Registration number: 05606089

Kier Highways Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2021

Kier Highways Limited

Contents

	Page(s)
Company Information	1
Strategic Report	2 to 9
Directors' Report	10 to 12
Independent Auditors' Report	13 to 16
Income Statement	17
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21 to 48

Kier Highways Limited

Company Information

Directors	Giuseppe Incutti
	James Smith
	Matthew Price
Company secretary	Jaime Foong Yi Tham
Registered office	2nd Floor Optimum House Clippers Quay Salford M50 3XP
Bankers	National Westminster Bank plc 13 Stonehills Welwyn Garden City Herts AL8 6ND
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Kier Highways Limited

Strategic Report for the Year Ended 30 June 2021

The directors present their strategic report for Kier Highways 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").

The Company is a specialist highways asset maintenance and management business, carrying out maintenance contracts and projects. Principle activities include: the design of roads, bridges and intelligent transport systems (ITS), covering strategic and other nationally important roads, as well as local roads serving communities across the country.

Collaborating with clients, the Company manages assets to maximise their value, supporting the economic and social wellbeing of communities.

The Company maintained its position as a sector leader over the year, successfully mobilising four new contracts: an eight year National Highways Area 4 Maintenance and Response contract (M & R), alongside three contracts with Transport for London (TfL), covering network maintenance and enhancement activities and maintenance of of tunnels and pumping stations (further detail on the TfL Contracts immediately below).

During the year, the Business also successfully tendered four new contracts:

• National Highways Area 3 Maintenance and Response (M & R): at a total contract value £190m, the Company will deliver maintenance and operational response across Hampshire, Surrey, Oxfordshire, Wiltshire and parts of Buckinghamshire for eight years (Nov 21 to Oct 29)

• Transport for London (TfL) x 3
i. The Company has been appointed to deliver Transport for London's (TfL) new c£200m Maintenance and Management Contract for TfL Road Tunnels and Pumping stations (TAPS). The new contract commenced in April 21 and runs for eight years (Apr 21 to Mar 29).
ii. A 50-50 joint venture between Tarmac and Kier Highways has been awarded the Lot 2 contract of the TfL Highways Maintenance and Project Framework to maintain and improve highways and related assets covering 189km network in North London, at a value of c£130m (minimum). The framework will run for eight years (Apr 21 to Mar 29).
iii. a 50-50 joint venture between Tarmac and Kier Highways has been awarded a £500m contract (maximum), responsible for maintenance, repair and renewals in northern boroughs (Barking and Dagenham, Barnet, Brent, Ealing, Enfield, Haringey, Harrow, Havering, Hillingdon, Hounslow, Newham, Redbridge and Walton Forest) , the contract will run for a period of 8 years (Apr 21 to Mar 29).

Financial review
Financial performance in the year was in line with management expectations with revenue for the year to June 2021 of £462.9m, an increase of 17% compared to revenue for the year to June 2020 of £385.3m. This increase was driven by a full year of the Birmingham Interim Services Contract (Contract commenced: Apr 2020) and an increase in project revenues, related to the Regional Delivery Partnership (RDP) framework.

Profit before taxation increased this year from £24.9m (6.4%) to £33.0m (7.1%) with gross profit margin of 13.5% (2020: 13.5%) and an operating margin of 6.3% (2020: 5.9%) for the year. Underlying performance was comparable to the prior year, with the increased Margins in 2020 attributable to a reduction in restructuring costs of £1.4m (2021:£0.1m, 2020:£1.5m)

The Company's key financial and other performance indicators during the year were as follows, Gross profit margin, underlying operating profit margin and current ratio are all aligned to the prior year.

	Unit	2021	2020
Gross profit margin	%	13.5	13.5
Operating profit margin	%	6.4	5.9
Current Ratio *		1.4	1.4

** The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. The current ratio compares the current total assets of the Company to the Company's current total liabilities.*

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. Kier Group 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 Kier Group are reviewed by the RMAC on a quarterly basis. The principle risks as relevant to the Company are set out below, together with a summary of the actions taken to mitigate each risk:

Principal risks

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.

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.

Supply chain
The Company relies on its supply chain to deliver its projects. Maintaining close and effective working relationships with members of the supply chain is therefore a priority for the Company.

Potential impact:
• Unavailability of appropriate resources, impacting on project deliver 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:
• Develop long-term relationships with critical subcontractors;
• Continue to reduce subcontractor payment terms; and
• Review the supply chain to ensure alternative delivery mechanisms are available and appropriate contingencies are in place.

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.

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.

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.

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.

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.

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.

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.

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.

Contract delivery
The Company has numerous live contracts at any point in time and the risks to which the Company is exposed are dependent on the nature of the work, the location, the duration and the legal form of the contract, amongst other matters. If these risks are not managed effectively, the Company may suffer contract losses, delays and potential reputational damage.

The Kier Group has an increasing focus on longer-term service contracts. Potential risks are mitigated, controlled and managed through the Kier Group's operating structure and procedures. These include regular contract reviews of financial performance against budget as well as comparing against tender by using a suite of key performance indicators and benchmarking against competitors. Contract risk registers are also reviewed on a monthly basis and any performance issues are the subject of Corrective Action Plans.

Tender Pricing
Clients are under increasing pressure to achieve significant efficiency gains while improving the quality of services. This could in turn make tendering processes more price orientated, such that price may become the key determinant of whether a bid is successful. Differentiation on quality rather than price is more difficult where tendering processes are price driven. Consequently, reduced margin expectations may be necessary in order to secure new contracts which will put pressure on future margins.

To mitigate this risk, the Company continually strives to improve its service proposition to distinguish itself from a qualitative perspective whilst ensuring that it offers innovative market leading value for money solutions to its clients. In support of this, there is a business improvements database whereby employees can submit suggestions and a knowledge bank used for best practice sharing. The Company also operates a scheme whereby employees are rewarded for proposing ideas and solutions which benefit the business. Furthermore, it leverages its established client relationships to influence the approach adopted by clients on further tenders.

The Company has a director who is responsible for co-ordinating health & safety activities including an incentive programme available to employees for health & safety observations on the network. The SHE audit programme identifies common areas of non-compliance across the Kier Group, helping to drive improvements. Compliance is monitored in a number of ways including audit, leadership tours and inspections.

The Kier Group's behavioural change programme is designed to change behaviours at the supervisor and workforce level while the Visible Leadership Programme is encouraging engagement by management with employees working on the network.

Reputation
The Company's ability to tender for new business and its relationship with customers, supply chain partners, employees and other stakeholders is founded on the good reputation that it has established and how it is perceived by others. The Company's growth targets may not be achieved if its reputation is adversely affected.

With the increasing profile of the Company as part of the wider Kier Group, the ability to monitor and measure the Kier Group's reputation through client and customer feedback is key. The steps taken by the Kier Group to maintain, protect and enhance its reputation include Group-wide customer satisfaction monitoring, maintaining relations with Government, effective leadership, community engagement and striving to operate a safe and sustainable business.

In addition, the management of the Company's principal risks, as described in this section of the Annual Report, assists to maintain and protect its reputation.

Kier Highways Limited

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

Approved by the Board on ....13 December 2021.......... and signed on its behalf by:

....

James Smith
Director

Kier Highways Limited

Directors' Report for the Year Ended 30 June 2021

The directors of Kier Highways 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:

Giuseppe Incutti

Andrew Bradshaw (resigned 1 December 2021)

James Smith (appointed 29 June 2021)

Matthew Price (appointed 1 December 2021)

Dividends

No dividend was paid in the year (2020: £8.0m) and the directors do not recommend and payment of a final dividend in respect of the year (2020: £nil).

Financial instruments

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

The Board has identified that the Company is not currently significantly exposed to:

- Interest rate risk, as Kier Highways Limited has relatively low borrowing facilities and external funding and is part of the Kier Group cash pooling arrangement.

The Company is exposed to credit risk, but this is very limited due to the overwhelming majority of clients being public sector bodies with excellent payment performance. The credit risk relating to other receivables and prepayments and accrued income has been considered by the Board and there is not considered to be any significant credit risk over and above any amounts already provided for.

The Company does not hold any equity securities that are available for sale and does not have any exposure to commodity price risk.

Cash flow is forecast regularly to provide up to date and accurate information on the Company's current cash position and its future requirement. The Kier Group has strong, long-term relationships with the providers of its borrowing and has an in-house team which monitors headroom and advises on borrowing terms and conditions.

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).

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.

Future developments

The Directors of Kier Highways Limited do not envisage any significant changes in the foreseeable future from the Company's overall strategy, nor of the Company's role within the Group.

Going concern
Given the current economic circumstances and the guidance by the Financial Reporting Council, additional disclosures are presented in note 2 to the financial statements. These disclosures detail the basis on which the Directors have continued to adopt the going concern basis in preparing these financial statements.

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.

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
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.

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).

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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

• so far as the the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

• they have taken all the steps that they have 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 ....13 December 2021...... and signed on its behalf by:

....
James Smith
Director

Independent Auditors' Report to the Members of Kier Highways Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier Highways 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.

Kier Highways Limited

Independent Auditors' Report to the Members of Kier Highways Limited (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.

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

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 pensions legislation, employment and tax legislation, data protection rules and the Health and Safety Executive legislation, 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 posting of inappropriate journal entries and management bias in accounting estimates and judgemental areas, in particular in long-term contracting accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, Internal Audit and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Reading key correspondence with external legal advisers;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Review of external press releases;
- Challenging assumptions and judgements made by management in the estimates involved in accounting for long-term contracts; and
- Identifying and testing journal entries meeting certain risk criteria, in particular any journal entries posted with backdated items, unusual account combinations, unusual words and unusual users.

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 Highways 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: 13 DECEMBER 2021

Kier Highways Limited

Income Statement for the Year Ended 30 June 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	462,928	385,342
Cost of sales		(400,258)	(333,193)
Gross profit		62,670	52,149
Administrative expenses		(25,663)	(24,075)
Operating expenses		(8,022)	(5,307)
Operating profit	5	28,985	22,767
Finance income	6	4,399	2,425
Finance costs	7	(369)	(359)
Net finance income		4,030	2,066
Profit before taxation		33,015	24,833
Income tax expense	11	(10,381)	(1,291)
Profit for the financial year		22,634	23,542

The above results were derived from continuing operations.

Kier Highways Limited

Statement of Comprehensive Income for the Year Ended 30 June 2021

	Note	2021 £ 000	2020 £ 000
Profit for the financial year		22,634	23,542
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit pension scheme	13	(2,496)	(9,727)
Income tax on actuarial loss	11	341	1,832
		(2,155)	(7,895)
Total comprehensive income for the year		20,479	15,647

The notes on pages 21 to 48 form an integral part of these financial statements.

Kier Highways Limited

(Registration number: 05606089)
Statement of Financial Position as at 30 June 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Property, plant and equipment	12	675	1,001
Right of use assets	20	10,045	9,478
Retirement benefit assets	13	8,644	9,693
		19,364	20,172
Current assets			
Inventories	14	3,950	3,415
Trade and other receivables	15	12,800	12,398
Contract assets	4	53,497	35,319
Cash and cash equivalents	16	174,406	108,279
		244,653	159,411
Total assets		264,017	179,583
Current liabilities			
Current portion of long term lease liabilities	19	(3,835)	(3,972)
Trade and other payables	17	(153,073)	(100,697)
Loans and borrowings	18	-	(131)
Contract liabilities	4	(16,155)	(5,485)
		(173,063)	(110,285)
Non-current liabilities			
Long term lease liabilities	19	(6,309)	(5,582)
Deferred tax liabilities	11	(862)	(982)
		(7,171)	(6,564)
Total liabilities		(180,234)	(116,849)
Net assets		83,783	62,734
Equity			
Called up share capital	22	20	20
Share premium reserve		480	480
Profit and loss account		83,283	62,234
		83,783	62,734
Total equity		83,783	62,734

The financial statements on pages 17 to 48 were approved by the Board on ...13 December 2021... and signed on its behalf by:

James Smith
Director

The notes on pages 21 to 48 form an integral part of these financial statements.

Kier Highways Limited

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

	Called up share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 July 2020	20	480	62,234	62,734
Profit for the year	-	-	22,634	22,634
Other Comprehensive expense	-	-	(2,155)	(2,155)
Total comprehensive income for the year	-	-	20,479	20,479
Share based payment transactions	-	-	570	570
At 30 June 2021	20	480	83,283	83,783

	Called up share capital £ 000	Share premium £ 000	Profit and loss Account £ 000	Total equity £ 000
At 1 July 2019	20	480	54,162	54,662
Profit for the financial year	-	-	23,542	23,542
Other comprehensive expense	-	-	(7,895)	(7,895)
Total comprehensive income for the year	-	-	15,647	15,647
Dividends	-	-	(8,000)	(8,000)
Share based payment transactions	-	-	425	425
At 30 June 2020	20	480	62,234	62,734

Kier Highways 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 the United Kingdom.

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 ("FRS 101") Reduced Disclosure Framework and with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis.

The Company claims exemption from the preparation of consolidated financial statements in accordance with Section 400 of the Companies Act 2006, as the results are included within the financial statements of its ultimate parent company, Kier Group plc, a UK incorporated company, which have been filed at Companies House and comprise the largest and smallest group to consolidate the Company's financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

The activities of the Company are largely undertaken through long-term framework contracts under which turnover and profit are recognised in line with each separate contract. Where losses are foreseeable in respect of future trading committed under those contracts, provision is made.

Incremental costs are expensed as incurred until they are expected to be recovered from the customer, from which time further incremental costs are recognised as an asset and charged to the income statement over the period of the contract.

2 Accounting policies (continued)

Summary of disclosure exemptions
In these financial statements, the company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payment, business combinations, non-current assets held for sale, financial instruments, fair value measurements, capital management, revenue from contracts with customers, presentation of comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment property, presentation of a cash-flow statement, the effects of new standards not yet effective, impairment of assets and disclosures in respect of the compensation of key management personnel and of transactions with a management entity that provides key management personnel services to the company.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge 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.

Timing difference are differences between the Company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversals of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are re-valued unless by the balance sheet date there is a binding agreement to sell the re-valued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing difference are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities have not been discounted.

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

Trade 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.

2 Accounting policies (continued)

Borrowings

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

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

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

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;

• 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

2 Accounting policies (continued)

• Where the timing of the payments is for commercial rather than financing reasons, e.g. construction contract retentions.

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

Progress on capital works and infrastructure renewal projects is measured using costs incurred as a percentage of the estimated full costs of completing the performance obligation.

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.

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.

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

If inventory is recognised to be impaired, obsolete or slow moving, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

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.

2 Accounting policies (continued)

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 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.

Defined contribution pension obligation
For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the period. Difference between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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**
Furniture, fittings and equipment	3 to 8 years
Motor vehicles and plant	3 to 5 years
Land and buildings	Over the term of the lease
Pre-contract costs	Over the length of the contract

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.

2 Accounting policies (continued)

Defined benefit pension obligation
The asset recognised on the balance sheet for the Company's defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date as adjusted for unrecognised past service costs, less the fair value of the scheme assets. The defined benefit obligation is calculation by independent actuaries using the projected unit credit method and by discounting the estimated future cash flows, using interest rates on high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Any asset resulting from this calculation is limited to unrecognised past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

The pension expense for the defined benefit scheme is recognised as follows:

Within operating profit
Current service cost - representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period:

Gains and losses arising on the settlements and curtailments - where the item that gave rise to the settlement or curtailment is recognised within the operating profit.

Within finance income/expense on pension scheme
Interest cost on the liabilities of the scheme - calculated by reference to the scheme liabilities and discount rate at the beginning of the year and allowing for changes during the period; and

Expected return on the assets of the scheme - calculated by reference to the scheme assets and long-term expected rate of return at the beginning of the year and allowing for changes during the financial year.

Within the statement of other comprehensive income
Actuarial gains and losses arising on the assets and liabilities of the scheme.

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 as at 30 June 2021.

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 Three-year financial plan (to 2024) which is reviewed on a quarterly basis. The Three-year plan sits at the heart of a comprehensive Three-year Business Plan which has been reviewed and approved by the shareholders and has been cascaded throughout 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, including Covid-19.

Having taken all of the above factors into consideration, the Directors have concluded that the Company should continue to adopt the going concern basis for preparing the annual report and financial statements.

2 Accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for 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.

A trade receivable is recognised when the Company has the 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 the their initial cost reduced by appropriate allowances for expected credit costs.

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.

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 carrying value of assets and liabilities that are not readily available from other sources.

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

Defined benefit obligation:
The Company has an obligation to pay benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net position in the balance sheet. The assumptions reflect historical experience and current trends. See the disclosure in the defined benefit pension scheme for further details.

Revenue 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.

The company considers that any individual contract judgement/estimate would not have a material effect on the financial statements.

4 Revenue

The Company derives revenue from capital infrastructure projects as well as maintenance of infrastructure assets across the highways sector.

Capital projects can range from larger schemes over a period of several years (such as Windy Harbour), to small schemes completed over a matter of days. Revenue is recognised over time as the construction services are rendered to the customer. Each capital project is typically a single performance obligation.

The company also provides maintenance services for the UK road infrastructure through routine;preventive maintenance as well as reactive repairs. These services are generally delivered under framework contracts between five to eight years, however individual performance obligations under the framework are normally determined on an annual, monthly or ad hoc basis. Revenue is recognised over time as the maintenance services are rendered by the customer. Where multiple services are supplied under a single contract they are treated as separate performance obligations and revenue is recognised as each performance obligation is satisfied.

Services are normally invoiced monthly in arrears under normal commercial credit terms.

4 Revenue (continued)

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

	2021 £ 000	2020 £ 000
Rendering of services	456,563	377,114
Other revenue	6,365	8,228
	462,928	385,342

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract assets (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	53,497	35,319
Contract liabilities	(16,155)	(5,485)
Net unbilled contract assets	37,342	29,834

5 Operating profit

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense	744	352
Depreciation on right of use assets - land and buildings	1,183	1,303
Depreciation on right of use assets - motor vehicles	4,581	2,334
Depreciation on mobilisation cost	18	50
Profit on disposal of property, plant and equipment	(7)	-
Restructuring Cost	57	1,523

The Company has incurred restructuring costs in the year totalling £0.1m (2020: £1.5m) in respect of employee exit costs.

6 Finance income

	2021 £ 000	2020 £ 000
Interest income on bank deposits	4,234	2,002
Other finance income	165	423
	4,399	2,425

7 Finance costs

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	2	9
Interest expense on leases	367	350
	369	359

8 Staff costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	105,584	90,146
Social security costs	8,604	7,292
Other pension costs	3,761	2,905
	117,949	100,343

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

	2021 No.	2020 No.
Direct labour	544	452
Management and administration	1,544	1,362
	2,088	1,814

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	522	897
Contributions paid to money purchase schemes	1	5
	523	902

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	303	268
	303	268

9 Directors' remuneration (continued)

During the year the highest paid director did not exercise share options and did not participate in the defined benefit pension scheme. (2020:£nil)

10 Auditors' remuneration

	2021 £ 000	2020 £ 000
Auditors' remuneration	80	83

11 Income tax expense

Tax charged in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	6,591	764
UK corporation tax adjustment to prior periods	3,861	304
Total current taxation	10,452	1,068
Deferred taxation		
Arising from origination and reversal of temporary differences	(237)	226
Arising from changes in tax rates and laws	166	284
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	(287)
Total deferred taxation	(71)	223
Tax expense in the income statement	10,381	1,291

11 Income tax expense (continued)

Amounts recognised in other comprehensive income

	2021			2020		
	Before tax £ 000	Tax (expense) credit £ 000	Net of tax £ 000	Before tax £ 000	Tax (expense) credit £ 000	Net of tax £ 000
Remeasurements of post employment benefit obligations	(2,496)	341	(2,155)	(9,727)	1,832	(7,895)

11 Income tax expense (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 July 2020 £ 000	Recognised in income statement £ 000	Recognised in other comprehensive income £ 000	At 30 June 2021 £ 000
Pension benefit obligations	(1,842)	(368)	49	(2,161)
Accelerated tax depreciation	549	363	-	912
Provisions	-	-	-	-
Research and development expenditure credit	311	76	-	387
Net tax liabilities	(982)	71	49	(862)

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK(2020 - lower than the standard rate of corporation tax in the UK) of 19.00% (2020 - 19.00%).

The differences are reconciled as follows:

	2021 £ 000	2020 £ 000
Profit before taxation	33,015	24,833
Corporation tax at standard rate	6,273	4,718
Adjustments from prior years	3,861	17
Change in future tax rate	166	284
Expenses not deductible for tax purposes	81	111
Effects of group relief/ other Relief	-	(3,839)
Total tax charge	10,381	1,291

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 occurred on 24 May 2021, therefore management has calculated the deferred tax asset/(liability) at 19% for the timing/ temporary differences unwinding before April 2023 and at 25% for the timing/temporary differences unwinding after April 2023.

12 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles and plant £ 000	Pre-contract costs £ 000	Total £ 000
Cost or valuation					
At 1 July 2020	958	2,743	168	156	4,025
Disposals	(593)	(1,509)	-	-	(2,102)
Additions	54	223	7	152	436
At 30 June 2021	419	1,457	175	308	2,359
Accumulated Depreciation					
At 1 July 2020	448	2,342	141	93	3,024
Charge for the year	500	231	13	18	762
Eliminated on disposal	(593)	(1,509)	-	-	(2,102)
At 30 June 2021	355	1,064	154	111	1,684
Carrying amount					
At 30 June 2021	64	393	21	197	675
At 30 June 2020	510	401	27	63	1,001

13 Retirement benefit assets

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 £3,761,000 (2020 - £2,905,000).

Defined benefit pension schemes

Kier Highways Prudential Platinum Scheme

Kier Highways Limited operate in two defined benefit arrangements in respect of ex-local authority staff who have TUPE transferred to Kier Highways and require the Company to offer comparable LGPS pension benefits.

In respect of the ex-Local Authority staff who have TUPE transferred to Kier Highways Limited the Company participates in the Prudential Platinum Scheme and is an admitted body status employer in the LGPS Croydon scheme. The Prudential Platinum Scheme ("the Scheme") is an external sectionalised multi-employer final salary pension arrangement. The assets of the Kier Highways Limited section are administered by Trustees in funds independent of those of the Company and other sections of the Scheme. The administration is also conducted by external professional Pension Administrators.

The terms of the Scheme allow the Company to exit when the last member has left employment without additional payments, provided the related assets equal or exceed the value of the past service liabilities on a buy-out basis. However, if the estimated value of the assets arising from the Company's contributions is less than the value of the past service liabilities for which the Company is responsible, then the Company will be required to make good the shortfall.

The Scheme is subject to regular review and the Employer's contribution in relation to future service is adjusted accordingly. Additional employer contributions also fall due if a past service deficit is identified on a buy-out basis.

Contributions paid to the pension scheme during the year were £212,000 (2020 - £236,000).

The expected contributions to the plan for the next reporting period are £Nil.

The schemes most recent triennial actuarial valuation was as at 31 December 2018. The actuarial value relating to the Company's share of the scheme assets and liabilities, for accounting purposes, at 30 June 2021 was equal to a net asset of £1,531,000 (2020: £1,387,000).

The IAS 19 accounting valuation of the Kier Highways Prudential Pension Scheme at 30 June 2021 indicated that the schemes assets exceeded its liabilities. The Company has recognised the surplus as a retirement benefit pension asset on its balance sheet under IAS 19 and IFRIC 14, as the Company has determined that it has a right to benefit from any surplus, through either reduced contributions or a refund of the surplus on winding up of the scheme.

In respect of the admitted body status in one LGPS scheme Kier Highways Limited is not directly liable for the funding obligation through protection mechanisms in the client contract. This means an accurate valuation cannot be made. The pension cost in respect of the scheme is therefore treated as if it was a defined contribution scheme.

13 Retirement benefit assets (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Statement of Financial Position are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	7,870	7,817
Present value of scheme liabilities	(6,339)	(6,430)
Defined benefit pension scheme surplus	1,531	1,387

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Fair value at start of year	7,817	6,840
Interest income	126	159
Return on plan assets, excluding amounts included in interest income/(expense)	(186)	703
Employer contributions	212	236
Contributions by Scheme Participants	26	-
Benefits paid	(90)	(91)
Administration expenses	(35)	(30)
Fair value at end of year	7,870	7,817

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Equities	654	1,154
Corporate Bonds	6,900	1,378
Cash	-	1,343
Multi-asset	-	473
Liability driven investment	-	3,077
Absolute Return	303	350
Land	-	42
Annuity Policies	13	-
	7,870	7,817

13 Retirement benefit assets (continued)

Actual return on scheme's assets

	2021 £ 000	2020 £ 000
Actual return on scheme assets	(62)	862

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2021 £ 000	2020 £ 000
Present value at start of period	6,430	5,610
Past service cost	191	177
Actuarial losses from change in financial assumptions	78	559
Actuarial gains arising from experience assumptions	(44)	(134)
Actuarial losses/ (gains) arising from demographic adjustments	(356)	179
Net benefits paid out	(90)	(91)
Interest costs	104	130
Member contributions	26	-
Present value at end of year	6,339	6,430

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the Statement of Financial Position date are as follows:

	2021 %	2020 %
Discount Rate	1.90	1.60
Pension increases on deferment	2.60	1.95
Future increase in salaries	3.15	2.85
Future increase in Retail Prices Index	3.15	2.85
Future increase in Consumer Price Index	2.60	1.95

13 Retirement benefit assets (continued)

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	86.80	86.80
Current UK pensioners at retirement age - female	89.40	89.30
Future UK pensioners at retirement age - male	88.30	88.30
Future UK pensioners at retirement age - female	90.80	90.80

The above mortality assumptions are based on a retirement age of 60

Amounts recognised in the Income Statement

	2021 £ 000	2020 £ 000
Amounts recognised in operating profit		
Current service cost	(191)	(177)
Administrative expenses	(35)	(30)
Recognised in arriving at operating profit	(226)	(207)
Amounts recognised in finance income		
Net interest income	22	29
Total recognised in the Income Statement	(204)	(178)

Amounts taken to the Statement of Comprehensive Income

	2021 £ 000	2020 £ 000
Actuarial gains and (losses) arising from changes in demographic assumptions	356	(179)
Actuarial losses arising from changes in financial assumptions	(78)	(559)
Actuarial gains arising from experience adjustments	44	134
Return on plan assets, excluding amounts included in interest (expense)/income	(186)	703
Amounts recognised in the Statement of Comprehensive Income	136	99

13 Retirement benefit assets (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2021		2020	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to discount rate	£ 000	£ 000	£ 000	£ 000
decrease/(increase) in present value of total obligation	280	(280)	320	(320)

	2021		2020	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to rate of inflation	£ 000	£ 000	£ 000	£ 000
(Increase)/decrease in present value of total obligation	(190)	190	(310)	310

	2021		2020	
Members assumed to be one year older/ younger in age	+ 1 Year	- 1 Year	+ 1 Year	- 1 Year
	£ 000	£ 000	£ 000	£ 000
decrease/(Increase) in present value of total obligation	265	(265)	290	(290)

The sensitivity analysis is based on financial assumptions reflecting market conditions as at 30 June 2021. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous periods.

KBS Final Salary Scheme

The Kier Business Services pension scheme is a funded defined benefit scheme. For this defined benefit scheme the future liabilities for benefits are provided for by the accumulation of assets held externally to the Company in separate, trustee-administered funds. The cost of this scheme is determined in accordance with the advice of independent, professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal business practice these valuations are undertaken on a triennial basis.

The scheme is closed to new entrants except for employees transferring to the Company under TUPE, where the Company is required to provide benefits which are broadly comparable to those provided under the Local Government Pension Scheme or another defined scheme provided by the transferring employer. The scheme was closed to future accrual of benefit on 31 December 2010 for all non-public sector members with these members being offered entry to Kier Business Services Limited's defined contribution schemes from 1 January 2011.

Contributions paid to the pension scheme during the year are £1,325,000 (2020 - £1,292,000).

The expected contributions to the plan for the next reporting period are £26,000.

The schemes most recent triennial actuarial valuation was as at 31 March 2019. At the valuation date the pension schemes assets were less than the technical provisions and therefore the scheme was in deficit.

13 Retirement benefit assets (continued)

The IAS 19 accounting valuation of the Kier Business Services Pension Scheme as at 30 June 2021 indicated that the schemes assets exceeded its liabilities. The Company has recognised the surplus as a retirement benefit pension asset on the balance sheet under IAS 19 and IFRIC 14, as the Company has determined that it has the right to benefit from any surplus, through either reduced contributions or a refund of the surplus on winding up of the scheme.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Statement of Financial Position are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	137,398	141,539
Present value of scheme liabilities	(130,285)	(133,232)
Defined benefit pension scheme surplus	7,113	8,307

Scheme assets

Changes in the fair value of the scheme assets are a follows:

	2021 £ 000	2020 £ 000
Fair value at start of period	141,539	133,805
Interest income	2,246	3,028
Return on plan assets, excluding amounts included in interest income/(expense)	(4,277)	9,529
Employer Contributions	1,324	1,292
Benefits paid	(3,434)	(6,115)
Fair value at end of year	137,398	141,539

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Equities	19,712	16,641
Corporate Bonds	21,652	30,320
Cash	23,662	21,944
Multi-asset	9,837	6,739
Absolute Return	6,741	6,504
Liability driven investment	55,794	59,391
	137,398	141,539

13 Retirement benefit assets (continued)

Actual return on scheme's assets

	2021 £ 000	2020 £ 000
Actual return on scheme assets	(2,031)	12,557

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2021 £ 000	2020 £ 000
Present value at start of period	133,232	117,358
Past service cost	29	-
Actuarial losses from change in financial assumptions	319	12,821
Actuarial (gains)/ losses due to changes in experience assumptions	(1,793)	1,023
Actuarial (gains)/losses arising from demographic adjustments	(171)	5,511
Net benefits paid out	(3,434)	(6,115)
Interest costs	2,103	2,634
Present value at end of year	130,285	133,232

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2021 %	2020 %
Discount Rate	1.90	1.60
Increase in Salaries	3.15	2.85
Pension increase in deferment	2.60	1.95
Increase in Consumer Price Index (CPI)	2.60	1.95
Increase in Retail Prices Index (RPI)	3.15	2.85

13 Retirement benefit assets (continued)

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	87.00	87.00
Current UK pensioners at retirement age - female	89.10	89.00
Future UK pensioners at retirement age - male	88.10	88.10
Future UK pensioners at retirement age - female	90.00	89.90

The above mortality assumptions are based on a retirement age of 60

Amounts recognised in the Income Statement

	2021 £ 000	2020 £ 000
Amounts recognised in operating profit		
Past service cost	(29)	-
Amounts recognised in finance income or costs		
Net interest	143	394
Total recognised in the Income Statement	114	394

Amounts taken to the Statement of Comprehensive Income

	2021 £ 000	2020 £ 000
Return on plan assets, excluding amounts included in interest income/(expense)	(4,277)	9,529
Actuarial gains and losses arising from changes in financial assumptions	(319)	(12,821)
Actuarial gains and losses arising from changes in demographic assumptions	171	(5,511)
Actuarial gains and losses arising from experience adjustments	1,793	(1,023)
Amounts recognised in the Statement of Comprehensive Income	(2,632)	(9,826)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2021		2020	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to discount rate	£ 000	£ 000	£ 000	£ 000
decrease/(increase) in present value of total obligation	5,700	(6,000)	5,900	(6,300)

13 Retirement benefit assets (continued)

	2021		2020	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to rate of inflation	**£ 000**	**£ 000**	**£ 000**	**£ 000**
(Increase)/decrease in present value of total obligation	(5,400)	4,300	(4,600)	4,600

	2021		2020	
Members assumed to be one year	**+ 1 Year**	**- 1 Year**	**+ 1 Year**	**- 1 Year**
older/younger in age	**£ 000**	**£ 000**	**£ 000**	**£ 000**
decrease/(increase) in present value of total obligation	5,000	(5,100)	5,200	(5,300)

14 Inventories

	2021 £ 000	2020 £ 000
Raw materials and consumables	3,950	3,415

The cost of inventories recognised as an expense in the year amounted to £2,728,197 (2020 - £5,059,134). This is included within cost of sales.

15 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	11,655	10,505
Provision for impairment of trade receivables	(1,919)	(2,132)
Net trade receivables	9,736	8,373
Receivables from related parties	986	1,465
Accrued income	976	639
Prepayments	501	1,921
Other receivables	601	-
	12,800	12,398
	12,800	12,398

The Company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

16 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Cash at bank	174,406	108,279

17 Trade and other payables

	2021	2020
Current	**£ 000**	**£ 000**
Trade payables	21,158	8,073
Accrued expenses	57,994	52,347
Amounts due to related parties	25,658	15,773
Social security and other taxes	47,375	21,805
Other payables	888	2,699
Total current trade and other payables	153,073	100,697

18 Loans and borrowings

	2021	2020
	£ 000	**£ 000**
Current loans and borrowings		
Bank borrowings	-	131

Bank borrowings

Barclays asset finance loan is denominated in sterling with a nominal interest rate of 3.31%, the final instalment was paid on 31 March 2021. The carrying amount at 30 June 2021 was £nil (2020 - £131,424).

19 Leases

Leases included in liabilities

	2021 £ 000	2020 £ 000
Current	3,835	3,972
Non-current	6,309	5,582
	10,144	9,554

Lease liabilities maturity analysis

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

	2021 £ 000	2020 £ 000
Less than one year	4,116	4,255
One to two years	2,325	2,676
Two to three years	1,742	1,662
Three to four years	1,146	993
Four to five years	544	488
Over five years	998	61
Total gross payments	10,871	10,135
Impact of finance expenses	(727)	(581)
Carrying amount of liability	10,144	9,554

Total cash outflows related to leases

	2021 £ 000	2020 £ 000
Payments	5,735	3,555
Interest	367	350
Total cash outflow	6,102	3,905

20 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Total £ 000
Carrying amount			
At 1 July 2019	3,931	4,359	8,290
Additions	241	4,783	5,024
Disposals	(199)	-	(199)
Depreciation charge for the year	(1,303)	(2,334)	(3,637)
At 30 June 2020	2,670	6,808	9,478
Additions	1,867	5,360	7,227
Disposals	(651)	(245)	(896)
Depreciation charge for the year	(1,183)	(4,581)	(5,764)
At 30 June 2021	2,703	7,342	10,045

21 Share-based payments

The Kier Group Saving Related Share Option Scheme ("Sharesave")

Scheme description

Participation in the Kier Group plc 2006 Sharescheme and/or Kier Group plc 2016 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 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 excercised by participants of the Sharesave schemes during the current or preceeding periods.

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)

21 Share-based payments (continued)

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

Scheme description

The Group has a Long Term Incentitive Plan (LTIP) in which senior employees of the Company participate Awards made under the LTIP scheme are normally able to vest following the third anniversery of the date of the grant. Vesting may be in full or in part (with the balance of the award lapsing) and is subject the the Group acheiving 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 is weighted average remaining contractual life of 2.0 years (2020 - 2.3 years)

The Kier Group 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 requirements 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 CSAP are all equity settled by the way of shares in Kier Group plc.

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

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

22 Called up share capital

The A and B shares have the same voting rights.

Allotted, called up and fully paid shares

	No.	2021 £ 000	No.	2020 £ 000
Ordinary A of £1 each	10,001	10	10,001	10
Ordinary B of £1 each	10,001	10	10,001	10
	20,002	20	20,002	20

23 Dividends

No dividend was paid in the year (2020:£8m) and the directors do not recommend payment of a final dividend in respect of the year (2020:nil)

24 Subsidiaries

The Company's wholly owned subsidiary as at 30 June 2021 was Kier Infrastructure Pty Ltd, a company registered in Western Australia, with its registered office at Level 28 Allendale Square, 77 St George Terrace, Perth, Western Australia 6000.

25 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is Kier Group plc. These financial statements are available upon request from Companies House, Crown Way, Cardiff and www.kier.co.uk.

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

The financial statements of Kier Group plc can be obtained from www.kier.co.uk.

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

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

The financial statements of Kier Limited are available from Companies House.