Registration number: 03679828

Kier Business Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2021

Kier Business Services Limited

Contents

Kier Business Services Limited

Company Information

Directors	Clive Thomas
	Jayne Hettle
	Helen Samuels
Company secretary	Jaime Tham
Registered office	2nd Floor Optimum House Clippers Quay Salford M50 3XP
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Kier Business Services Limited

Strategic Report for the Year Ended 30 June 2021

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

Fair review of the business

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

Kier Business Services Limited is comprised of two main parts, a Design Business (focusing on accommodation projects in the built environment) and a Business Process Outsourcing business with a number of residual elements of HR advisory, payroll and pensions services, along with NHS Business Intelligence, Corporate Services and ICT Services to a number of Clinical Commissioning Groups in the North Yorks and Humber Region of the National Health Service.

The majority of Business Services elements came to a conclusion at the end of March 2020. Resources will continue to be diverted to the Design Business where there is the opportunity for growth in the future and we continue to expand our market and client base through organic growth and client synergy across the wider Kier Group.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Revenue	£ 000	11,536	26,833
EBITDA before adjusting items	£ 000	(632)	(1,714)
Operating loss before adjusting items	£ 000	(826)	(2,261)
Operating margin before adjusting items	%	(7)	(8)

Going Concern

The Directors are of the opinion that the Company will continue to meet its performance obligations under its client contracts. The Company is in a positive net assets position.

The Company has maintained detailed 12 month rolling forecast profit and loss accounts, balance sheets and cash flows throughout the financial period and continues to do so. These forecasts take into account reasonably possible changes and uncertainties. The 12 month rolling forecasts form part of a four year financial plan (to 2023) which is reviewed on a quarterly basis. The four year plan sits at the heart of a comprehensive four year business plan which has been reviewed and approved by the shareholders and has been cascaded through the management of the Company.

In carrying out their duties in respect of going concern, the Directors have carried out a comprehensive review of the Company financial position and cash flow forecast for a period of 12 months from the date of signing these financial statements. This review has taken account of client spend forecasts as well as any risk and uncertainty brought about by the current economic environment.

The directors have received letters of support from the company's parent Kier Group plc which states their commitment to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the signing of these financial statements.

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.

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 Kier Group has delegated the review of the effectiveness of the Group'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 Group 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 Group has well-established risk management and internal control systems to manage them.

On behalf of the Kier Group, 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 as relevant to the Company are set out below, together with a summary of the actions taken to mitigate each risk.

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.

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 period, 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
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.

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.

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.

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.

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 23 December 2021 and signed on its behalf by:

....

Clive Thomas
Director

Kier Business Services Limited

Directors' Report for the Year Ended 30 June 2021

The directors of Kier Business 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:

Ian Meredith (resigned 31 January 2021)

Clive Thomas

Mark Whittaker (resigned 23 February 2021)

Jayne Hettle (appointed 19 February 2021)

Helen Samuels (appointed 19 February 2021)

Financial instruments

Objectives and policies

Kier Business Services Limited is exposed to foreign exchange risk, interest rate risk, credit risk, liquidity risk and price risk in varying degrees, but all have relatively low levels of risk. For this reason the Company does not undertake hedging or complex financial instruments to mitigate these particular risks. Interest rate risk arises from long-term pound Sterling borrowings issued at variable rates. The Kier Group finance department manages these risks within a set of policies and procedures defined by the parent company Board. The policies for managing these risks are set out below:

(a) Foreign exchange risk
The Company does not hedge for foreign currency exchange risk as balances in foreign currency are not significant, although there are some transactions denominated in foreign currencies. All bonds and guarantees are funded out of the UK.

(b) Interest rate risk
The Company is owed and owes money via intercompany loan notes and these are subject to fixed rate interest charges. The Company does not undertake hedging or complex financial instruments to mitigate this risk.

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

(c) Credit risk
The principal financial assets are cash and debtors. Counterparty risk on cash deposits is managed by adhering to guidelines which currently state that a maximum of £5,000,000 of cash can be deposited with any one UK counterparty. Trade debtors are managed through set up and authorisation policies for new customers and monthly monitoring of balances.

(d) Liquidity risk
The Company's policy on liquidity risk is supported by the Group's policy on liquidity risk. The Group's policy on liquidity risk is to ensure that sufficient borrowing facilities are available to fund operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a Group of relationship banks in the form of unsecured committed borrowing facilities.

The amount of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels.

(e) Price risk
The Company does not hold any equity securities that are available for sale, and does not have any significant exposure to commodity price risk.

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.

Employee involvement
For information on the Group's activities with regards to employee involvement, which include the employees of the Company, please see the Social section on pages 62 to 68 of the Environmental, Social and Governance Report in the 2021 Annual Report of Kier Group plc (available at www.kier.co.uk).

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).

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.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for 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.

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

Disclosure of information to the auditors
In the case of each director in office at the date the Directors' Report is approved:

• so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
• they have taken all the 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.

Approved by the Board on 23 December 2021 and signed on its behalf by:

....
Clive Thomas
Director

Independent Auditors' Report to the Members of Kier Business Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier Business 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: the Statement of Financial Position as at 30 June 2021; the Income Statement, the Statement of Comprehensive Income, 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.

Reporting on other information (continued)
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 the General Data Protection Regulation (GDPR), Health and Safety regulations, Anti-Bribery and Corruption Legislation, Anti-Money Laundering Legislation, UK tax and employment regulations, 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;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Reviewing board minutes and details of legal expenses incurred in the year;
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation; and
- Identifying and testing journal entries meeting certain risk criteria, in particular any entries posted with unusual account combinations, unexpected users, unusual words, backdated and post- closing journal entries.

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.

Independent Auditors' Report to the Members of Kier Business Services Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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

....

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

Date: 29 December 2021

Kier Business Services Limited

Income Statement for the Year Ended 30 June 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	11,536	26,833
Cost of sales		(9,142)	(24,913)
Gross profit		2,394	1,920
Administrative expenses		(3,990)	(4,387)
Other operating income	5	32	206
Operating loss	6	(1,564)	(2,261)
Finance income	8	1,012	1,021
Finance costs	9	(614)	(277)
Net finance income		398	744
Loss before taxation		(1,166)	(1,517)
Income tax credit	13	2,269	1,144
Profit/(loss) for the financial year		1,103	(373)
Supplementary information			
Adjusted[1] operating loss		(826)	(2,261)
Adjusted[1] loss before tax		(428)	(1,517)

The above results were derived from continuing operations.

[1] Reference to 'adjusted' excludes adjusting items, see notes 2 and 7.

Kier Business Services Limited

Statement of Comprehensive Income for the Year Ended 30 June 2021

	2021 £ 000	2020 £ 000
Profit/(loss) for the financial year	1,103	(373)
Total comprehensive income/(expense) for the year	1,103	(373)

The notes on pages 21 to 39 form an integral part of these financial statements.

Kier Business Services Limited

(Registration number: 03679828)
Statement of Financial Position as at 30 June 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Right of use assets	14	265	365
Investments	15	1	1
Deferred tax assets	13	8,318	5,573
		8,584	5,939
Current assets			
Trade and other receivables	16	35,108	34,408
Income tax asset		1,577	2,054
Contract assets	4	908	797
		37,593	37,259
Total assets		46,177	43,198
Current liabilities			
Current portion of long term lease liabilities	18	(133)	(130)
Trade and other payables	22	(19,804)	(19,948)
Contract liabilities	4	(837)	(859)
Loans and borrowings	20	(10,153)	(8,487)
Provisions	21	(897)	(389)
		(31,824)	(29,813)
Non-current liabilities			
Long term lease liabilities	18	(121)	(219)
Provisions	21	(395)	(461)
		(516)	(680)
Total liabilities		(32,340)	(30,493)
Net assets		13,837	12,705
Equity			
Retained earnings		13,837	12,705
Total equity		13,837	12,705

Kier Business Services Limited

(Registration number: 03679828)
Statement of Financial Position as at 30 June 2021 (continued)

The financial statements on pages 16 to 39 were approved by the Board of Directors on 23 December 2021 and signed on its behalf by:

....

Clive Thomas
Director

The notes on pages 21 to 39 form an integral part of these financial statements.

Kier Business Services Limited

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

	Retained earnings £ 000	Total equity £ 000
At 1 July 2020	12,705	12,705
Profit for the financial year	1,103	1,103
Total comprehensive income for the year	1,103	1,103
Share based payment transactions	29	29
At 30 June 2021	13,837	13,837

	Retained earnings £ 000	Total equity £ 000
At 1 July 2019	13,029	13,029
Change in accounting policy	(7)	(7)
At 1 July 2019 (As restated)	13,022	13,022
Loss for the financial year	(373)	(373)
Total comprehensive expense for the year	(373)	(373)
Share based payment transactions	56	56
At 30 June 2020	12,705	12,705

The notes on pages 21 to 39 form an integral part of these financial statements.

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
M50 3XP

2 Accounting policies

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

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and the Companies Act 2006.

The presentational currency used is GB Pound Sterling and figures are quoted to the nearest £1,000.

Going concern
The performance, financial position and key risks impacting the Company are set out in the Strategic Report.

The Directors are of the opinion that the Company will continue to meet its performance obligations under its client contracts. The Company is in a positive net assets position.

The Company has maintained detailed 12 month rolling forecast profit and loss accounts, balance sheets and cash flows throughout the financial period and continues to do so. These forecasts take into account reasonably possible changes and uncertainties. The 12 month rolling forecasts form part of a four year financial plan (to 2023) which is reviewed on a quarterly basis. The four year plan sits at the heart of a comprehensive four year business plan which has been reviewed and approved by the shareholders and has been cascaded through the management of the Company.

In carrying out their duties in respect of going concern, the Directors have carried out a comprehensive review of the Company financial position and cash flow forecast for a period of 12 months from the date of signing these financial statements. This review has taken account of client spend forecasts as well as any risk and uncertainty brought about by the current economic environment.

The directors have received letters of support from the company's parent Kier Group plc which states their commitment to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the signing of these financial statements.

2 Accounting policies (continued)

Going concern (continued)
Having taken all of the above factors into consideration, the Directors have concluded that the Company should continue to adopt the going concern basis in preparing these financial statements.

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;
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.

Changes in accounting policy
The following new amendments to standards are effective for the financial year ended 30 June 2021 onwards:
• Amendments to IFRS 3 'Business Combinations' on the definition of a business
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies' on the definition of material
• Amendments to IFRS 9, IAS 39 and IFRS 7 (financial instruments standards) on interest rate benchmark reform
• Amendments to IFRS 16 'Leases' for COVID-19 related rent concessions

None of the above amendments to standards have had a material effect on the financial statements.

2 Accounting policies (continued)

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;

- 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;

- 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 services are as follows:

2 Accounting policies (continued)

Revenue and profit recognition (continued)

Revenue and profit from services rendered, which include design and business services, is recognised over time as the service is performed.

Where the contract includes bundled services, the transaction price is allocated to each performance obligation identified in the contract based on the relative stand-alone selling prices of each of the performance obligations. Revenue is then recognised independently when each of the performance obligations is satisfied.

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.

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 reviewed the previous accounting presentation for disclosing items as exceptional on the income statement. The directors have considered the requirements of applicable accounting standards, along with additional guidance around Alternative Performance Measures ('APM') and have concluded that the Company will move away from using its previous disclosure on the face of the Company's income statement. The directors consider that it would be more appropriate to present an income statement that shows the Company's statutory results only.

The directors however still 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 and a decision has been made to align to internal management reporting as the directors consider it makes the financial statements' presentation clearer to the users of the accounts. As such, the Company 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 Company in the particular year under review and the extent to which results are influenced by material unusual and/or non-recurring items.

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 7 on page 30. As a result of the Company's change in its APM, a review of the prior year has been conducted to align to the revised presentation. No restatement of prior year numbers is required as the directors believe all material items in the prior year which were classified as an exceptional item also meet the new definition of an adjusting item. Similarly, no material prior year items have been highlighted which meet the new adjusting items definition that did not meet the previous exceptional items definition.

2 Accounting policies (continued)

Tax

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

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

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

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

Investments

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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.

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 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.

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.

2 Accounting policies (continued)

Share based payments
The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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) 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.

(c) 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.

2 Accounting policies (continued)

(d) 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.

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:

2 Accounting policies (continued)

• Leases of low-value items - The Company has defined low value items as assets that have a value when new of less than c£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.

3 Critical accounting judgements and key sources of estimation uncertainty

To be able to prepare financial statements according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and the revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances. The results of this forms the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas involving significant judgements or key sources of estimation that may impact on the Company's earnings and financial position are as follows:

(a) Revenue and profit recognition:
The estimation techniques used for revenue and profit recognition require forecasts to be made of the outcome of long term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programme and changes in cost.

(b) Adjusting items:
The Directors exercise judgement in determining whether, on balance, disclosing certain items as adjusting items separately in the financial statements will help the users of the financial statements understand the Company's business performance.

(c) Provision for onerous contracts:
A provision is made for any unavoidable future net losses arising from contract obligations as soon as they become apparent

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

4 Revenue

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

	2021 £ 000	2020 £ 000
Rendering of services	11,536	26,833

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.

Current assets and liabilities

	2021 £ 000	2020 £ 000
Contract assets	908	797
Contract liabilities	(837)	(859)
Net unbilled contract assets/(liabilities)	71	(62)

5 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2021 £ 000	2020 £ 000
Government grants	32	206

6 Operating loss

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense	-	9
Right of use assets depreciation	194	538
Profit on disposal of right of use assets	(1)	(36)

Prior year profit on disposal of right of use assets of £36,000 relates to excess of outstanding lease liability over right of use asset in connection to the LPF contract which came to an end.

7 Adjusting items

	Operating loss		EBITDA		Loss before tax	
	2021	2020	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Reported loss	(1,564)	(2,261)	(1,370)	(1,714)	(1,166)	(1,517)
Restructuring and related charges	252	-	252	-	252	-
Onerous lease	486	-	486	-	486	-
Adjusted loss	(826)	(2,261)	(632)	(1,714)	(428)	(1,517)

8 Finance income

	2021 £ 000	2020 £ 000
Interest received from group undertakings	1,012	1,021

9 Finance costs

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	402	252
Interest on obligations under finance leases and hire purchase contracts	12	25
Other finance costs	200	-
	614	277

10 Staff costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	7,978	14,302
Social security costs	718	1,333
Other pension costs	542	1,168
Share-based payment expenses	29	56
	9,267	16,859

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

	2021 No.	2020 No.
Permanent staff	167	331

11 Directors' remuneration

One director (2020: one) is remunerated by the Company. The other directors are employed and remunerated by the other Group companies and it is not practical for them to allocate remuneration between the companies they work for.

11 Directors' remuneration (continued)

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	-	1

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Directors' emoluments	145	144
Contributions to defined contribution scheme	-	20
	145	164

12 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the Company's financial statements	254	260

Auditors' remuneration was borne by another Group company.

13 Income tax credit

Tax credited in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	476	(6)
Deferred taxation		
Arising from origination and reversal of temporary differences	(177)	(278)
Arising from changes in tax rates and laws	(1,996)	(557)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(572)	(303)
Total deferred taxation	(2,745)	(1,138)
Tax credit in the income statement	(2,269)	(1,144)

13 Income tax credit (continued)

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

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Loss before taxation	(1,166)	(1,517)
Corporation tax at standard rate	(222)	(288)
Decrease in current tax and deferred tax from adjustment for prior periods	(96)	(310)
Increase from effect of expenses not deductible in determining taxable profit / tax loss	45	11
Deferred tax credit relating to changes in tax rates or laws	(1,996)	(557)
Total tax credit	(2,269)	(1,144)

The deferred tax balance as at the year end has been recognised at 25% (2020:19%). The company did not recognise deferred tax assets on unrelieved pre 1 April 2017 tax losses of £84,061,772 (2020: £84,061,772). No deferred tax asset has been recognised due to the uncertainty surrounding its recoverability.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% had been substantively enacted, substantive enactment occured on 24 May 2021, therefore management has calculated the deferred tax assets/liabilities at 19% for the timing/temporary differences unwinding before April 2023 and at 25% for the timing/temporary differences unwinding after April 2023.

13 Income tax credit (continued)

Deferred tax

Deferred tax assets

2021	Asset £ 000
Accelerated tax depreciation	6,495
Other items	1,823
	8,318

2020	Asset £ 000
Accelerated tax depreciation	4,434
Other items	1,139
	5,573

	2021 £000	2020 £000
At 1 July	5,573	4,434
Credited to the income statement	2,173	835
Adjustment in respect of prior years	572	304
At 30 June	8,318	5,573

14 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Total £ 000
Carrying amount			
At 1 July 2019	831	227	1,058
Additions	-	11	11
Disposals	(166)	-	(166)
Depreciation charge for the year	(417)	(121)	(538)
At 30 June 2020	248	117	365
Additions	-	111	111
Disposals	-	(17)	(17)
Depreciation charge for the year	(96)	(98)	(194)
At 30 June 2021	152	113	265

15 Investments

Joint ventures

	£ 000
Cost or valuation	
At 1 July 2020	1
At 30 June 2021	1
Provision	
Carrying amount	
At 30 June 2021	1
At 30 June 2020	1

15 Investments (continued)

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

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
MPHBS Limited	Holding company	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP England and Wales	50%	50%

16 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	394	459
Amounts due from group undertakings	34,617	33,500
Prepayments and accrued income	53	84
Other receivables	44	365
	35,108	34,408

Included within amounts due from group undertakings is £21,166,000 (2020: £20,706,000) relating to intercompany loans. Loans to the value of £11,967,000 (2020: £11,507,000) are unsecured, repayable on demand and attract interest at 4.0%. A loan to the value of £9,199,000 (2020: £9,199,000) is unsecured, repayable on demand and attracts interest at 6.0%. All other amounts are non-interest bearing, unsecured and repayable on demand.

17 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Bank overdrafts	(10,153)	(8,487)

18 Leases

Leases included in liabilities

	2021 £ 000	2020 £ 000
Current	133	130
Non-current	121	219
	254	349

Lease liabilities maturity analysis
Future minimum lease payments as at 30 June 2021 are as follows:

	2021 £ 000	2020 £ 000
Less than one year	144	183
One to two years	93	114
Two to three years	24	65
Three to four years	2	1
Total gross payments	263	363
Impact of finance expenses	(9)	(14)
Carrying amount of liability	254	349

Total cash outflows related to leases

	2021 £ 000	2020 £ 000
Total cash outflow	201	588

19 Pension and other schemes

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 £542,000 (2020 - £1,168,000).

20 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Bank overdrafts	10,153	8,487

21 Provisions

	Onerous contracts £ 000	Other provisions £ 000	Total £ 000
At 1 July 2020	665	185	850
Additional provisions	-	636	636
Provisions used	(194)	-	(194)
At 30 June 2021	471	821	1,292
Non-current liabilities	395	-	395
Current liabilities	76	821	897

Provision in year relates to an onerous contract within the Business Process Outsourcing business and the other provision relates to expected employee costs and dilapidations.

22 Trade and other payables

	2021 £ 000	2020 £ 000
Current		
Trade payables	424	303
Accruals and deferred income	2,056	2,603
Amounts owed to group undertakings	15,937	15,496
Social security and other taxes	1,387	1,545
Other payables	-	1
Total current trade and other payables	19,804	19,948

Amounts owed to group undertakings are non-interest bearing, unsecured and repayable on demand.

23 Share capital

Allotted, called up and fully paid shares

		2021		2020
	No.	**£ 000**	**No.**	**£ 000**
Ordinary Shares of £1 each	100	-	100	-

24 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Holdings Limited.

The ultimate parent is Kier Group plc.

The ultimate controlling party is Kier Group plc.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Kier Group plc, incorporated in England and Wales.

The address of Kier Group plc is:
2nd Floor
Optimum House
Clippers Quay
Salford
M50 3XP

More information about Kier Group plc can be found at www.kier.co.uk.

The parent of the smallest group in which these financial statements are consolidated is Kier Group plc, incorporated in England and Wales.