

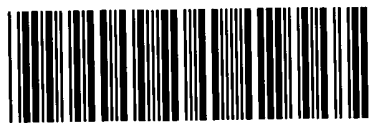
Registered number: 05887559

KIER HOLDINGS LIMITED
(FORMERLY MOUCHEL HOLDINGS LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

FRIDAY



A6YF6QMR

A15

26/01/2018

#331

COMPANIES HOUSE

KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

CONTENTS

	Page(s)
Company information	1
Strategic report	2
Directors' report	3-4
Independent auditors' report	5-6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9 - 10
Notes to the financial statements	11 -22

KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

COMPANY INFORMATION

Directors	S J Davies J M Williams
Company secretary	B Melges
Registered number	05887559
Registered office	Tempsford Hall Sandy Bedfordshire SG19 28D
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017

Introduction

The directors of Kier Holdings Limited (formerly Mouchel Holdings Limited) (the "Company") present their strategic report on the Company for the year ended 30 June 2017.

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

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.

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

Prior to the sale, several reorganisational steps within the Kier Group took place. These included the transfers from Mouchel Limited of its 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.

As part of these reorganisational steps, during the year £16,455,000 of revaluation reserve was capitalised into share capital by bonus issue and consecutively share capital reduced with the same amount. This also included the reduction of Share premium account to £nil.

Mouchel Limited's investment in Kier Highways Limited was transferred at book value, which was considered to be significantly less than its fair value. The Middle East business was also transferred from Mouchel International (Jersey) Limited to Mouchel Limited prior to the sale. As a consequence, the Company impaired its investments in Mouchel Limited and Mouchel International (Jersey) Limited.

During the year, the Company also additionally impaired its investments in its wholly owned dormant subsidiary Atkins Odlin Consulting Engineers Limited after the latter filed for strike off at Companies House in June 2017.

These impairment costs totaled £209,435,000 (2016: £14,395,000) and were recognised as exceptional cost in the Statement of comprehensive income.

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 37 to 41 of Kier Group plc's annual report for the year ended 30 June 2017.

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 *19 DECEMBER 2017* and signed on its behalf by:



J.M. Williams
Director

KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Directors' responsibilities statement

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

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

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

The directors are responsible for 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.

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.

Results and dividends

The loss for the financial year amounted to £160,109,000 (2016: loss £15,428,000).

During the year, the Company incurred exceptional costs of £210,265,000 (2016: £14,395,000) predominantly in relation to impairments of its investments in various subsidiaries, please refer to note 5 for further details.

The directors do not recommend the payment of a dividend for the year (2016: £nil).

Directors

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

K C Jackson (resigned 27 February 2017)
J M Williams (appointed 28 November 2016)
S J Davies (appointed 31 January 2017)

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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017**

Qualifying third party indemnity provisions

The articles of association of the Company entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, Kier maintains insurance for the directors and officers of companies within the Kier Group to cover certain losses or liabilities to which they may be exposed due to their office.

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 28 July 2017 Kier Business Services Limited (Company's wholly owned subsidiary) disposed its 50% beneficial interest in the share capital of VinciMouchel Limited to Vinci Construction UK Limited.

On 26 October 2017 the Company acquired the additional 50% of the share capital of Kier Education Services Limited (formerly Kier Babcock Educational Services Limited) and Kier Education Investment Limited (formerly Kier Babcock Educational Investment Limited) from Babcock Support Services Limited for a cash consideration of £875,000 (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.

This report was approved by the Board of Directors on *19 DECEMBER 2017*
and signed on its behalf by:


J. Williams
Director

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

Report on the audit of the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss 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 Balance sheet as at 30 June 2017; 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 when:

- 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 authorized 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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on 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.

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

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 2017 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 Directors' responsibilities statement set out on page 3, 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. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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: 21 December 2017

KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Administrative items		175	220
Exceptional administrative expenses	5	(210,265)	(14,395)
Operating loss	4	(210,090)	(14,175)
Income from shares in group undertakings		54,567	200
Other interest receivable and similar income	7	6,468	2,489
Interest payable and similar charges	8	(11,739)	(4,298)
Loss on ordinary activities before taxation		(160,794)	(15,784)
Tax on loss on ordinary activities	9	685	356
Loss for the financial year		(160,109)	(15,428)
Total comprehensive loss for the year		(160,109)	(15,428)

There was no other comprehensive income for 2017 or 2016 other than those included in the Statement of comprehensive income.


The notes on pages 11 to 22 form part of these financial statements.

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

BALANCE SHEET
AS AT 30 JUNE 2017

	Note	£000	2017 £000	2016 £000
Fixed assets				
Investments	10		98,366	380,510
Current assets				
Debtors	11	264,847		211,377
Cash and cash equivalents		1,918		
		<u>266,765</u>		<u>211,377</u>
Creditors: amounts falling due within one year	12	(121,313)		(195,715)
Net current assets			<u>145,452</u>	<u>15,662</u>
Total assets less current liabilities			<u>243,818</u>	<u>396,172</u>
Creditors: amounts falling due after more than one year	13		(148,950)	(141,195)
Net assets			<u>94,868</u>	<u>254,977</u>
Capital and reserves				
Called up share capital	14		2,969	2,969
Share premium account			-	467,616
Revaluation reserve			31,428	256,077
Profit and loss account			60,471	(471,685)
Total shareholders' funds			<u>94,868</u>	<u>254,977</u>

The financial statements of pages 7 to 22 were approved by the Board of Directors on *19 DECEMBER 2017* and signed on its behalf by:


J. Williams
Director

The notes on pages 11 to 22 form part of these financial statements.

KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 July 2016	2,969	467,616	256,077	(471,685)	254,977
Comprehensive loss for the year					
Loss for the financial year	-	-	-	(160,109)	(160,109)
Investment impairment transferred to revaluation reserve	-	-	(208,194)	208,194	-
Bonus Issue of Share Capital - 2,935,304 A ordinary shares @£2.199998979264	6,455	-	(6,455)	-	-
Bonus Issue of Share Capital - 2,935,304 D ordinary shares @£3.40680215745967	10,000	-	(10,000)	-	-
Share Capital Reduction	(16,455)	-	-	16,455	-
Share Premium Reduction.		(467,616)	-	467,616	-
At 30 June 2017	2,969	-	31,428	60,471	94,868

The notes on pages 11 to 22 form part of these financial statements.

KIER HOLDINGS LIMITED (FORMERLY MOUCHEL HOLDINGS LIMITED)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017 (COMPARATIVE PERIOD)

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

The notes on pages 11 to 22 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 280. 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.

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).

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 Statement of comprehensive income.

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:

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

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 Statement of comprehensive income 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 Statement of comprehensive income using the effective interest method.

2.12 Deferred and current taxation

Tax is recognised in the Statement of comprehensive income, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.13 Financial risk management (continued)

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.

2.14 Exceptional items

Certain items are presented separately in the Statement of comprehensive income 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. Critical accounting judgments and estimates

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.

In preparing the financial statements the directors do not believe there to be any significant judgements that would affect the application of policies and reporting amounts of assets and liabilities, income and expenses.

4. Operating loss

Audit fees of £15,600 (2016: £1,200) were borne by another group company, Kier Business Services Limited, and have not been recharged.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

5. Exceptional administrative expenses

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Impairment of investments	209,345	14,395
Costs associated with the sale of Mouchel Limited	715	-
Other restructuring costs	205	-
	<u>210,265</u>	<u>14,395</u>

During the year, the Company incurred exceptional costs of £209,345,000 predominantly related to impairment of its investments in Mouchel Limited and Mouchel International (Jersey) Limited, (following the sale to WSP European Holdings Limited on 12 October 2016) and Atkins Odlin Consulting Engineers Limited (which filed a strike-off form at Companies house in June 2017).

The impairment cost of £14,395,000 in prior year is in relation to impairments of its investments in Kier Business Services Limited and Kier Management Consulting Limited.

The Company also incurred various expenses of £715,000 (2016: £ nil) in relation to the sale of Mouchel Limited to WSP European Holdings Limited, and £205,000 in relation to other group restructuring activities.

6. Employees and directors

The Company had no employees during the year (2016: none).

The directors did not receive any emoluments in respect of services to the Company (2016: £nil) and they are remunerated by other Group companies

It is not practical for the directors to allocate their remuneration between the companies they work for.

7. Other interest receivable and similar income

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Interest receivable from group companies	6,462	2,489
Other interest	6	-
	<u>6,468</u>	<u>2,489</u>

8. Interest payable and similar charges

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Interest payable on amounts owed to group undertakings		11
Interest payable on intercompany loan notes	11,739	4,287
	<u>11,739</u>	<u>4,298</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

9. Tax on loss on ordinary activities

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Corporation tax		
Current Tax credit on loss for the year	(1,041)	(356)
Adjustment in respect of prior periods	356	-
	<u>(685)</u>	<u>(356)</u>

Factors affecting tax credit for the year

The tax credit assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Loss on ordinary activities before taxation	(160,794)	(15,784)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20%)	(31,758)	(3,157)
Effects of:		
Non-tax deductible impairments	41,347	2,879
Expenses not deductible for tax purposes	147	(38)
Income from shares in subsidiaries	(10,777)	(40)
Adjustments from prior periods	356	-
Total tax credit for the year	<u>(685)</u>	<u>(356)</u>

Deferred tax

No deferred tax asset has been recognised on £10,853,000 (2016: £10,853,000) of tax losses, which are considered to be irrecoverable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

10. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 July 2016	755,925
Additions	2,201
Disposals	(496,183)
 At 30 June 2017	 <u>261,943</u>
Accumulated impairment	
At 1 July 2016	375,415
Charge for the year	209,345
Disposals	(421,183)
 At 30 June 2017	 <u>163,577</u>
Net book value	
 At 30 June 2017	 <u>98,366</u>
 At 30 June 2016	 <u><u>380,510</u></u>

During the year, the Company impaired its investments in Mouchel Limited, Mouchel International (Jersey) Limited, Kier Management Consulting Limited and Atkins Odlin Consulting Engineers Limited by £209,345,000.

During the year, the Company acquired investments in HBS Facilities Management Limited, Genica Limited and The Impact Partnership Limited, as a result of various group restructuring activities.

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. for £75,000,000. 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.

During the year the Company received a dividend of £53,415,000 (2016: nil) from Mouchel Limited prior to the sale to WSP European Holdings Limited and £1,152,000 (2016: nil) from another wholly owned subsidiary Atkins Odlin Consulting Engineers Limited, prior to the latter filing a strike off application in June 2017.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

10. Investments (continued)**Subsidiary undertakings**

The following are subsidiary undertakings of the Company as at 30 June 2017:

Name	Country of incorporation	Class of shares	Holding
Kier Rail Limited (formerly Mouchel Rail Limited)	England and Wales	Ordinary	100 %
Mouchel International (Jersey) Limited	Jersey	Ordinary	100 %
Kier Ewan Limited (formerly Mouchel Ewan Limited)	England and Wales	Ordinary	100 %
Parkman Consultants Limited	England and Wales	Ordinary	100 %
Kier Traffic Support Limited (formerly Mouchel Traffic Support Limited)	England and Wales	Ordinary	100 %
Kier Gas 302 Limited (formerly Mouchel Gas 302 Limited) (in liquidation)	England and Wales	Ordinary	100 %
Atkins Odlin Consulting Engineers Limited ¹	England and Wales	Ordinary	100 %
Kier Business Services Limited	England and Wales	Ordinary	100 %
Kier Management Consulting Limited (formerly Mouchel Management Consulting Limited)	England and Wales	Ordinary	100 %
The Impact Partnership Limited	England and Wales	Ordinary	80.1 %
Genica Limited	England and Wales	Ordinary	100 %
HBS Facilities Management Limited	England and Wales	Ordinary	100 %

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.

At 30th June 2017 the Company was party to 50:50 joint ventures with Babcock Support Services Limited in Kier Education Investments Limited (formerly Kier Babcock Education Investments Limited) (50%) and Kier Education Services Limited (formerly Kier 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. On 26 October 2017 the company purchased the other 50% equity interest from Babcock Support Services Limited, which resulted in both of these JV becoming wholly owned subsidiaries (see note 15).

Note:

1. At the date of the signing of the financial statements the company is dissolved.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

11. Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	263,874	211,241
Amounts owed by undertakings in which the Company has a participating interest	136	136
Other debtors	50	-
Corporation Tax	787	-
	<u>264,847</u>	<u>211,377</u>

Amounts owed by Group undertakings are net of a £32,185,000 (2016: £29,578,000) provision against potential non-payment by fellow group subsidiaries relating to balances held in Mouchel International Jersey Limited and The Impact Partnership Limited.

Included within amounts owed by Group undertakings are interest bearing loans of £125,389,000 (2016: £125,389,000), £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 (2016: £22,676,000). 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

	2017 £000	2016 £000
Amounts owed to group undertakings	121,004	189,200
Corporation tax	-	6,515
Accruals and deferred income	205	-
Other Creditors	104	-
	<u>121,313</u>	<u>195,715</u>

Included within amounts owed to Group undertakings are interest bearing loans of £89,942,000 (2016: £85,238,000). Interest is charged at rates between 4.0% to 6.0% per annum. All loans are unsecured and repayable on demand. All other amounts are unsecured, repayable on demand and non-interest bearing.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

13. Creditors: Amounts falling due after more than one year

	2017 £000	2016 £000
Amounts owed to group undertakings	148,950	141,195
	<u>148,950</u>	<u>141,195</u>

Included in amounts owed to Group undertakings are the following loans: £35,153,000 (2016: £35,153,000) bearing interest at 6% per annum and repayable on 31 July 2036; £11,000,000 (2016: £nil) bearing interest at 6% per annum and repayable on 31 July 2036; £102,797,000 (2016: £95,042,000) bearing interest at 4% and repayable on 30 June 2020. The loans are unsecured.

14. Called up share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised		
106,500,000 (2016: 106,500,000) Ordinary shares of £1 each	106,500	106,500
350,000,000 (2016: 350,000,000) Irredeemable preference shares of £0.01 each	3,500	3,500
45,000,000 (2016: 45,000,000) B Irredeemable preference shares of £0.01 each	450	450
	<u>110,450</u>	<u>110,450</u>
Allotted, called up and fully paid		
2,935,304 (2016: 2,935,304) Ordinary shares of £1 each	2,935	2,935
3,398,569 (2016: 3,398,569) Irredeemable preference shares of £0.01 each	34	34
	<u>2,969</u>	<u>2,969</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

15. Post balance sheet events

On 28 July 2017 Kier Business Services Limited (Company's wholly owned subsidiary) disposed its 50% beneficial interest in the share capital of VinciMouchel Limited to Vinci Construction UK Limited.

On 26 October 2017 the Company acquired the additional 50% of the share capital of Kier Education Services Limited (formerly Kier Babcock Educational Services Limited) and Kier Education Investment Limited (formerly Kier Babcock Educational Investment Limited) from Babcock Support Services Limited for a cash consideration of £875,000.

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.

17. Related undertakings

The following were related undertakings of the Company as at 30 June 2017:

Direct related undertakings

Name	Registered office ¹	Class of shares	Holding
Atkins Odlin Consulting Engineers Limited ²	1	Ordinary	100%
Kier Business Services Limited	1	Ordinary	100%
Kier Ewan Limited (in liquidation)	1	Ordinary	100%
Kier Gas 302 Limited (in liquidation)	1	Ordinary	100%
Mouchel International (Jersey) Limited	3	Ordinary	100%
Kier Management Consulting Limited	1	Ordinary	100%
Kier Rail Limited	1	Ordinary	100%
Kier Traffic Support Limited	1	Ordinary	100%
Parkman Consultants Limited	1	Ordinary	100%
Kier Education Investments Limited (formerly Kier Babcock Education Investments Limited) ⁴	1	Ordinary	50%
Kier Education Services Limited (formerly Kier Babcock Education Services Limited) ⁴	1	Ordinary	50%
MPHBS Limited	1	Ordinary	50%
HBS Facilities Management Limited	1	Ordinary	100%
Genica Limited	1	Ordinary	100%
The Impact Partnership (Rochdale Borough) Limited	1	Ordinary	80.1%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

17. Related undertakings (continued)

The following were related undertakings of the Company as at 30 June 2017:

Indirect related undertakings

Name	Registered office¹	Class of shares	Holding
Gas 300 Limited (in liquidation)	1	Ordinary	100%
Hedra Group Limited ²	1	Ordinary	100%
Hedra Scotland Limited ²	2	Ordinary	100%
Instal Consultants MP Limited ²	1	Ordinary	100%
Kier Gas 301 Limited (in liquidation)	1	Ordinary	100%
Kier Management Consulting Limited	1	Ordinary	100%
Kier Parkman Ewan Associates Limited	1	Ordinary	100%
Kier Parkman Ewan Services Limited ²	1	Ordinary	100%
Kier Parkman ServiRail Construction Projects Limited ²	1	Ordinary	100%
Kier Rail No. 2 Limited	1	Ordinary	100%
Kier Rail No. 3 Limited	1	Company Limited by guarantee	100%
MPHBS Limited	1	Ordinary	50%
Parkman Kenya Limited	5	Ordinary	100%
Parkman Nigeria Limited	6	Ordinary	100%
Traffic Support EBT Limited ²	1	Ordinary	100%
DM Roads Services Pty Limited (formerly Downer Mouchel Services Pty Limited)	4	Ordinary	50%
Hackney Schools for the Future Limited	1	Ordinary	40%
Hackney Schools for the Future 2 Limited	1	Ordinary	4%
The Unity Partnership Limited	1	Ordinary	66.7%
VinciMouchel Limited ³	7	Ordinary	50%

Notes:

- 1 See list of registered office addresses below.
- 2 At the date of the signing of the financial statements the company is dissolved.
- 3 The interest in VinciMouchel Limited was sold on 28 July 2017.
- 4 The remaining 50% was acquired on 26 October 2017, see note 15.

Registered office addresses

- 1 Tempsford Hall, Sandy, Bedfordshire, SG19 2BD, UK.
 - 2 Lanark Court, Ellismuir Way, Tannochside Park, Uddingston, Glasgow, G71 5PW, UK.
 - 3 Sanne Group, 13 Castle Street, St Helier, JE4, 5UT, Jersey.
 - 4 Level 2, Triniti 3, Triniti Business Campus, 39 Delhi Road, North Ryde, NSW, 2113, Australia.
 - 5 5th Floor, Agip House, P.O. box 41425, Nairobi, Kenya.
 - 6 9, N/ Azikiwe St., Lagos, Nigeria.
 - 7 Astral house, Imperial Way, Watford, Hertfordshire, WD24 4WW, UK.
-