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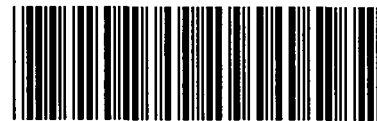
**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2016**

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**COMPANY INFORMATION**

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<b>Directors</b>	K C Jackson J M Williams
<b>Company secretary</b>	B Melges
<b>Registered number</b>	05887559
<b>Registered office</b>	Tempsford Hall Sandy Bedfordshire SG19 2BD
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 JUNE 2016**

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**Introduction**

The directors of Kier Holdings Limited (formerly Mouchel Holdings Limited) (the "Company") present their report on the Company for the year ended 30 June 2016.

On 1 November 2016 the Company changed its name from Mouchel Holdings Limited to Kier Holdings Limited.

In the prior period, the Company changed its accounting reference date to 30 June; accordingly, the comparatives are for the nine month period ended 30 June 2015.

**Principal activities and business review**

The principal activity of the Company is that of a holding company within the Kier Group plc group of companies (the "Group" and the "Kier Group"). The Company does not trade but continues to receive and pay interest on intercompany borrowings.

During the year, the Company incurred exceptional costs of £14,395,000 in relation to impairments of its investments in Kier Business Services Limited and Kier Management Consulting Limited (formerly Mouchel Management Consulting Limited).

**Principal risks and uncertainties**

The principal risks and uncertainties of the Company, including financial risk and management, are integrated with the principal risks of the Kier Group, Kier Group plc being the Company's ultimate parent company, and are not managed separately. Accordingly the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 27 to 31 of Kier Group plc's annual report for the year ended 30 June 2016.


**Financial key performance indicators**

Given the nature of the Company's activities, 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.

This report was approved by the Board of Directors on  
by:

15/12/16

and signed on its behalf



**J M Williams**  
Director

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## KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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The directors present their report and the financial statements for the year ended 30 June 2016.

#### Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### Results and dividends

The loss for the financial year/period amounted to £15,428,000 (2015: loss £845,000).

During the year, the Company incurred exceptional costs of £14,395,000 in relation to impairments of its investments in Kier Business Services Limited and Kier Management Consulting Limited.

The directors do not recommend the payment of a dividend for the year (2015: £nil).

#### Directors

The directors who served during the year and up to the date of signing the financial statements were:

C S Apsey (resigned 31 May 2016)  
K C Jackson  
D R Virden (resigned 5 April 2016)  
J M Williams (appointed 28 November 2016)

#### Future developments

It is expected that the Company will continue to be a holding company within the Kier Group and receive and pay interest on the inter-company borrowings.

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## KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

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#### Qualifying third party indemnity provisions

Kier Group plc has provided cover for its directors and officers and those of the Company under a directors' and officers' liability insurance policy which included a qualifying third party indemnity provision as permitted by section 234 of the Companies Act 2006. This cover was in place during the financial year and up to the date of signing the accounts.

#### Going concern

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

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

#### Financial risk management

The Company's financial risk management policies can be found in note 2.13 of the notes to the financial statements.

#### Post balance sheet events

On 12 October 2016 100% of the share capital of Mouchel Limited was acquired by WSP European Holdings Limited, a wholly owned subsidiary of WSP Global Inc. for a total consideration of £75m.

Prior to the sale, several reorganisational steps within the Kier Group took place, these included the transfers out of Mouchel Limited of the Defined Benefit pension schemes liabilities and the investment held in Kier Highways Limited to Kier Limited, at values of £50,300,000 and £25,331,000 respectively.

Mouchel Limited's investment in Kier Highways Limited was transferred at book value, which was considered to be significantly less than its fair value. As a consequence of this, Kier Holdings Limited's investment in Mouchel Limited is expected to be impaired to a carrying value consistent with the consideration received from WSP European Holdings Limited (see note 15).

#### 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.

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2016**

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This report was approved by the Board of Directors on  
and signed on its behalf by:

15/12/16



**J M Williams**  
Director

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## KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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#### Report on the financial statements

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##### Our opinion

In our opinion, Kier Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its loss for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006
- 

##### What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 30 June 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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#### Opinions on matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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##### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



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KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIER HOLDINGS LIMITED (FORMERLY  
MOUCHEL HOLDINGS LIMITED)

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**Responsibilities for the financial statements and the audit**

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**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

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**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Diane Walmsley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

Date: 16 December 2016

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016**

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	Note	Year ended 30 June 2016 £000	9 months ended 30 June 2015 £000
Administrative items		220	-
Exceptional administrative expenses	5	(14,395)	-
<b>Operating loss</b>	4	<b>(14,175)</b>	-
Income from shares in group undertakings		200	50
Other interest receivable and similar income	7	2,489	2,073
Interest payable and similar charges	8	(4,298)	(3,202)
<b>Loss on ordinary activities before taxation</b>		<b>(15,784)</b>	<b>(1,079)</b>
Tax on loss on ordinary activities	9	356	234
<b>Loss for the financial year/period</b>		<b>(15,428)</b>	<b>(845)</b>
<b>Total comprehensive loss for the year/period</b>		<b>(15,428)</b>	<b>(845)</b>

All amounts relate to continuing operations.

There was no other comprehensive income for 2016 or 2015 other than those included in the statement of comprehensive income.

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the financial year/period stated above and their historical cost equivalents.

The notes on pages 12 to 28 form part of these financial statements.

**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**  
**REGISTERED NUMBER: 05887559**

**BALANCE SHEET**  
**AS AT 30 JUNE 2016**

			2016	Restated (1)
	Note	£000	£000	2015 £000
<b>Fixed assets</b>				
Investments	10		380,510	389,905
<b>Current assets</b>				
Debtors	11	211,377		45,969
		<u>211,377</u>		<u>45,969</u>
Creditors: amounts falling due within one year	12	(195,715)		(123,801)
		<u>(195,715)</u>		<u>(123,801)</u>
<b>Net current assets/(liabilities)</b>			15,662	(77,832)
<b>Total assets less current liabilities</b>			<u>396,172</u>	<u>312,073</u>
Creditors: amounts falling due after more than one year	13		(141,195)	(41,668)
			<u>(141,195)</u>	<u>(41,668)</u>
<b>Net assets</b>			<u>254,977</u>	<u>270,405</u>
<b>Capital and reserves</b>				
Called up share capital	14		2,969	2,969
Share premium account			467,616	467,616
Revaluation reserve			256,077	270,472
Profit and loss account			(471,685)	(470,652)
<b>Total shareholders' funds</b>			<u>254,977</u>	<u>270,405</u>

The financial statements on pages 8 to 28 were approved by the Board of Directors on and signed on its behalf by:

15/12/16

**J M Williams**  
 Director

The notes on pages 12 to 28 form part of these financial statements.

(1) See note 2.1 and note 18 for details on restatements.

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016**

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	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Restated Total shareholders' funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 July 2015	2,969	467,616	270,472	(470,652)	270,405
<b>Comprehensive loss for the year</b>					
Loss for the financial year	-	-	-	(15,428)	(15,428)
Investment impairment transferred to revaluation reserve	-	-	(14,395)	14,395	-
<b>At 30 June 2016</b>	<b>2,969</b>	<b>467,616</b>	<b>256,077</b>	<b>(471,685)</b>	<b>254,977</b>

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016 (COMPARATIVE PERIOD)**

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	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Restated Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 October 2014	2,969	467,616	270,472	(469,807)	271,250
<b>Comprehensive loss for the period</b>					
Loss for the financial period	-	-	-	(845)	(845)
Investment impairment transferred to revaluation reserve	-	-	-	-	-
<b>At 30 June 2015</b>	<b>2,969</b>	<b>467,616</b>	<b>270,472</b>	<b>(470,652)</b>	<b>270,405</b>

The notes on pages 12 to 28 form part of these financial statements.

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## KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 1. General information

Kier Holdings Limited is a limited liability company incorporated and domiciled in England and Wales. The registered office is Tempsford Hall, Sandy, Bedfordshire, SG19 2BD. The principal activity of the Company is that of a holding company within the Kier Group.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements of Kier Holdings Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101) and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

Information on the impact of first-time adoption of FRS 101 is given in note 18.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

##### *Restatement of prior year balance sheets*

The restatement of prior year balance sheets relates to both the transition to FRS 101 (see note 18) and outstanding tax liabilities discussed below.

Following an HMRC settlement of the tax treatment relating to an intercompany convertible loan notes (ICLN) and discounted convertible loan notes (DCLN), it was considered more appropriate to disclose the tax liability in the Company, rather than at Group level where the liability was previously held. As a result of this, a tax liability of £6,515,000 (2015: £8,765,000) was recognised, together with additional intercompany liabilities of £3,942,000 (2015: £1,692,000) relating to payments borne by Mouchel Limited. An accrual of £6,638,000 (2015: £6,368,000) relating to ICLN loan interest accounted for by the Company in previous years was also reversed.

##### **First time application of FRS 100 and FRS 101**

In the current year the Company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in the note 18.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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**2. Accounting policies (continued)**

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

**2.3 Going concern**

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

**2.4 Consolidation**

The Company is a wholly owned subsidiary of MRBL Limited and of its ultimate parent, Kier Group plc. It is included in the consolidated financial statements of Kier Group plc which are publically available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

**2.5 Investments**

Investments held as fixed assets are held at deemed cost less provision for impairment. Investments are tested for impairment where a triggering event is identified.

The reversal of an impairment loss is recognised immediately in the income statement to the extent that the original impairment loss was recognised in the income statement.

**2.6 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.7 Financial instruments**

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:

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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**2. Accounting policies (continued)**

**2.7 Financial instruments (continued)**

**Financial assets**

The Company classifies all of its financial assets as loans and receivables.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They relate to amounts owed by group undertakings. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

**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 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.

**2.8 Creditors**

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.9 Income from shares in group undertakings**

Income from shares in group undertakings relates to dividend income, which is recognised when the right to receive payment is established.

**2.10 Interest payable and similar charges**

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.11 Interest receivable and similar income**

Interest income is recognised in the Income statement using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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2. Accounting policies (continued)

2.12 Deferred and current taxation

Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.13 Financial risk management

The Company is exposed to risks arising from variations in interest rates, credit and liquidity. The group finance department manages these risks within a defined set of policies and procedures laid down by the parent company board.

Interest rate risk

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

Credit risk

Those risks relating to credit are relatively low as they are all due from other group companies, all of whom are owned 100% by the ultimate parent company.

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.

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KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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2. Accounting policies (continued)

2.14 Exceptional items

Certain items are presented separately in the income statement as non-underlying items where, in the judgement of the directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Company's underlying business performance.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Carrying value of investments

Investments held as fixed assets are held at deemed cost less impairment. At the end of each accounting period, investments are reviewed by assessing the present value of the future cash flows generated from investments held. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(b) Impairment of receivables

The Company makes an estimate of the recoverable value of receivables. When assessing impairment of receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 11 for the net carrying amount of the receivables.

4. Operating loss

Audit fees of £1,200 (2015: £1,200) were borne by another group company, Mouchel Limited, and have not been recharged.

5. Exceptional administrative expenses

	Year ended 30 June 2016 £000	9 months ended 30 June 2015 £000
Impairment of investments	14,395	-

During the year, the Company incurred exceptional costs of £14,395,000 in relation to impairments of its investments in Kier Business Services Limited and Kier Management Consulting Limited.

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**6. Employees and directors**

The Company had no employees during the year/period (2015: none).

The directors did not receive any emoluments in respect of services to the Company (2015: £nil) and they are remunerated by other Group companies.

**7. Other interest receivable and similar income**

	Year ended 30 June 2016 £000	9 months ended 30 June 2015 £000
Interest receivable from group companies	2,489	2,073

**8. Interest payable and similar charges**

	Year ended 30 June 2016 £000	9 months ended 30 June 2015 £000
Interest payable on amounts owed to group undertakings	11	8
Interest payable on intercompany loan notes	4,287	3,194
	<u>4,298</u>	<u>3,202</u>

**9. Tax on loss on ordinary activities**

	Year ended 30 June 2016 £000	9 months ended 30 June 2015 £000
<b>Corporation tax</b>		
Current tax credit on loss for the year/period	(356)	(234)

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KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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9. Tax on loss on ordinary activities (continued)

**Factors affecting tax credit for the year/period**

The tax credit assessed for the year/period is lower than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.67%). The differences are explained below:

	Year ended 30 June 2016 £000	9 months ended 30 June 2015 £000
Loss on ordinary activities before taxation	(15,784)	(1,079)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.67%)	(3,157)	(223)
Effects of:		
Non-tax deductible impairment	2,879	-
Expenses not deductible for tax purposes	(38)	-
Income from shares in subsidiaries	(40)	(11)
<b>Total tax credit for the year/period</b>	<b>(356)</b>	<b>(234)</b>

**Factors that may affect future tax charges**

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

**Deferred tax**

No deferred tax asset has been recognised on £9,505,000 (2015: £7,754,000) of tax losses, which are considered to be irrecoverable in the foreseeable future.

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KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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FOR THE YEAR ENDED 30 JUNE 2016

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10. Investments

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 July 2015	750,925
Additions	5,000
At 30 June 2016	755,925
<b>Accumulated impairment</b>	
At 1 July 2015	361,020
Charge for the year	14,395
At 30 June 2016	375,415
<b>Net book value</b>	
At 30 June 2016	380,510
At 30 June 2015	389,905

On adoption of FRS 101, the Company has elected to revalue its investments held in subsidiary companies at the transition date based on fair value. For further details, see note 18 'First time adoption of FRS 101'. For subsequent periods, investments held in subsidiary companies are held at deemed cost and reviewed for impairment at the end of each period. During the year, the Company impaired its investments in Kier Business Services Limited and Kier Management Consulting Limited (formerly Mouchel Management Consulting Limited) by £14,395,000. No impairment has been recognised in the previous period since date of transition.

During the year, the Company increased its investment in Mouchel Limited by £5,000,000. On 12 October 2016, 100% of the share capital of Mouchel Limited, a wholly owned subsidiary of the Company, was acquired by WSP European Holdings Limited, a wholly owned subsidiary of WSP Global Inc. Prior to the sale, on the 10 October 2016, the Company transferred its investment in Mouchel Ireland Limited to Mouchel Limited for £nil consideration. The net book value of the investment at the date was £nil, giving no profit or loss on disposal.

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KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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10. Investments (continued)

**Subsidiary undertakings**

The following are subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Mouchel Limited	England and Wales	Ordinary	100 %	Professional and technical services
Mouchel Ireland Limited	Republic of Ireland	Ordinary	100 %	Consulting engineering and support services
Kier Rail Limited (formerly Mouchel Rail Limited)	England and Wales	Ordinary	100 %	Dormant
Mouchel International (Jersey) Limited	Jersey	Ordinary	100 %	Consulting engineering and support services
Kier Ewan Limited (formerly Mouchel Ewan Limited)	England and Wales	Ordinary	100 %	Dormant
Parkman Consultants Limited	England and Wales	Ordinary	100 %	Dormant
Kier Traffic Support Limited (formerly Mouchel Traffic Support Limited)	England and Wales	Ordinary	100 %	Dormant
Kier Gas 302 Limited (formerly Mouchel Gas 302 Limited)	England and Wales	Ordinary	100 %	Dormant
Atkins Odlin Consulting Engineers Limited	England and Wales	Ordinary	100 %	Dormant
Kier Business Services Limited	England and Wales	Ordinary	100 %	Management consultancy and business support services
Kier Management Consulting Limited (formerly Mouchel Management Consulting Limited)	England and Wales	Ordinary	100 %	Management consultancy and business support services

Mouchel Ireland Limited's registered office is Mona Villa, Lower Commons Road, Brownsbarn, Dublin 22. Mouchel International (Jersey) Limited's registered office is 13 Castle Street, St Helier, Jersey, JE4 5UT. The remaining subsidiaries' registered office is Tempsford Hall, Sandy, Bedfordshire, SG19 2BD.

The directors believe that the book value of investments is supported by their underlying net assets or the net present value of future cash flows.

The Company is party to 50:50 joint ventures with Babcock Support Services Limited in Mouchel Babcock Education Investments Limited (50%) and Mouchel Babcock Education Services Limited (50%). Both companies are incorporated in England and Wales. The results of the joint ventures are not contained in the financial statements of Kier Holdings Limited but are included in the consolidated group results.

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KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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11. Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	211,241	44,101
Amounts owed by undertakings in which the Company has a participating interest	136	136
Other debtors	-	1,732
	<u>211,377</u>	<u>45,969</u>

Amounts owed by Group undertakings are net of a £29,578,000 (2015: £29,578,000) provision against potential non-payment by fellow group subsidiaries relating to balances held in the Middle East.

Included within amounts owed by Group undertakings are interest bearing loans of £125,389,000 (2015: £46,161,000). £78,600,000 relates to an intercompany loan originally owed to Mouchel Limited that was transferred to the Company. Interest is receivable at rates between 4.0% to 6.0% per annum. Also included within amounts owed by group undertakings are non-interest bearing loans of £22,676,000 (2015: £15,318,000). All loans are unsecured and repayable on demand. The remaining amounts owed by group undertakings are interest free, unsecured and repayable on demand.

12. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	189,200	121,513
Corporation tax	6,515	2,288
	<u>195,715</u>	<u>123,801</u>

Included within amounts owed to Group undertakings are interest bearing loans of £85,238,000 (2015: £36,012,000). £49,226,000 relates to intercompany loans originally provided by Mouchel Limited that were transferred to the Company. Interest is charged at rates between 4.0% to 6.0% per annum. Also included within amounts owed to group undertakings are non-interest bearing loans of £5,871,000 (2015: £nil). All loans are unsecured and repayable on demand. All other amounts are unsecured, repayable on demand and non-interest bearing.

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KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

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NOTES TO THE FINANCIAL STATEMENTS  
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13. Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Amounts owed to group undertakings	141,195	35,153
Corporation tax	-	6,515
	<u>141,195</u>	<u>41,668</u>

Included in amounts owed to Group undertakings are the following loans: £35,153,000 (2015: £35,153,000) bearing interest at 6% per annum and repayable on 31 July 2036; £11,000,000 (2015: £nil) bearing interest at 6% per annum and repayable on 31 July 2036; £95,042,000 (2015: £nil) bearing interest at 4% and repayable on 30 June 2020. Both the £11,000,000 and £95,042,000 were originally provided by Mouchel Limited and were transferred to the Company. The loans are unsecured.



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14. Called up share capital

	2016 £000	2015 £000
<b>Shares classified as equity</b>		
<b>Authorised</b>		
106,500,000 (2015: 106,500,000) Ordinary shares of £1 each	106,500	106,500
350,000,000 (2015: 350,000,000) Irredeemable preference shares of £0.01 each	3,500	3,500
45,000,000 (2015: 45,000,000) B Irredeemable preference shares of £0.01 each	450	450
	<u>110,450</u>	<u>110,450</u>
<b>Allotted, called up and fully paid</b>		
2,935,304 (2015: 2,935,304) Ordinary shares of £1 each	2,935	2,935
3,398,569 (2015: 3,398,569) Irredeemable preference shares of £0.01 each	34	34
	<u>2,969</u>	<u>2,969</u>

15. Post balance sheet events

On 12 October 2016 100% of the share capital of Mouchel Limited was acquired by WSP European Holdings Limited, a wholly owned subsidiary of WSP Global Inc. for a total consideration of £75m.

Prior to the sale, several reorganisational steps within the Kier Group took place, these included the transfers out of Mouchel Limited of the Defined Benefit pension schemes liabilities and the investment held in Kier Highways Limited to Kier Limited, at values of £50,300,000 and £25,331,000 respectively.

Mouchel Limited's investment in Kier Highways Limited was transferred at book value, which was considered to be significantly less than its fair value. As a consequence of this, Kier Holdings Limited's investment in Mouchel Limited is expected to be impaired to a carrying value consistent with the consideration received from WSP European Holdings Limited.

16. Controlling party

The immediate parent company is Kier Finance Limited (formerly Mouchel Finance Limited).

The ultimate parent company and controlling party and the parent of the smallest and largest group for which consolidated financial statements are prepared of which the Company is a member is Kier Group plc, a company incorporated in England and Wales. Copies of the Kier Group plc's financial statements have been filed with Companies House, Crown Way, Cardiff where they are available to the public.

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**17. Related undertakings**

The following were related undertakings of the Company as at 30 June 2016:

**Direct related undertakings**

<b>Name</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Atkins Odlin Consulting Engineers Limited	England and Wales	Ordinary	100 %	Dormant
Kier Business Services Limited	England and Wales	Ordinary	100 %	Management consultancy and business support services
Kier Ewan Limited	England and Wales	Ordinary	100 %	Dormant
Kier Gas 302 Limited	England and Wales	Ordinary	100 %	Dormant
Mouchel International (Jersey) Limited	Jersey	Ordinary	100 %	Consulting engineering and support services
Mouchel Ireland Limited	Republic of Ireland	Ordinary	100 %	Consulting engineering and support services
Mouchel Limited	England and Wales	Ordinary	100 %	Professional and technical services
Kier Management Consulting Limited	England and Wales	Ordinary	100 %	Business and technical consultancy
Kier Rail Limited	England and Wales	Ordinary	100 %	Dormant
Kier Traffic Support Limited	England and Wales	Ordinary	100 %	Dormant
Parkman Consultants Limited	England and Wales	Ordinary	100 %	Dormant
Mouchel Babcock Education Investments Limited	England and Wales	Ordinary	50 %	Holding company
Mouchel Babcock Education Services Limited	England and Wales	Ordinary	50 %	Professional services
MPHBS Limited	England and Wales	Ordinary	100 %	Dormant

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17.. Related undertakings (continued)**

**Indirect related undertakings**

<b>Name</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
2020 Liverpool Limited	England and Wales	Ordinary	100 %	Other engineering activities
Gas 300 Limited	England and Wales	Ordinary	100 %	Dormant
Genica Limited	England and Wales	Ordinary	100 %	Non-trading
HBS Facilities Management Limited	England and Wales	Ordinary	100 %	Dormant
Hedra Group Limited	England and Wales	Ordinary	100 %	Dormant
Hedra Scotland Limited	Scotland	Ordinary	100 %	Dormant
Instal Consultants MP Limited	England and Wales	Ordinary	100 %	Dormant
Kier Highways Limited	England and Wales	Ordinary	100 %	Construction of roads and motorways
Mouchel Engineering Consultants Private Limited	England and Wales	Ordinary	100 %	Dormant
Kier Gas 301 Limited	England and Wales	Ordinary	100 %	Dormant
Mouchel Middle East Limited	Hong Kong	Ordinary	100 %	Holding Company
Kier Parkman Ewan Associates Limited	England and Wales	Ordinary	100 %	Dormant
Kier Parkman Ewan Services Limited	England and Wales	Ordinary	100 %	Dormant
Kier Parkman ServiRail Construction Projects Limited	England and Wales	Ordinary	100 %	Dormant
Mouchel Pty Limited	Australia	Ordinary	100 %	Non-trading
Kier Rail No. 2 Limited	England and Wales	Ordinary	100 %	Dormant
Kier Rail No. 3 Limited	England and Wales	Company limited by guarantee	100 %	Dormant
Parkman Botswana (Proprietary) Limited	Botswana	Ordinary	99 %	Dormant
Parkman Kenya Limited	Kenya	Ordinary	100 %	Dormant
Parkman Nigeria Ltd	Nigeria	Ordinary	100-%	Dormant
Traffic Support EBT Limited	England and Wales	Ordinary	100 %	Dormant

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<b>17..</b>	<b>Related undertakings (continued)</b>			
	2020 Knowsley Limited	England and Wales	Ordinary	80.1 % Non-trading
	DownerMouchel Services Pty Ltd	Australia	Ordinary	50 % Provision of asset management solutions
	Hackney Schools for the Future Limited	England and Wales	Ordinary	40 % Professional services
	Hackney Schools for the Future 2 Limited	England and Wales	Ordinary	4 % Professional services
	Mouchel IRE Limited	Ukraine	Ordinary	50 % Dormant
	Network Information Services Limited	England and Wales	Ordinary	50 % Information technology services
	The Impact Partnership (Rochdale Borough) Limited	England and Wales	Ordinary	80.1 % Non-trading
	The Unity Partnership Limited	England and Wales	Ordinary	66.7 % Professional services
	VinciMouchel Limited	England and Wales	Ordinary	50 % Construction services
	Amey Mouchel	Unincorp		25 % Professional and technical services
	KMI+	Unincorp		7.5 % Professional and technical services
	Mouchel Atkins	Unincorp		50 % Professional and technical services
	Mouchel Fairhurst	Unincorp		50 % Professional and technical services
	Peek Mouchel	Unincorp		50 % Professional and technical services
	Scotland Transerve	Unincorp		30 % Professional and technical services
	Westminster Transerve	Unincorp		20 % Professional and technical services

Note: the investments in Mouchel Limited, Mouchel Engineering Consultants Private Limited, Mouchel IRE Limited, Mouchel Ireland Limited, Mouchel Middle East Limited, Network Information Services Limited, Amey Mouchel, KMI+, Mouchel Atkins, Mouchel Fairhurst, Peek Mouchel, Scotland Transerve and Westminster Transerve were disposed of in October 2016.

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**18. First time adoption of FRS 101**

		(Restated see note 2.1) 1 October 2014 £000	Effect of transition 1 October 2014 £000	FRS 101 (as restated) 1 October 2014 £000	(Restated see note 2.1) 30 June 2015 £000	Effect of transition 30 June 2015 £000	FRS 101 (as restated) 30 June 2015 £000
	Note						
Fixed assets	1	119,433	270,472	389,905	119,433	270,472	389,905
Current assets		48,100	-	48,100	45,969	-	45,969
Creditors: amounts falling due within one year		(122,836)	-	(122,836)	(123,801)	-	(123,801)
<b>Net current liabilities</b>		(74,736)	-	(74,736)	(77,832)	-	(77,832)
<b>Total assets less current liabilities</b>		44,697	270,472	315,169	41,601	270,472	312,073
Creditors: amounts falling due after more than one year		(43,918)	-	(43,918)	(41,668)	-	(41,668)
<b>Net assets</b>		779	270,472	271,251	(67)	270,472	270,405
Capital and reserves	1	779	270,472	271,251	(67)	270,472	270,405

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**KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)**

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FOR THE YEAR ENDED 30 JUNE 2016**

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**18. First time adoption of FRS 101 (continued)**

	As previously stated 30 June 2015 £000	Effect of transition 30 June 2015 £000	FRS 101 (as restated) 30 June 2015 £000
Note			
	-	-	-
<b>Operating profit</b>	-	-	-
Income from shares in group undertakings	50	-	50
Interest receivable and similar income	2,073	-	2,073
Interest payable and similar charges	(3,202)	-	(3,202)
Taxation	234	-	234
<b>Loss on ordinary activities after taxation and for the financial period</b>	<b>(845)</b>	<b>-</b>	<b>(845)</b>

Explanation of changes to previously reported profit and equity:

- Under previous UK GAAP, investments in subsidiaries are accounted for at cost less impairment. On adoption of FRS 101, the Company has elected to revalue its investments held in subsidiary companies at the transition date based on fair value. For subsequent periods, investments held in subsidiary companies are held at deemed cost and reviewed for impairment at the end of each period.

On transition to FRS 101, the fair value of Kier Holdings Limited's investments in subsidiaries exceeded the cost by £270,472,000, this was taken to the revaluation reserve.