

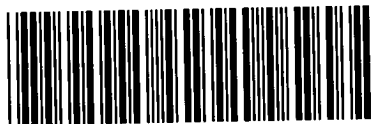
Registration number: 05887555

# Kier Finance & Treasury Holdings Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2019

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## **Kier Finance & Treasury Holdings Limited**

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## **Kier Finance & Treasury Holdings Limited**

### **Company Information**

**Directors** C Thomas

M Whittaker

**Company secretary** P Higgins

**Registered office** 81 Fountain Street  
Manchester  
M2 2EE

**Independent Auditors** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

**Kier Finance & Treasury Holdings Limited**  
**Strategic Report for the Year Ended 30 June 2019**

The directors present their strategic report for Kier Finance & Treasury Holdings Limited (the "Company") for the year ended 30 June 2019.

**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 principal activity of the Company is that of a holding company within the Kier Group. The Company does not trade.

The following transactions occurred within the company's subsidiaries during the year:

On 2 July 2018 the interest in The Unity Partnership Limited, held by MPHBS Limited, an indirect subsidiary of the Company, was sold.

On 21 December 2018 the interest in KHSA Limited, held by Kier Holdings Limited, an indirect subsidiary of the Company, was sold.

During the year there were no transactions for the Company. Therefore, the Company's financial position remained net liabilities of £24,050,000.

Given the nature of the business, the directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business.

**Corporate responsibility**

The Kier Group attaches great importance to its corporate responsibility, as evidenced in the Sustainability section in the Kier Group plc 2019 Annual Report and in its Corporate Responsibility update for 2019, available at [www.kier.co.uk](http://www.kier.co.uk). As a member of the Kier Group, the Company abides by the same principles.

**Principal risks and uncertainties**

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

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

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

## **Kier Finance & Treasury Holdings Limited**

### **Strategic Report for the Year Ended 30 June 2019 (continued)**

#### ***Safety, health and sustainability***

Principal risk: failure to maintain a safe and sustainable 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:***

- Continuation of the Kier Group's safety, health and environment ("SHE") behavioural change programme;
- Continued focus on the five basics of SHE risk management; and
- Setting a tone from the top through activities such as senior management visible leadership tours.

#### ***Regulation***

Principal risk: failure to manage increased scrutiny and oversight and/or comply with new regulations.

The sectors in which the Company operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements 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:***

- 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 funding or liquidity.

The Company requires access to Kier Group funding and associated facilities (for example, bonding lines) to be able to operate and conduct its business 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:***

- Effective cash forecasting and working capital management;
- Collaborative engagement with banks, lenders and sureties; and
- Dispose of non-core businesses to reduce net debt.

## **Kier Finance & Treasury Holdings Limited**

### **Strategic Report for the Year Ended 30 June 2019 (continued)**

#### ***Market and sector performance***

Principal risk: a general market or sector downturn affects the Company's performance.

The Company's performance is affected by macroeconomic factors which affect UK business in general and/or the markets in which the Company operates.

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:

- Evaluate markets, including the impact of macroeconomic factors and the associated market risk of specific events (for example, Brexit); and
- Review the Company's pipeline of future work to identify market trends and plan accordingly.

#### ***Operating model***

Principal risk: the Kier Group's Future Proofing Kier ("FPK") programme does not result in an efficient operating model.

The Company's future performance is in part dependent on the FPK programme delivering significant cost savings and an efficient operating model.

Potential impact:

- The Company does not meet its profit targets;
- The Company is unable to tender effectively for new business; and
- Decisions are not made efficiently and/or effectively.

Mitigating actions:

- Close project management of the FPK programme;
- Effectively communicate the benefits of the FPK programme to maintain its momentum; and
- Challenge the business to implement material, sustainable change.

#### ***Contract management***

Principal risk: ineffective contract management leads to losses.

Effective contract management is central to the Company's business model. Failure to manage the risks associated with the Company's contracts could materially and adversely affect the Company's financial performance.

Potential impact:

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

Mitigating actions:

- Identify early warnings of under-performing contracts;
- Adhere to the Kier Group's contract risk governance framework; and
- Timely and accurate reporting of contract performance.

## Kier Finance & Treasury Holdings Limited

### Strategic Report for the Year Ended 30 June 2019 (continued)

#### *Pre-contract governance*

Principal risk: inadequate pre-contract governance fails to identify contract risk.

Effective pre-contract governance is essential in ensuring that the Company understands the risks associated with its projects and puts in place appropriate mitigation plans.

#### Potential impact:

- Poorly performing contracts, leading to the Company incurring losses;
- The failure to meet a client's expectations on cost and quality; and
- Claims and litigation against the Company.

#### Mitigating actions:

- Careful selection of tender opportunities;
- Adhere to the Kier Group's contract risk governance framework; and
- Continued focus on supply chain procurement.

#### *Supply chain*

Principal risk: maintain effective working relationships with the 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 delivery and cost;
- Use of suppliers from outside the preferred supplier list increases cost and decreases quality; and
- Poor relationships lead to lack of confidence in the Company and adverse publicity.

#### Mitigating actions:

- 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.

#### *Brexit*

The UK left the EU on 31 January 2020, with a transition period currently running to 31 December 2020. Currently, the UK's long-term relationship with the EU remains unclear. The Group has identified potential risks relating to, for example, the supply chain, the workforce and the supply and cost of materials and has set up contingency plans in respect of these risks. The Group keeps these plans under review, in the light of political developments. In particular, the Group continues to work with its supply chain to develop plans to ensure continuity of potentially critical supplies and has developed plans with respect to those members of its workforce who are nationals of EU member states and wish to continue to work in the UK.

Approved by the Board on 28 September 2020 and signed on its behalf by:



C Thomas  
Director

## **Kier Finance & Treasury Holdings Limited**

### **Directors' Report for the Year Ended 30 June 2019**

The directors of Kier Finance & Treasury Holdings Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2019.

#### **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:

M Dale (appointed 9 January 2019 and resigned 27 May 2020)

A Gordon-Stewart (resigned 24 September 2018)

C Thomas (appointed 26 May 2020)

M Whittaker (appointed 26 May 2020)

#### **Dividends**

During the year no interim dividend was paid (2018: £25,778,568) to the holders of the Ordinary Shares of £0.01 each in the Company. The directors do not recommend payment of a final dividend in respect of the financial year ended 30 June 2019 (2018: £Nil).

#### **Financial instruments**

##### ***Objectives and policies***

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

##### **Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

##### **At amortised cost**

Financial liabilities at amortised cost relate to amounts owed to group undertakings and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

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

The Company is exposed to liquidity risk. The group finance department manages these risks within a defined set of policies and procedures laid down by the parent company board.

##### **Liquidity risk**

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

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

## Kier Finance & Treasury Holdings Limited

### Directors' Report for the Year Ended 30 June 2019 (continued)

#### Going concern

The Directors are required to consider the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

In the period after the balance sheet date and before the signing of these accounts, the Company's performance, along with the entire Kier Group's performance, was adversely affected by the effects of the COVID-19 pandemic. Although the Group's sites remained open through this period, with a number of decisive management actions taken to mitigate against the majority of the effect of the pandemic, COVID-19 has adversely affected the Group's revenue and resulted in it incurring additional costs. This has resulted in a lower level of profitability for the 2020 financial year and an increase in the Group's net debt position.

At 30 June 2020, the Group had £892m of unsecured committed facilities, £20m of uncommitted overdrafts and £125m drawn against uncommitted supply chain financing facilities. In order to provide financial flexibility for the Group following COVID-19, the Group:

- › Agreed waivers with its lenders in respect of the financial covenants within the Group's principal debt facilities for the test period ended 30 June 2020;
- › Has agreed revised financial covenants under its principal debt facilities which will apply for the going concern period;
- › Agreed with HMRC a deferral of the payment of certain amounts in respect of VAT and PAYE until March and June 2021, respectively; and
- › Has agreed with its pension trustees a material reduction in the scheme deficit repayments.

The current trading environment remains uncertain, principally due to the potential impact of COVID-19, which makes forecasting challenging.

The Directors of the Kier Group have reviewed the Group's short-term cash flow forecasts to 31 December 2021 (the going concern period), which have been prepared using certain key assumptions and include a number of stressed, but plausible, downside scenarios. These scenarios include a consideration of the risks which may arise to the Group's available liquidity and its ongoing compliance with the revised financial covenants within the Group's principal debt facilities as a result of or in light of the following factors or circumstances:

- › The availability of supply-chain finance;
- › Potential reductions in trading volumes;
- › Potential margin erosion;
- › Risks in respect of certain specific projects;
- › The Group's ability to conclude its cost reduction plan as forecast; and
- › The completion of the sale of Kier Living, following the delay in the sale process which was due, in particular, to COVID-19.

The impact that a second wave of COVID-19 would have on the Group's cashflows, using the financial impact of the initial outbreak as the basis of the assessment, was also considered.

The Kier Group Board also considered the macroeconomic and political risks affecting the UK economy, including Brexit. Brexit has the potential to disrupt the Group's operations, particularly in relation to materials, people and the supply-chain. The Group has established a 'Brexit task force' and has in place business continuity plans to mitigate the risks associated with Brexit. The Board noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements; and that the Group operates primarily in sectors such as health, education and utilities, which are considered likely to remain largely unaffected by macro-economic factors. In addition, significant cost reduction actions have already been taken to improve the Group's profitability.

The Board considered the Group's ability to manage its working capital, in order to mitigate the potential impact on the Group's liquidity over the forecast period, in particular at the lowest point under the downside scenarios in the Spring of 2021, in the event of circumstances described above taking place. This, together with the agreements with the lenders and the pension trustees, and the other measures which have been taken during the year mean that the Group would be expected to continue to have available liquidity headroom under its existing finance facilities and operate within the revised financial covenants over the going concern period.

## **Kier Finance & Treasury Holdings Limited**

### **Directors' Report for the Year Ended 30 June 2019 (continued)**

#### **Going concern (continued)**

The Group Directors have committed to support the Company over a period of at least 12 months from the signing of the financial statements.

On the basis of the financial support made available from the Group, and the Group's ability to provide this support, the Board is satisfied that the Company has sufficient financial resources to continue to operate for a period of at least 12 months and therefore, it has adopted the going concern basis in preparing the Company's 2019 financial statements.

#### **Directors' liability insurance**

The articles of association of the Company entitles 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**

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

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 28 September 2020 and signed on its behalf by:



C Thomas  
Director

## **Kier Finance & Treasury Holdings Limited**

### **Statement of Directors' Responsibilities**

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

## **Kier Finance & Treasury Holdings Limited**

### **Independent Auditors' Report to the Members of Kier Finance & Treasury Holdings Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Kier Finance & Treasury Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### **Independence**

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

##### **Conclusions relating to going concern**

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

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

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

##### **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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **Kier Finance & Treasury Holdings Limited**

### **Independent Auditors' Report to the Members of Kier Finance & Treasury Holdings Limited (continued)**

#### **Reporting on other information (continued)**

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

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

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

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 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 set out on page 9, 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

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

**Kier Finance & Treasury Holdings Limited**

**Independent Auditors' Report to the Members of Kier Finance & Treasury Holdings Limited (continued)**

**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

Date: *29 September 2020*

# Kier Finance & Treasury Holdings Limited

## Income Statement for the Year Ended 30 June 2019

	Note	2019 £ 000	2018 £ 000
Exceptional administrative expenses	4	-	(56,800)
Operating result/(loss)		-	(56,800)
Finance income	5	-	25,779
Result/(loss) before taxation		-	(31,021)
Result/(loss) for the financial year		-	(31,021)

The above results were derived from continuing operations.

**Kier Finance & Treasury Holdings Limited**

**Statement of Comprehensive Income for the Year Ended 30 June 2019**

	2019 £ 000	2018 £ 000
Result/(loss) for the financial year	-	(31,021)
Total comprehensive expense for the year	-	(31,021)


**Kier Finance & Treasury Holdings Limited**

**(Registration number: 05887555)**

**Statement of Financial Position as at 30 June 2019**

	Note	2019 £ 000	2018 £ 000
<b>Current liabilities</b>			
Trade and other payables	11	<u>(24,050)</u>	<u>(24,050)</u>
<b>Net liabilities</b>		<u><u>(24,050)</u></u>	<u><u>(24,050)</u></u>
<b>Equity</b>			
Share capital	12	307	307
Accumulated losses		<u>(24,357)</u>	<u>(24,357)</u>
<b>Total equity</b>		<u><u>(24,050)</u></u>	<u><u>(24,050)</u></u>

The financial statements on pages 13 to 24 were approved by the Board of Directors on 28 September 2020 and signed on its behalf by:

  
C. Thomas  
Director

# Kier Finance & Treasury Holdings Limited

## Statement of Changes in Equity for the Year Ended 30 June 2019

	Share capital £ 000	Revaluation reserve £ 000	(Accumulated losses) / retained earnings £ 000	Total equity £ 000
At 1 July 2017	307	27,743	4,700	32,750
Loss for the financial year	-	-	(31,021)	(31,021)
Total comprehensive expense for the year	-	-	(31,021)	(31,021)
Dividends	-	-	(25,779)	(25,779)
Investment impairment transferred to revaluation reserve	-	(27,743)	27,743	-
At 30 June 2018	307	-	(24,357)	(24,050)
	Share capital £ 000	Revaluation reserve £ 000	(Accumulated losses) / retained earnings £ 000	Total equity £ 000
At 1 July 2018	307	-	(24,357)	(24,050)
At 30 June 2019	307	-	(24,357)	(24,050)

The notes on pages 17 to 24 form an integral part of these financial statements.

## **Kier Finance & Treasury Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2019**

#### **1 General information**

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

The address of its registered office is:

81 Fountain Street

Manchester

M2 2EE

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

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

##### **Basis of preparation**

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

##### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the Company's ultimate parent company, Kier Group plc. The directors have received a letter from the directors of Kier Group plc, pledging support to allow the Company to meet its obligations.

Further details on the Company's going concern assessment are included in the Directors' Report on page 7.

##### **Exemption from preparing group financial statements**

The financial statements contain information about Kier Finance & Treasury Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Kier Group plc, a company incorporated in England and Wales.

## **Kier Finance & Treasury Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Summary of disclosure exemptions**

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

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

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

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

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

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

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

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

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

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

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

##### **Changes in accounting policy**

The following new standards, amendments to standards and interpretations are effective for the financial year ended 30 June 2019 onwards:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Amendments to IFRS 2 'Share-based Payments'
- Amendments to IFRS 4 'Insurance Contracts'
- Amendments to IAS 40 'Investment Property'
- Annual Improvements to 2014-2016 cycle
- IFRS 1 and IAS 28 amendments
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

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

##### **Tax**

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

## Kier Finance & Treasury Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

#### 2 Accounting policies (continued)

##### Investments

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

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

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

##### Trade payables

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

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

##### Share capital

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

##### Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

#### 3 Critical accounting judgements and key sources of estimation uncertainty

The directors believe there are no critical judgements or key sources of estimation uncertainty involved in the preparation of financial information.

#### 4 Exceptional administrative expenses

	2019 £ 000	2018 £ 000
Investments impairment	-	56,800

During the year the Company impaired its investment in Kier Finance Limited by £Nil (2018: £56,800,000).

#### 5 Finance income

	2019 £ 000	2018 £ 000
Dividend income	-	25,779

## Kier Finance & Treasury Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

#### 6 Staff costs

The Company has no employees (2018: None).

#### 7 Directors' remuneration

The directors did not receive any emoluments in respect of services to the Company (2018: £Nil) and are remunerated by other Group companies.

#### 8 Auditors' remuneration

Audit fees of £1,200 (2018: £1,200) were borne by another Group company, Kier Business Services Limited, and have not been recharged.

#### 9 Income tax

There is no tax charge for the current or prior year.

The tax on profit/(loss) before tax for the year is the same as the standard rate of corporation tax in the UK, (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	-	(31,021)
Corporation tax at standard rate	-	(5,894)
Increase from effect of expenses not deductible in determining taxable profit / tax loss	-	10,792
Decrease from effect dividends from UK companies	-	(4,898)
Total tax charge/(credit)	-	-

## Kier Finance & Treasury Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

#### 10 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 July 2018	521,195
At 30 June 2019	521,195
<b>Provision</b>	
At 1 July 2018	521,195
At 30 June 2019	521,195
<b>Carrying amount</b>	
At 30 June 2019	-
At 30 June 2018	-

Details of the subsidiaries as at 30 June 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Kier Business Services Limited	Design and business services	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Kier Education Investments Limited	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Kier Education Services Limited	Program management, FM and construction management	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Kier Ewan Limited	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Kier Finance Limited*	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Kier Holdings Limited	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%

## Kier Finance & Treasury Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

#### 10 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Kier Management Consulting Limited	Design and business services	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Kier Parkman Ewan Associates Limited	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Kier Rail Limited	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Kier Rail No.2 Limited (in liquidation)	Dormant	1 More London Place, London, SE1 2AF England and Wales	84.2%	84.2%
Kier Rail No.3 Limited (in liquidation)	Dormant	1 More London Place, London, SE1 2AF England and Wales	84.2%	84.2%
Kier Traffic Support Limited	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
MPHBS Limited	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Parkman Consultants Limited	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	84.2%	84.2%
Parkman Kenya Limited	Dormant	5th Floor, Agip House, P.O. Box 41425, Nairobi Kenya	84.2%	84.2%
Parkman Nigeria Limited	Dormant	9, N/Azikiwe St., Lagos Nigeria	84.2%	84.2%
The Impact Partnership (Rochdale Borough) Limited	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	68.2%	68.2%

\* indicates direct investment of the Company

## Kier Finance & Treasury Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

#### 10 Investments (continued)

**Notes:**

The proportion of ownership interest and voting rights held shown above relates solely to Kier Finance & Treasury Holdings Limited as a single entity. Some of the entities listed are wholly owned by Kier Group plc by virtue of the remaining ownership interest and voting rights being held by other Kier Group companies. For details of Kier Group plc's overall interest in these companies please refer to the Kier Group plc annual report for the year ended 30 June 2019 which is available from Companies House and at [www.kier.co.uk](http://www.kier.co.uk).

#### 11 Trade and other payables

	2019	2018
	£ 000	£ 000
Current		
Amounts due to related parties	<u>24,050</u>	<u>24,050</u>

Amounts due to related parties are unsecured, interest free and repayable on demand.

#### 12 Share capital

##### Allotted, called up and fully paid shares

	No.	2019 £ 000	No.	2018 £ 000
Ordinary Share Capital of £0.01 each	<u>30,745,828</u>	<u>307</u>	<u>30,745,828</u>	<u>307</u>

#### 13 Dividends

During the year no interim dividend was paid (2018: £25,778,568) to the holders of the Ordinary Shares of £0.01 each in the Company. The directors do not recommend payment of a final dividend in respect of the financial year ended 30 June 2019 (2018: £Nil).

#### 14 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is Kier Group plc.

These financial statements are available upon request from Companies House and at [www.kier.co.uk](http://www.kier.co.uk).

#### 15 Parent and ultimate parent undertaking

The Company's immediate parent is MRBL Limited.

The ultimate parent is Kier Group plc.

The most senior parent entity producing publicly available financial statements is Kier Group plc. These financial statements are available upon request from Companies House and at [www.kier.co.uk](http://www.kier.co.uk).

The ultimate controlling party is Kier Group plc.

## **Kier Finance & Treasury Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)**

#### **15 Parent and ultimate parent undertaking (continued)**

##### **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:

81 Fountain Street  
Manchester  
M2 2EE

More information about Kier Group plc can be found at [www.kier.co.uk](http://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:

81 Fountain Street  
Manchester  
M2 2EE

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

#### **16 Impact of COVID-19 on the Financial Statements**

Subsequent to the 30 June 2019 balance sheet date, the world has been impacted by a global pandemic.

This pandemic has had a significant impact on the Kier Group, both operationally and financially. Decisive management actions led to Kier implementing the following self-help measures:

- › Temporarily closed all sites to ensure that we could operate safely. Through the application of Site Operating Procedures issued by the Construction Leadership Council we were able to keep about 80% of our sites open throughout the period. Currently all sites are now open.
- › Asked c.6,500 employees to take a temporary pay reduction for the three months to 30 June 2020. These reductions depended on seniority and ranged between 7.5% to 25%.
- › The Group furloughed c.2,000 employees through the period. As at 31 July 2020 there were none left on furlough.
- › The Group also deferred various taxation payments during the period as allowed by the Government.
- › All discretionary spend including capital expenditure was reduced to a minimum.
- › The closure of the former headquarters at Tempsford Hall in Bedfordshire was brought forward to 30 April 2020 from the previously announced date of 30 June 2020.
- › Through strong relationships with the members of our banking syndicate and other debt providers they all agreed waivers to the Group's financial covenants for the year ended 30 June 2020.
- › Paused reducing utilisation of the Kier Early Payment Scheme ('KEPS').

The impact of COVID-19 was subsequent to the balance sheet date and has had no impact on the results of the Company for the year ended 30 June 2019. Consideration as to the impact on the Company's going concern assumption has been given on page 7.

The Company anticipates that Kier Group plc will be able to provide financial support, if required, to enable the Company to meet its liabilities and obligations as and when they fall due, for a period of at least 12 months from the date of signing the financial statements.