developing the climate risk and opportunities register and net zero management system to align with The Task Force on Climate-related Financial Disclosures ('TCFD') reporting and managing the financial risk of climate change; and
- Embracing modern methods of construction and product innovation to deliver low-carbon solutions for climate resilience.

Other risks

Brexit

The new UK-EU Trade and Cooperation Agreement ('TCA') removed the uncertainty of a no-deal Brexit. While this has reduced the Brexit risk, uncertainty remains around the full effect of Brexit, and the ongoing impact this will have on our trading relationships.

The Group continues to work with its supply chain to maintain plans to ensure continuity of potentially critical supplies and continues to monitor and refresh its contingency plans for potential risk areas such as the workforce. We continue to work with, and update customers, by providing up to date analysis on availability and mitigation strategies of any resources that are becoming under pressure.

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2021 (continued)

COVID-19

The focus of the Kier Group's management, and our colleagues, throughout the unprecedented COVID-19 pandemic was ensuring that, wherever it was safe to do so, the Group's activities remained safe and operational.

The pandemic highlighted the need to be agile and flexible in the way we operate and has brought about a fundamental shift in the way we work. As a result of the lessons learnt during this time, we have introduced the Kier way of working. In spite of the significant challenge of the pandemic, the Group has delivered well and has made significant progress on the 2019 operational and financial turnaround strategy.

Whilst the COVID-19 pandemic has a continued negative effect on the Group's results and operations, the impact has been effectively managed across our operations through contractual arrangements and extensive stakeholder engagement and communication.

The impact of the pandemic continues to be closely monitored by the Kier Group's Board and the Executive Committee with particular focus on maintenance of a safe working environment, supply chain, materials continuity and availability of critical workforce. We continue to be at the forefront of the sector approach to Site Operating Procedures and safe working practices.

We will respond to any ongoing Government restrictions and requirements and any further re-occurrence of the pandemic to ensure continued compliance. We are maintaining a watching brief of the extent and duration of lockdowns in Europe and will react accordingly.

Emerging risks

The Company has identified the following as principal, emerging risks:

- Global recession;
- On-going COVID-19 bottlenecks and recovery impact;
- Continued development of the climate change risk agenda;
- Modern construction methods ('MCM') - embracing fast-paced changes in construction methods, linked to digital pace of change; and
- Short-term concerns regarding the volatility of key commodity prices.

Approved by the Board on 15 December 2021 and signed on its behalf by:



Clive Thomas
Director

Kier Facilities Services Limited

Directors' Report for the Year Ended 30 June 2021

The directors of Kier Facilities Services Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2021.

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:

Clive Thomas

Marcus Jones (resigned 6 January 2021)

Mark Whittaker

John Large (appointed 14 July 2021)

Basil Mendonca (appointed 12 August 2021)

Results and dividends

The profit before taxation, including adjusting items, is £13.8m (2020: £5.5m). The directors do not recommend the payment of a dividend (2020: £nil)

For further details of the Company's performance refer to page 2 of the Strategic Report.

Future developments

The details of likely future developments in the company's business are disclosed on page 2 of the Strategic Report.

Risk management

Details of the Company's risk management policies are disclosed on page 3-7 of the Strategic Report.

Going concern

The financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements.

In addition the Company has the wider support of Kier Group plc, which has considerable financial resources, long term contracts and a diverse range of customers and suppliers across its business activities. The Company has received written confirmation that Kier Group plc intends to support the Company for at least 12 months from the date these financial statements are signed.

Directors' liability insurance

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 companies within the Kier Group to cover certain losses or liabilities to which they may be exposed due to their office.

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.

Kier Facilities Services Limited

Directors' Report for the Year Ended 30 June 2021 (continued)

Reappointment of independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as independent 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 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 year. 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Employee involvement

Kier's leadership team is committed to listening to what people feel about working for Kier and taking action to improve the employee experience. A culture of open communication between employees and senior management is encouraged. This year, Kier has introduced a new employee engagement survey tool, 'Your Voice', which will invite people to say how they feel about working for Kier through a series of regular online surveys. The feedback will then be acted on by the senior management team.

As part of the Group's engagement with employees, information is provided to employees through the intranet, newsletters, webinars, management calls, and formal and informal face-to-face meetings. Employee roadshows are held across the business to update and consult with employees at key times of the year and each business also engages with their employees through their own internal communication channels.

Employees are encouraged to share in the success of Kier through participation in employee share plans, including the SAYE plan and the SIP.

Employment of disabled persons

Kier believes that everyone deserves to have their voice heard and that the different experiences people bring make Kier a better business. During the year, the Group set up the Ability Network, which focusses on disability and neurodiversity. In addition to the Ability Network, Kier continues to support employees with disabilities. For example, an inclusive recruitment guide was created to support hiring managers. Kier also partnered with an external recruitment organisation to increase the number of applicants who have a disability.

Kier Facilities Services Limited

Directors' Report for the Year Ended 30 June 2021 (continued)

Corporate governance

The Group's parent company, Kier Group plc, as a premium listed company, is subject to the UK Corporate Governance Code (2018) (the 'Code'). Pages 72 - 117 (inclusive) of the 2021 Annual Report of Kier Group plc (available at www.kier.co.uk) explains how Kier Group plc applied the principles of, and complied with the provisions of, the Code during the year.

Kier's Operating Framework (the 'OF') sets out the governance structure within which the Group operates. The OF summarises the core business processes which apply throughout the Group and contains the Group's delegated authorities. In addition, it sets out the Group's purpose and its values - trusted, collaborative and focused. The Company, as a member of the Group, has adopted the OF as its corporate governance code.

The Company, as a member of the Group, has not adopted the Code or any other corporate governance codes as the Board does not regard these as being relevant to a subsidiary company. The OF contains the governance arrangements of the Company and copies of relevant Group governance documents can be found at: <https://www.kier.co.uk/investors/corporate-governance/group-policies/>.

Engagement with suppliers, customers and others

Information on the Group's engagement with suppliers, customers and others during the financial year can be found on pages 64 and 68 and on pages 83 to 85 of the 2021 Annual Report of Kier Group plc (available at www.kier.co.uk).

Approved by the Board on 15 December 2021 and signed on its behalf by:


Clive Thomas
Director

Kier Facilities Services Limited

Independent auditors' report to the members of Kier Facilities Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier Facilities Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit 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: Statement of Financial Position as at 30 June 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

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, 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 audit of the financial statements

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax and employment legislation, Health and Safety regulations, and UK data protection laws such as the Data Protection Act 2018, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial statement line items through manual journal postings and the use of inappropriate assumptions or management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management, including consideration of known or suspected instances of non compliance with laws and regulations and fraud;
- Enquiry of entity staff in tax compliance functions to identify any instances of non-compliance with laws and regulations;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Understanding and evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries meeting certain risk criteria, in particular any journal entries posted with unusual account combinations and journal entries containing unusual words;
- Reviewing legal expenses and invoices for potential instances of non-compliance or litigation and claims;
- Challenging assumptions made by management in relation to areas of judgment and significant accounting estimates; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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 obtained 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.



Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 December 2021

Kier Facilities Services Limited

Income Statement for the Year Ended 30 June 2021

	Note	2021 £ 000	2020 £ 000
Revenue	3	147,533	161,590
Cost of sales		<u>(125,060)</u>	<u>(143,542)</u>
Gross profit		22,473	18,048
Administrative expenses		<u>(7,863)</u>	<u>(10,833)</u>
Operating profit	4	14,610	7,215
Finance costs	6	<u>(797)</u>	<u>(1,733)</u>
Profit before tax		13,813	5,482
Income tax credit/(expense)	10	<u>548</u>	<u>(194)</u>
Profit for the financial year		<u>14,361</u>	<u>5,288</u>
Supplementary information			
Adjusted ¹ operating profit		14,883	9,413
Adjusted ¹ profit before tax		14,086	7,680

¹Reference to 'adjusted' excludes adjusting items, see notes 2 and 5.

The above results were derived from continuing operations.

Kier Facilities Services Limited

Statement of Comprehensive Income for the Year Ended 30 June 2021

	2021	2020
	£ 000	£ 000
Profit for the financial year	<u>14,361</u>	<u>5,288</u>
Total comprehensive income for the year	<u>14,361</u>	<u>5,288</u>

Kier Facilities Services Limited

(Registration number: 02624887)

Statement of Financial Position as at 30 June 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Property, plant and equipment	11	35	53
Right of use assets	12	1,238	2,140
Intangible assets	13	2,599	3,849
Investments	14	1	1
Contract assets	3	30,654	28,275
Deferred tax assets	10	7,809	5,872
		<u>42,336</u>	<u>40,190</u>
Current assets			
Trade and other receivables	15	7,776	12,693
Cash and cash equivalents	16	21,577	-
Contract assets	3	3,241	6,176
		<u>32,594</u>	<u>18,869</u>
Total assets		<u>74,930</u>	<u>59,059</u>
Current liabilities			
Current portion of long term lease liabilities	17	(747)	(1,436)
Trade and other payables	18	(46,886)	(41,603)
Loans and borrowings	19	-	(23,081)
Income tax liability	10	(1,895)	(507)
Provisions	20	(311)	(1,565)
		<u>(49,839)</u>	<u>(68,192)</u>
Non-current liabilities			
Long term lease liabilities	17	(521)	(1,060)
Provisions	20	(2,720)	(2,352)
		<u>(3,241)</u>	<u>(3,412)</u>
Total liabilities		<u>(53,080)</u>	<u>(71,604)</u>
Net assets/(liabilities)		<u>21,850</u>	<u>(12,545)</u>
Equity			
Called up share capital	24	22,500	2,500
Profit and loss account		(650)	(15,045)
		<u>21,850</u>	<u>(12,545)</u>
Total equity		<u>21,850</u>	<u>(12,545)</u>

Approved by the Board on 15 December 2021 and signed on its behalf by:


Clive Thomas - Director

The notes on pages 20 to 47 form an integral part of these financial statements.

Kier Facilities Services Limited

Statement of Changes in Equity for the Year Ended 30 June 2021

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' deficit £ 000
At 1 July 2019	2,500	1,325	(21,682)	(17,857)
Profit for the financial year and total comprehensive income	-	-	5,288	5,288
Other Movements	-	(1,325)	1,325	-
Share based payment transactions	-	-	23	23
At 30 June 2020	<u>2,500</u>	<u>-</u>	<u>(15,045)</u>	<u>(12,545)</u>

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' (deficit)/funds £ 000
At 1 July 2020	2,500	(15,045)	(12,545)
Profit for the financial year and total comprehensive income	-	14,361	14,361
New share capital subscribed	20,000	-	20,000
Share based payment transactions	-	35	35
At 30 June 2021	<u>22,500</u>	<u>(650)</u>	<u>21,850</u>

Other Reserves

Previously share based payments were included in other reserves. In the prior year the other reserve was transferred to the profit and loss account and share based payment entries charged accordingly. The share based payment charge is funded by a capital contribution and are equity settled instruments under IFRS2. The charge covers the following schemes: Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes, and Conditional Share Award Plan (CSAP). The charge for 2021: £35k (2020: £23k). More details can be found in Note 22.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

1 General information

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

The address of its registered office is:

2nd Floor Optimum House
Clippers Quay
Salford
England
M50 3XP

2 Accounting policies

Summary of significant accounting policies

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS101') and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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;

IFRS 2: Exemption from certain disclosures in respect of share based payments for arrangements involving equity instruments of another Group entity;

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

IAS 36: Exemption from disclosures for each cash generating unit which contains goodwill, in particular in relation to assumptions and sensitivities;

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;

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;

S400 – Exemption from consolidation for subsidiary companies

IAS 1: Exemption from comparatives for movements on property, plant & equipment, intangible assets and share capital;

IFRS 15: Exemption from certain disclosures in respect of revenue from contracts with customers; and

IFRS 16: Exemption from certain disclosures in respect of leases.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements.

In addition the Company has the wider support of Kier Group plc, which has considerable financial resources, long term contracts and a diverse range of customers and suppliers across its business activities. The Company has received written confirmation that Kier Group plc intends to support the Company for at least 12 months from the date these financial statements are signed.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant, vehicles and equipment	10% to 50% per annum

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The Company has negative goodwill relating to the bargain on purchase of intangible contract rights. This is being released over the life of the contract.

Contractual customer relationship intangible assets acquired in a business combination are recognised at cost at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to administrative expenses in the income statement on a straight-line basis over the expected useful life of the assets, which is 3–10 years.

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Transaction costs, other than those associated with the issue of debt or equity securities, that the company incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered, whether through depreciation or sale. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

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.

Amounts due from group companies

Amounts due from group companies are initially recorded at their fair value. Subsequent to initial recognition, the loans are measured at amortised cost. In accordance with IFRS 9, the Company has undertaken an exercise of calculating the expected credit losses on the amounts due from group companies. The Directors regard the relevant group companies as having a relatively low probability of default on the loans and do not consider that there has been a significant increase in credit risk since the loan was first recognised. By virtue of their participation in Group bank pooling arrangements, the subsidiaries have access to sufficient facilities to enable them to repay the loans, if demanded, at the reporting date. Only immaterial amounts of expected credit losses were calculated and, therefore, the Company has chosen not to adjust.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

The Company applies the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision (ECL) for all receivables, including contract assets. In making the assessment of credit risk and estimating ECL provisions, the Company uses reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions. Trade receivables and contract assets have been grouped on the basis of their shared risk characteristics and a provision matrix has been developed and applied to these balances to generate the loss allowance.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

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.

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 Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Most Kier Group companies do not have any recent independent third-party financing to use as a starting point for the incremental borrowing rate. Therefore, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, lease term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company has elected to use the following recognition exemptions, as permitted by the standard:

- Leases of low-value items - The Company has defined low value items as assets that have a value when new of less than £5,000. Low value items comprise IT equipment and small items of plant.
- Short-term leases - Leases with a lease term of less than 12 months at inception.

For leases in the above categories, a lease liability or right-of-use asset is not recognised. Instead, the Company recognises the related lease payments as an expense on a straight-line basis over the lease term.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leased properties that meet the definition of investment properties are presented within 'investment properties' rather than 'right-of-use assets' on the balance sheet.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. An assessment of whether a financial asset is impaired is made at least at each reporting date.

The principal financial assets and liabilities of the Company are as follows:

(a) Trade receivables and trade payables

The Company has allocated receivables and payables due within 12 months of the balance sheet date to current with the remainder included in non-current.

A trade receivable is recognised when the Company has a right to consideration that is unconditional (subject only to the passage of time before payment is due). Trade receivables do not carry interest and are stated at their initial cost reduced by appropriate allowances for expected credit losses.

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

(b) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set off exists. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

(c) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(d) Private Finance Initiative (PFI) assets

Under the terms of a PFI or similar project, where the risks and rewards of ownership remain largely with the purchaser of the associated services, the Company's interest in the asset is classified as a contract asset and included at its amortised cost, less provision for impairment.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities

The Company discloses a contingent liability in circumstances where it has a possible obligation depending on whether some uncertain future event occurs, or has a present obligation but payment is not probable, or the amount cannot be measured reliably.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Government grants

Government grant income is recognised at the point that there is reasonable assurance that the Company will comply with the conditions attached to it, and that the grant will be received.

Warranties and rectification costs

The Company does not offer extended insurance-type warranties at an additional cost to the customer (which would represent separate performance obligations). Standard industry assurance-type warranties are provided and are accounted for as rectification cost provisions based on the estimated costs of making good any latent defects.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share based payments

Share based payments granted but not vested are valued at the fair value of the equity instruments (options) at the date of the grant. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The fair value determined at the grant date is expensed over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

A corresponding adjustment is made to equity as a capital contribution.

Tax

The tax expense for the financial year 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.

Pre-Contract costs

Pre-contract costs to obtain a contract that would have been incurred irrespective of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer irrespective of whether the contract is obtained.

When financial close is achieved on PFI or PPP contracts, external costs are recovered from the PFI special purpose vehicle and pre-contract costs are credited to the profit and loss account, except to the extent that the Company retains a share in the PFI special purpose vehicle. That element is deferred and recognised over the life of the construction contract to which the costs relate. Success fees and financing arrangements, which are not generally material amounts, are deferred in full and recognised over the life of the financing in place for the special purpose vehicle.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Adjusting items

IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance. The Directors have considered the requirements of applicable accounting standards, along with additional guidance around alternative performance measures (APMs) and believe it is appropriate to inform users regarding various items and disclose those items which are deemed one-off, material or non-recurring in size or nature, in alignment with the Group's internal management reporting. As such, the Group is disclosing as supplementary information an 'Adjusted Profit' APM which is reconciled to statutory profit in the Notes to the Financial Statements.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the particular year under review and the extent to which results are influenced by material unusual and/or non-recurring items. The Directors review segmental results under an adjusted items basis to analyse the performance of operating segments.

The Directors exercise judgement in determining the classification of certain items as adjusting using quantitative and qualitative factors. In assessing whether an item is an adjusting item, the Directors give consideration, both individually and collectively, as to an item's size, the specific circumstances which have led to the item arising and if the item is likely to recur, or whether the matter forms part of a group of similar items.

A full reconciliation from statutory numbers to adjusted profit measures has been presented in note 5 on page 31.

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. It also includes the Company's proportion of work carried out under jointly controlled operations.

Where revenue that has been recognised is subsequently determined not to be recoverable due to a dispute with the customer, these amounts are accounted for as a reduction in revenue. Where non-recovery is as a result of inability of a customer to meet its obligations, these amounts are charged to administrative expenses as a credit loss.

The general principles for revenue and profit recognition across the Company are as follows:

- Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent;
- Additional consideration for contract modifications (variations) is only included in revenue (or the forecast contract out-turn) if the scope of the modification has been approved by the customer. If the scope of the modification has been approved but the parties have not yet determined the corresponding change in the contract price, an estimate of the change to the transaction price is made and included in calculating revenue to the extent that any increase in price is highly probable not to reverse;
- Variable consideration amounts (gain-share amounts, KPI bonuses, milestone bonuses, compensation event claims, etc.) are included in revenue (or forecasts to completion) only to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

- Refund liabilities (liquidated damages, pain-share amounts, KPI penalties, etc.) are accounted for as a reduction in revenue (or in forecasting contract out-turns) as soon as it is expected that the Company will be required to refund some or all of the consideration it has received from the customer;
- Claims against third-parties (such as insurance recoveries and claims for cost reimbursements) outside of normal supplier price adjustments are recognised only when the realisation of income is virtually certain. The associated income is accounted for as reduction in costs rather than revenue; and
- Contract mobilisation is not considered to be a separate performance obligation in most situations, as the customer receives little or no benefit from mobilisation activities. Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.

If the timing of payments agreed with the customer provides the Company or the customer with a significant benefit of financing the transfer of goods or services, the amount of consideration is adjusted for the effects of the time value of money. The Company does not make an adjustment for the time value of money in the following circumstances:

- When the Company expects, at contract inception, that the period between the entity transferring a good or service and the customer paying for it will be one year or less; or
- Where the timing of the payments is for commercial rather than financing reasons, e.g. construction contract retentions.

Revenue and profit recognition policies applied to specific businesses are as follows:

(a) Construction contracts

Revenue is recognised on construction services over time as the benefit is transferred to the customer. The Company uses an input method to measure progress. The percentage of completion is measured using cost incurred to date as a proportion of the estimated full costs of completing the contract and is applied to the total expected contract revenue to determine the revenue to be recognised to date.

The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

(b) Services

Revenue and profit from services rendered is recognised over time as the service is performed.

Any variable consideration (e.g. performance bonus) attributable to a single performance obligation is allocated entirely to that performance obligation. Where variable consideration is attributable to the entire contract and is not specific to part of the contract, the consideration is allocated based on the stand-alone selling prices of each of the performance obligations within the contract.

Service contracts are reviewed monthly to assess their future operational performance and profitability.

(c) Private Finance Initiative (PFI) service concession agreements

Revenue relating to construction or upgrade services under a service concession agreement is recognised based on the stage of completion of the work performed, consistent with the Company's accounting policy on recognising revenue on construction contracts (see above).

Operation or service revenue is recognised in the period in which the services were provided by the Company. When the Company provides more than one service in a service concession agreement, the consideration received is allocated by reference to the relative stand-alone selling prices of the services delivered.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Contract assets and liabilities

When the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, the amount of revenue associated with the transfer of goods or services is accrued and presented as a contract asset in the balance sheet (excluding any amounts presented as a receivable). A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Company transfers a good or service to the customer, the amount is presented as a contract liability on the balance sheet. A contract liability represents the Company's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Life cycle assets

The Group has a number of ongoing contracts where life cycle funds are established to meet contractual obligations. The key sensitivity in our calculation is the percentage of the funds build-up required for future maintenance. A reasonably likely change would be an increase or decrease of 10% in the percentage of funds build-up required. Such a change would result in a profit impact of approximately £1 million to £1.5 million any one year.

(b) Adjusting Items

Adjusting items are items of financial performance which the Company believes should be separately identified to assist in understanding the financial performance achieved by the Company in accordance with the accounting policy set out on page 27. Determining whether an item is classified as an adjusting item requires significant judgement.

£0.3m before tax of adjusting items were charged to the income statement for the year ended 30 June 2021 (2020: £2.2m). The items that comprise this are set out in note 5 together with an explanation of their nature and consideration points as to why the Directors believe these to be adjusting.

(c) Provision for onerous leases

A provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent.

In the current year, a provision of £0.1m has been recognised in unutilised office space until the point it is reasonable assumed it can be relet. This is included in the £0.3m adjusting items incurred during the year.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

Critical accounting estimates and judgements (continued)

(d) Impairment of trade receivables and contract assets

The company makes an estimate of the recoverable value of trade receivables and contract assets. When assessing the carrying value of trade receivables and contract assets, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

e) Deferred tax asset

Deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised. In the current year deferred tax assets of £7.8m have been recognised.

3 Revenue

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

	2021 £ 000	2020 £ 000
Rendering of services	<u>147,533</u>	<u>161,590</u>

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

Apart from revenue recognition, receipts and billings on contracts, contract balances include;

- Current Contract Assets consist of work in progress for facilities management services performed at the client site. The 2021 balance decreased to £3.2m (2020: £6.2m) this reduction of £2.9m has been reflected in revenue in accordance with IFRS 15. Work in progress is not recorded with any mark up therefore an equal and opposite adjustment of £2.9m has been made to cost of sales. This has no impact on margin.
- Non Current Contract Assets consists of the PFI lifecycle surplus which has increased during the year from £28.3m to £30.7m. The £2.4m increase has been recorded in revenue which flows through to margin.

Non-current assets and liabilities

	2021 £ 000	2020 £ 000
Contract assets	<u>30,654</u>	<u>28,275</u>

Current assets and liabilities

	2021 £ 000	2020 £ 000
Contract assets	<u>3,241</u>	<u>6,176</u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

3 Revenue (continued)

Revenue recognised in the period from:

	2021 £ 000	2020 £ 000
Performance obligations satisfied or partially satisfied in previous periods	<u>(2,935)</u>	<u>(8,755)</u>

4 Operating profit

Arrived at after charging / (crediting)

	2021 £ 000	2020 £ 000
Depreciation expense	18	182
Amortisation expense	1,296	87
Negative Goodwill Release	(46)	(46)
Depreciation on Right of Use Assets	1,128	1,900
Profit on disposal of property, plant and equipment	-	(1,877)
Loss on disposal of right of use assets	<u>11</u>	<u>2</u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

5 Adjusting items

As described in the Strategic Report, the Group's strategic review resulted in a fundamental review and rationalisation of the activities undertaken by the company. As a result of this a number of adjusting items have arisen as follows:

	Operating profit		Profit before tax	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Reported profit	14,610	7,215	13,813	5,482
Losses on terminated contracts and non recurring administrative expenses	217	3,559	217	3,559
Impairment / Reinstatement of intangible asset	-	(3,120)	-	(3,120)
Impairment of office fixtures	-	1,243	-	1,243
Onerous lease	56	411	56	411
Costs incurred from COVID-19	-	105	-	105
Adjusted profit	<u>14,883</u>	<u>9,413</u>	<u>14,086</u>	<u>7,680</u>

The current year adjusting items relate to prior years' strategic decision to rationalise the business and terminate loss making contracts.

The majority of costs as a result of the fundamental change had been incurred during the 2020 financial year. Below discloses those remaining adjusting items which have been incurred during the 2021 financial year into the following categories:

a) Losses on contracts terminated as a result of the strategic review

The gross loss on contracts terminated as a result of the strategic review, inclusive of non recurring associated overheads, amounts to £0.2m.

b) Onerous lease provision of £0.1m following the decision to exit existing office space

In the prior year adjusting items also included:

c) Reinstatement of software intangible asset previously impaired, due to reversal of decision to prepare the company for disposal but instead identify synergistic opportunities with the Construction business for the benefit of the Group, amounting to £3.1m credit.

d) Impairment of office fit out costs previously capitalised of £1.2m following decision to exit existing office space.

e) Additional protective equipment costs as a direct result of COVID-19 for £0.1m

No further costs have been incurred in relation to these for the current financial year.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

6 Finance Costs

	2021	2020
	£ 000	£ 000
Interest on bank overdrafts and borrowings	491	1,619
Interest expense on leases	64	114
Other finance costs	242	-
	<u>797</u>	<u>1,733</u>

Other finance costs relate to the unwinding of the onerous contract provision.

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£ 000	£ 000
Wages and salaries	24,691	31,983
Social security costs	2,042	2,637
Pension costs	2,010	2,571
Redundancy costs	207	853
Share-based payment expenses	35	23
	<u>28,985</u>	<u>38,067</u>

The average monthly number of persons employed by the Company (including directors) during the year was as follows:

2021	2020
No.	No.
<u>1,075</u>	<u>1,152</u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	379	307
Bonuses	77	48
	<u>456</u>	<u>355</u>

The directors of the Company are employed and remunerated by other related group companies. The amounts disclosed above are in relation to the remuneration that was paid by the Company through intercompany recharges for those directors.

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	181	92
Bonuses	25	23
	<u>206</u>	<u>115</u>

9 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	<u>48</u>	<u>37</u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

10 Income Tax Expense / (Credit)

Tax charged/(credited) in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	2,633	1,244
UK corporation tax adjustment to prior periods	<u>(1,244)</u>	<u>(17)</u>
	<u>1,389</u>	<u>1,227</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(2)	37
Arising from changes in tax rates and laws	(1,864)	(618)
Arising from adjustments for prior years	<u>(71)</u>	<u>(452)</u>
Total deferred taxation	<u>(1,937)</u>	<u>(1,033)</u>
Tax charge/(credit) in the income statement	<u><u>(548)</u></u>	<u><u>194</u></u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

10 Income Tax Expense / (Credit) (continued)

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 July 2020	Movement in year	At 30 June 2021
	£ 000	£ 000	£ 000
Provisions	-	-	-
Other items	40	-	40
Accelerated tax depreciation	101	127	227
Tax losses carry-forwards	5,731	1,810	7,541
Net tax assets/(liabilities)	<u>5,872</u>	<u>1,937</u>	<u>7,809</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021	2020
	£ 000	£ 000
Profit before tax	<u>13,813</u>	<u>5,482</u>
Corporation tax at standard rate	2,624	1,042
Over provision in respect of prior years	(1,315)	(469)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	7	239
Increase relating to changes in future tax rates or laws	<u>(1,864)</u>	<u>(618)</u>
Total tax (credit)/charge	<u>(548)</u>	<u>194</u>

Factors that may affect future tax changes

The deferred tax balance as at the year end has been recognised at 25% (2020 19%).

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

11 Property, plant and equipment

	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation		
At 1 July 2020	240	240
At 30 June 2021	240	240
Accumulated Depreciation		
At 1 July 2020	187	187
Charge for the year	18	18
At 30 June 2021	205	205
Carrying amount		
At 30 June 2021	35	35
At 30 June 2020	53	53

12 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Plant and equipment £ 000	Total £ 000
Carrying amount				
At 1 July 2019	1,311	2,718	10	4,039
Additions	-	9	-	9
Disposals	-	(8)	-	(8)
Depreciation charge for the year	(797)	(1,098)	(5)	(1,900)
At 30 June 2020	514	1,621	5	2,140
At 1 July 2020	514	1,621	5	2,140
Additions	-	419	-	419
Disposals	-	(193)	-	(193)
Depreciation charge for the year	(212)	(911)	(5)	(1,128)
At 30 June 2021	302	936	-	1,238

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

13 Intangible assets

	Goodwill £ 000	Contractual customer relationships £ 000	Internally generated software development costs £ 000	Total £ 000
Cost or valuation				
At 1 July 2020	(967)	1,875	3,120	4,028
At 30 June 2021	(967)	1,875	3,120	4,028
Accumulated Amortisation				
At 1 July 2020	(127)	306	-	179
Amortisation charge	(46)	88	1,208	1,250
At 30 June 2021	(173)	394	1,208	1,429
Carrying amount				
At 30 June 2021	(794)	1,481	1,912	2,599
At 30 June 2020	(840)	1,569	3,120	3,849

On 7 September 2009, Kier Group plc, through its subsidiary Kier Project Investment Limited, purchased from Telereal Trillium, 64% of the equity of Kent Building Schools for the Future Local Education Partnership (Kent LEP) and a 71.8% interest in the PFI projects being carried out by Kent LEP.

Kier Facilities Services Limited's share of the investment of £0.3m represents the rights to participate in facilities management work on Wave 3 of the Kent Building Schools for the Future projects.

The asset is being amortised as the work is carried out over a period of approximately 25 years. Amortisation commenced in July 2010.

On 26 October 2017, the Company acquired contract rights worth £1.6m from Babcock Civil Infrastructure Limited as part of a business combination. The asset will be amortised over its useful life of 21 years. The negative goodwill of £1m represents a bargain on purchase. This is also being amortised over the life of the contract, £46k was recognised in 2021 (2020: £46k).

On 1 February 2018, the CAFM system was transferred from Kier Limited to the Company. The CAFM system had an amortisation period of 5 years commencing on 1 February 2019. In 2019 following the announcement of the intention to sell the Company the CAFM system was derecognised with a £5.5m disposal charge being included in the adjusting items. At 30 June 2020 the asset was reinstated at the current carrying amount of £3.1m following the new usage plan across the division.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

14 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 July 2019	1
At 1 July 2020	1
At 30 June 2021	1
Provision	
Carrying amount	
At 30 June 2021	1
At 30 June 2020	1
Details of the subsidiaries as at 30 June 2021 and 2020 are as follows:	

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
2020 Liverpool Limited	Non Trading	2nd Floor Optimum House Clippers Quay Salford England M50 3XP United Kingdom	100%	100%

2020 Liverpool Limited

The financial year end for 2020 Liverpool Limited is 31 March 2021.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

14 Investments (continued)

Joint ventures

Details of the joint ventures as at 30 June 2021 and 2020 are as follows:

Name of joint venture	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
2020 Knowsley Limited	Non Trading	2nd Floor Optimum House Clippers Quay Salford England M50 3XP United Kingdom	80.1%	80.1%
Heart of Wales Property Services Limited	Housing and Maintenance	Unit 31 Ddole Road Industrial Estate Llandrindod Wells POWYS Wales LD1 6DF United Kingdom	50%	50%

2020 Knowsley Limited

The financial year end for 2020 Knowsley Limited is 31 March 2021.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

15 Trade and other receivables

	2021 £ 000	2020 £ 000
Current		
Trade receivables	4,344	7,887
Receivables from related parties	1,233	2,164
Prepayments	2,199	2,465
Other receivables	-	177
Total current trade and other receivables	<u>7,776</u>	<u>12,693</u>
Non-current		
	<u>-</u>	<u>-</u>

Receivables from related parties

The balance is made up of £1m loan with Kier Services Limited and £0.2m transactional balances within the Kier group, payable within 30 days. The loan is unsecured, interest free and repayable on demand. Under IFRS 9 the Company has assessed the requirement for impairment and deemed this to be immaterial given there is an additional amount due to Kier Services Limited of £2.8m, within the Trade and Other Payables Note 18, which would be offset against the receivables balance prior to repayment.

16 Cash and cash equivalents

	2021 £ 000
Cash at bank	21,577
Cash and cash equivalents in statement of cash flows	<u>21,577</u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

17 Leases

Leases included in liabilities

	2021	2020
	£ 000	£ 000
Current	747	1,436
Non-current	<u>521</u>	<u>1,060</u>
	<u>1,268</u>	<u>2,496</u>

Lease liabilities maturity analysis

Future minimum lease payments as at 30 June 2021 and 2020 are as follows:

	2021	2020
	£ 000	£ 000
Less than one year	769	1,502
One to two years	329	704
Two to three years	181	265
Three to four years	<u>29</u>	<u>128</u>
Total gross payments	<u>1,308</u>	<u>2,599</u>
Impact of finance expenses	<u>(40)</u>	<u>(103)</u>
Carrying amount of liability	<u>1,268</u>	<u>2,496</u>

18 Trade and other payables

	2021	2020
	£ 000	£ 000
Current		
Trade payables	9,007	4,089
Accrued expenses	27,285	28,098
Amounts due to related parties	4,299	5,121
Social security and other taxes	5,955	3,590
Other payables	<u>340</u>	<u>705</u>
Total current trade and other payables	<u>46,886</u>	<u>41,603</u>

Amounts due to related parties

The balance is made up of two unsecured loans for £3.4m and £0.9m of transactional balances. The transactional balances are within Kier group and due within 30 days. The two loans are interest free and repayable on demand split between Kier Group plc (£0.7m) and Kier Services Limited (£2.8m). There is a further receivable balance of £1m with Kier Services Limited (Note 15) which would be offset prior to repayment.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

18 Trade and other payables (continued)

Other Payables

Other payables includes a grant from Sheffield City Council in relation to the Westfield Sports Centre. The grant balance was £0.2m as at 30 June 2021 (2020: £0.2m). This balance reduces in line with expenditure incurred and agreed with the Council. The effect on profit during the year to 30 June 2021 was Nil (2020: £0.4m).

19 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Bank overdrafts	<u> </u>	<u>23,081</u>

20 Provisions

	Onerous contracts £ 000	Other provisions £ 000	Total £ 000
At 1 July 2020	2,955	962	3,917
Additional provisions	56	330	386
Provisions used	(261)	(1,252)	(1,513)
Increase (decrease) due to passage of time or unwinding of discount	<u>242</u>	<u>-</u>	<u>242</u>
At 30 June 2021	<u>2,992</u>	<u>40</u>	<u>3,032</u>
Non-current liabilities	<u>2,679</u>	<u>41</u>	<u>2,720</u>
Current liabilities	<u>311</u>	<u>-</u>	<u>311</u>

The majority of the onerous contracts provision relates to a loss making customer contract within PFI. The remaining £0.1m relates to the onerous office space which was increased during the year for a 3 month rent free period for the new tenant secured in 2021. Other provisions relates to defects on an exited contract settled in the year and the remaining for retentions.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

21 Commitments

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £2.0m (2020 : £2.6m).

22 Share-based payments

The Kier Group Savings Related Share Option Scheme ('Sharesave')

Scheme description

Participation in the Kier Group plc 2006 Sharesave scheme is offered to all employees of the Company who have been employed for a continuous period determined by the Kier Group plc board of directors. Under the Sharesave contract participating employees save a regular sum each month for three years of not less than £5 and not more than £500 per month.

Options to acquire ordinary shares in the capital of Kier Group plc were granted to eligible employees who entered into a Sharesave contract. The number of options granted were that number of shares which had an aggregate option price not exceeding the projected proceeds of the Sharesave contract.

Options granted under the Sharesave scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Kier Group.

No share options were exercised by participants of the Sharesave schemes during the current or preceding years.

The options outstanding at 30 June 2021 had exercise prices (adjusted for rights/share issues) ranging from £0.56 to £8.26 (2020 - from £1.01 to £9.66) and a weighted average remaining contractual life of 2.3 years (2020 - 2.3 years).

The Kier Group Long Term Incentive Plan ('LTIP')

Scheme description

The Group has a Long-Term Incentive Plan (LTIP) in which senior employees of the Company participate. Awards made under the LTIP scheme are normally able to vest following the third anniversary of the date of the grant. Vesting may be in full or in part (with the balance of the award lapsing) and is subject to the Group achieving specific performance targets. Awards under the LTIP are all equity settled by way of shares in Kier Group plc.

No share options vested under the LTIP schemes during the current or preceding years.

The options outstanding at 30 June 2021 had exercise price of £Nil (2020 - £Nil) and a weighted average remaining contractual life of 2.0 years (2020 - 2.3 years).

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

22 Share-based payments (continued)

Conditional Share Award Plan ('CSAP')

Scheme description

The Group has a conditional share award plan (CSAP) under which senior employees of the Company receive awards of shares subject only to service conditions, i.e. the requirement for participants to remain in employment with the Group over the vesting period. Participants are entitled to receive dividend equivalents on these awards. Awards under the CSAP are all equity settled by way of shares in Kier Group plc.

The weighted average share price at date of exercise of share options exercised during the year was £0.47 (2020 – no shares vested).

The options outstanding at 30 June 2021 had an exercise price of £Nil (2020 - £Nil) and a weighted average remaining contractual life of 0.3 years (2020 - 0.9 years).

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

23 Credit loss expense

Credit risk arises on financial instruments such as trade receivables.

Policies and procedures exist to ensure that customers have an appropriate credit history. The Group's most significant clients are public or regulated industry entities which generally have high credit ratings or are of a high credit quality due to the nature of the client.

Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within acceptable limits. At the balance sheet date there were no significant concentrations of credit risk.

Trade and other receivables and contract assets included in the balance sheet are stated net of expected credit loss (ECL) provisions which have been calculated using a provision matrix grouping trade receivables and contract assets on the basis of their shared credit risk characteristics.

An analysis of the provision held against trade receivables is set out below:

	2021	2020
	£'000s	£'000s
Provision as at 1 July	(596)	(914)
Utilised in the year	422	318
Charged to the income statement	-	-
Provision as at 30 June	(174)	(596)

There were £0.1m (2020: £0.6m) of trade receivables that were overdue at the balance sheet date that have not been provided against, of which £0.06m (2020: £0.2m) had been received by the end of August 2021. There are no indications as at 30 June 2021 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet that are overdue and unprovided. The proportion of trade receivables at 30 June 2021 that were overdue for payment was 3% (2020: 12%). Overall, the Group considers that it is not exposed to significant credit risk.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

24 Called up share capital

New shares allotted

During the year issued 20,000,000 shares were issued with a nominal value of £1 each. The aggregate value of the cash injection from the shares was £20,000,000

Allotted, called up and fully paid shares

	No.	2021 £ 000	No.	2020 £ 000
Ordinary Shares of £1 each	2,500,000	2,500	2,500,000	2,500
Ordinary Shares of £1 (2020 - £0) each	20,000,000	20,000	-	-
	<u>22,500,000</u>	<u>22,500</u>	<u>2,500,000</u>	<u>2,500</u>

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

The most senior parent entity and ultimate controlling party producing publicly available financial statements is Kier Group plc. These financial statements are available upon request from Companies House and at www.kier.co.uk.

Kier Group plc is incorporated in England and Wales. The registered address is:

2nd Floor Optimum House
Clippers Quay
Salford
England
M50 3XP

Kier Services Limited is the immediate parent and the parent of the smallest group in which these financial statements are consolidated. Kier Services Limited is incorporated in England and Wales. The registered address is

2nd Floor Optimum House
Clippers Quay
Salford
England
M50 3XP