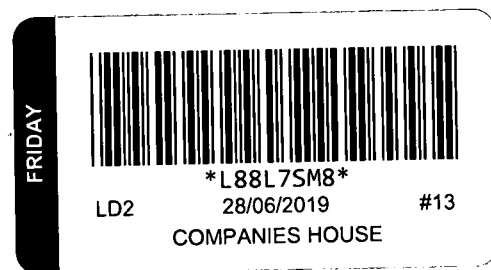


Registration number: 05887559

Kier Holdings Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2018



Kier Holdings Limited

Contents

	Page(s)
Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditors' Report	7 to 9
Income Statement	10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 to 25

Kier Holdings Limited

Company Information

Directors	Lee Howard
	Leigh Thomas
Company secretary	Bethan Melges
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

Strategic Report for the Year Ended 30 June 2018

The directors present their strategic report for Kier Holdings Limited (the "Company") for the year ended 30 June 2018.

Fair review of the business

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

The principal activity of the Company is that of a holding company within the Kier Group 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 26 October 2017, the Company acquired the remaining 50% of Kier Education Investments Limited and Kier Education Services Limited from its joint venture partner.

On 21 December 2018 the Company disposed of its interest in KHSA Limited ("KHSA") for a total consideration of AUS\$43.7m (£24,457,000), of which AUS\$41.7m (£23,351,000) was received on completion, and the balance of AUS\$2.0m (£1,106,000) is deferred subject to satisfaction of future contractual commitments. KHSA participated in a joint operation providing road asset management and maintenance services in Australia. As the proceeds for the sale of KHSA were lower than the carrying amount of the investment, the directors believe this to be an indication that the value of the investment in KHSA was impaired at the balance sheet date. An additional impairment of £36,890,000 in respect of KHSA has therefore been recognised in the financial statements for the year ended 30 June 2018.

During the year the Company's total impairment loss, including the impairment in respect of KHSA mentioned above, was £51,009,000. The Company also received dividend income of £3,742,000 and intercompany interest of £6,457,000, and paid intercompany interest of £12,326,000. The overall loss before tax for the year was £53,141,000. The Company paid an interim dividend of £30,000,000 and the net assets reduced from £94,868,000 to £15,010,000.

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.

Corporate responsibility

The Kier Group attaches great importance to its corporate responsibility, as evidenced by the corporate responsibility section in the Kier Group plc 2018 Annual Report and in its Corporate Responsibility Report for 2018, which is available at www.kier.co.uk. As a member of the Kier Group, the Company abides by the same principles.

Kier Holdings Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Principal risks and uncertainties

As a holding company, the principal risks and uncertainties of the Company are limited to possible impairments of the Company's investments and the recoverability of its loans to other Group companies, including its subsidiaries. The Company's risks and uncertainties are therefore not managed separately and are linked to the risks and uncertainties, including financial risk and management, of the Company's subsidiaries (listed in note 11) and other Group companies.

The principal risks and uncertainties of the Company's subsidiaries are disclosed in their individual financial statements for the year ended 30 June 2018, which are available from Companies House.

The principal risks and uncertainties facing the Kier Group, are disclosed on pages 38 to 43 of Kier Group plc's annual report for the year ended 30 June 2018.

Approved by the Board on 28/06/2019 and signed on its behalf by:



.....
Lee Howard
Director

Kier Holdings Limited

Directors' Report for the Year Ended 30 June 2018

The directors of Kier Holdings Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2018.

Directors of the Company

The directors who held office during the year and up to the date of signing these financial statements were as follows:

Lee Howard (appointed 1 July 2018)

Leigh Thomas (appointed 1 July 2018)

Stephen John Davies (resigned 1 July 2018)

Jeremy Williams (resigned 1 July 2018)

Dividends

An interim dividend of £30,000,000 was paid to the holders of the Ordinary Shares of £1 each in the Company during the year. The directors do not recommend payment of a final dividend in respect of the financial year ended 30 June 2018.

Financial instruments

Objectives and policies

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.

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

Kier Holdings Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

Safety, health and environment

The safety of those on the Group's sites is of paramount importance to Kier as are the Group's obligations with respect to the health and wellbeing of its employees and the environment.

The Kier Group Safety, Health and Environment Committee continues to drive improvements in the management of safety, health and environment ('SHE') risk throughout the business.

The role of the Committee includes:

- Reviewing the Group's strategy with respect to SHE matters and challenging management to implement it;
- Encouraging management's commitment and accountability with respect to managing the Group's SHE risks;
- Reviewing and, as necessary, approving material Group-wide SHE initiatives, policies and procedures;
- Receiving reports on any major SHE incidents and challenging management to communicate the lessons learned from those incidents across the Group; and
- Monitoring and challenging management on the Group's performance against SHE targets.

For further information on Kier Group's activities with regards to SHE matters, please see the Kier Group plc 2018 Annual Report (available at www.kier.co.uk).

Future developments

The Company does not trade and therefore is expected to continue to receive and pay interest on intercompany borrowings.

Directors' liability insurance

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

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

Reappointment of independent auditors

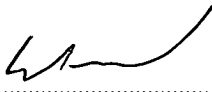
Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is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

Disclosure of information to the auditors

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

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

Approved by the Board on 28/06/2019 and signed on its behalf by:



Lee Howard
Director

Kier Holdings Limited

Statement of Directors' Responsibilities

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

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

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

The directors are 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.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Kier Holdings Limited

Independent Auditors' Report to the Members of Kier Holdings Limited

Report on the audit of the financial statements

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 2018 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 Statement of Financial Position as at 30 June 2018; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you 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 authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Kier Holdings Limited

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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.

Kier Holdings Limited

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Date: 28 JUNE 2019

Kier Holdings Limited

Income Statement for the Year Ended 30 June 2018

	Note	2018 £ 000	2017 £ 000
Administrative expenses		(5)	175
Exceptional administrative expenses	4	<u>(51,009)</u>	<u>(210,265)</u>
Operating loss		<u>(51,014)</u>	<u>(210,090)</u>
Finance income	5	10,199	61,035
Finance costs	6	<u>(12,326)</u>	<u>(11,739)</u>
Net finance (cost)/income		<u>(2,127)</u>	<u>49,296</u>
Loss before taxation		(53,141)	(160,794)
Tax on loss	10	<u>3,283</u>	<u>685</u>
Loss for the financial year		<u><u>(49,858)</u></u>	<u><u>(160,109)</u></u>

The above results were derived from continuing operations.

Kier Holdings Limited

Statement of Comprehensive Income for the Year Ended 30 June 2018

	2018	2017
	£ 000	£ 000
Loss for the financial year	<u>(49,858)</u>	<u>(160,109)</u>
Total comprehensive expense for the year	<u><u>(49,858)</u></u>	<u><u>(160,109)</u></u>

The notes on pages 14 to 25 form an integral part of these financial statements.


Kier Holdings Limited

(Registration number: 05887559)

Statement of Financial Position as at 30 June 2018

	Note	2018 £ 000	2017 £ 000
Assets			
Non-current assets			
Investments	11	52,503	98,366
Current assets			
Trade and other receivables	12	265,619	264,060
Income tax asset		4,070	787
Cash and cash equivalents	13	-	1,918
		<u>269,689</u>	<u>266,765</u>
Total assets		<u>322,192</u>	<u>365,131</u>
Current liabilities			
Trade and other payables	14	(152,082)	(121,313)
Loans and borrowings	15	(2,038)	-
		<u>(154,120)</u>	<u>(121,313)</u>
Non-current liabilities			
Trade and other payables	14	(153,062)	(148,950)
Total liabilities		<u>(307,182)</u>	<u>(270,263)</u>
Net assets		<u>15,010</u>	<u>94,868</u>
Equity			
Called up share capital	16	2,969	2,969
Revaluation reserve		19,176	31,428
(Accumulated losses)/retained earnings		<u>(7,135)</u>	<u>60,471</u>
Total equity		<u>15,010</u>	<u>94,868</u>

The financial statements on pages 10 to 25 were approved by the Board of Directors on 28/06/2019 and signed on its behalf by:



 Lee Howard
 Director

Kier Holdings Limited

Statement of Changes in Equity for the Year Ended 30 June 2018

	Called up share capital £ 000	Share premium account £ 000	Revaluation reserve £ 000	(Accumulated losses)/retained earnings £ 000	Total equity £ 000
At 1 July 2017	2,969	-	31,428	60,471	94,868
Loss for the financial year	-	-	-	(49,858)	(49,858)
Total comprehensive expense for the year	-	-	-	(49,858)	(49,858)
Dividends	-	-	-	(30,000)	(30,000)
Investment impairment transferred to revaluation reserve	-	-	(12,252)	12,252	-
At 30 June 2018	2,969	-	19,176	(7,135)	15,010

	Called up share capital £ 000	Share premium account £ 000	Revaluation reserve £ 000	(Accumulated losses)/retained earnings £ 000	Total equity £ 000
At 1 July 2016	2,969	467,616	256,077	(471,685)	254,977
Loss for the financial year	-	-	-	(160,109)	(160,109)
Total comprehensive expense for the year	-	-	-	(160,109)	(160,109)
Investment impairment transferred to revaluation reserve	-	-	(208,194)	208,194	-
Bonus issue of share capital	16,455	-	(16,455)	-	-
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 14 to 25 form an integral part of these financial statements.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018

1 General information

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

The address of its registered office is:

Tempsford Hall
Sandy
Bedfordshire
SG19 28D
United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

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

Summary of disclosure exemptions

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

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

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

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

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

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

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

IAS 1: Exemption from comparatives for movements on share capital.

Going concern

The financial statements have been prepared on a going concern basis.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Changes in accounting policy

The following amendments to standards are effective for the first time from 1 July 2017:

- Amendments to IAS 7 Statement of Cash Flows
- Amendments to IAS 12 Income Taxes
- Annual Improvements to 2014-2016 cycle - IFRS 12 Disclosure of Interests in Other Entities

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

Tax

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

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

Investments

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

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

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Trade payables

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

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

Borrowings

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

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

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

Share capital

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

Dividends

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

3 Critical accounting judgements and key sources of estimation uncertainty

The 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:

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.

Impairment of receivables

The Company makes an estimate of the recoverable value of receivables. When assessing the impairment of receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See the trade and other receivables note to the financial statements 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.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

4 Exceptional administrative expenses

	2018 £ 000	2017 £ 000
Impairment loss	51,009	209,345
Costs associated with the sale of Mouchel Limited	-	715
Other restructuring costs	-	205
	<u>51,009</u>	<u>210,265</u>

During the year the Company incurred exceptional costs of £9,847,000 in relation to the impairment of its investments in Kier Business Services Limited, Kier Management Consulting Limited, Kier Gas 302 Limited and HBS Facilities Services Limited.

In addition, impairment losses of £36,890,000, in respect of the investment value of KHSA Limited (formerly Mouchel International (Jersey) Limited), and £4,272,000, in respect of the intercompany receivable owed by KHSA Limited, were incurred in the year (see notes 11 and 12 respectively).

The impairment cost of £209,345,000 in the prior year was in relation to the impairment of the Company's investments in Mouchel Limited, KHSA Limited and Atkins Odlin Consulting Engineers Limited.

In the prior year the Company also incurred various expenses of £715,000 in relation to the sale of Mouchel Limited to WSP European Holdings Limited and £205,000 in relation to other group restructuring activities.

5 Finance income

	2018 £ 000	2017 £ 000
Dividend income	3,742	54,567
Interest received from group undertakings	6,457	6,462
Other finance income	-	6
	<u>10,199</u>	<u>61,035</u>

6 Finance costs

	2018 £ 000	2017 £ 000
Interest paid to group undertakings	<u>12,326</u>	<u>11,739</u>

7 Staff costs

The Company had no employees during the year (2017: none).

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

8 Directors' remuneration

The directors did not receive any emoluments in respect of services to the Company (2017: £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.

9 Auditors' remuneration

Audit fees of £15,600 (2017: £15,600) were borne by another group company, Kier Business Services Limited, and have not been recharged.

10 Tax on loss

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	(1,116)	(1,041)
UK corporation tax adjustment to prior periods	<u>(2,167)</u>	<u>356</u>
	<u><u>(3,283)</u></u>	<u><u>(685)</u></u>

The tax on loss before taxation for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.75%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Loss before taxation	<u>(53,141)</u>	<u>(160,794)</u>
Corporation tax at standard rate	(10,097)	(31,758)
(Decrease)/increase in current tax from adjustment for prior periods	(2,167)	356
Increase from effect of expenses not deductible in determining taxable profit / tax loss	9,692	41,494
Decrease from effect of dividends from UK companies	<u>(711)</u>	<u>(10,777)</u>
Total tax credit	<u><u>(3,283)</u></u>	<u><u>(685)</u></u>

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

11 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 July 2017	261,943
Additions	875
Disposals	<u>(3,717)</u>
At 30 June 2018	<u>259,101</u>
Provision	
At 1 July 2017	163,577
Provision	46,738
Eliminated on disposals	<u>(3,717)</u>
At 30 June 2018	<u>206,598</u>
Carrying amount	
At 30 June 2018	<u>52,503</u>
At 30 June 2017	<u>98,366</u>

During the year the Company increased its investment in Kier Education Investments Limited (previously Kier Babcock Education Investments Limited) and Kier Education Services Limited (previously Kier Babcock Education Services Limited) from a 50% to 100% equity interest. The Company acquired the remaining 50% holding from its joint venture partner for total consideration of £875,000. Associated transaction costs of £4,000 have been expensed in the Income Statement.

During the year the Company received final dividends totalling £3,742,000 from two of its subsidiaries, Kier Gas 302 Limited and HBS Facilities Services Limited. As the subsidiaries were non-trading, a corresponding impairment was made to their investment value. These subsidiaries were subsequently dissolved.

On 21 December 2018 the Company disposed of its interest in KHSA Limited ("KHSA") for a total consideration of AU\$43.7m (£24,457,000), of which AU\$41.7m (£23,351,000) was received on completion, and the balance of AU\$2.0m (£1,106,000) is deferred subject to satisfaction of future contractual commitments. KHSA participated in a joint operation providing road asset management and maintenance services in Australia. As the proceeds for the sale of KHSA were lower than the carrying amount of the investment, the directors believe this to be an indication that the value of the investment in KHSA was impaired at the balance sheet date. An additional impairment of £36,890,000 in respect of KHSA has therefore been recognised in the financial statements for the year ended 30 June 2018.

In addition the Company reviewed the carrying value of its investments compared with their trading position and net assets and concluded that impairments to the Company's investments in Kier Business Services Limited and Kier Management Consulting Limited of £4,314,000 and £1,817,000 respectively were required.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

11 Investments (continued)

Details of the subsidiaries as at 30 June 2018 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
Kier Business Services Limited*	Design and business services	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%
MPHBS Limited*	Holding company	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%
The Unity Partnership Limited	Highways, design and business services	Henshaw House, Cheapside, Oldham, OL1 1NY England and Wales	66.7%	66.7%
HBS Facilities Management Limited (dissolved)*	Dormant	1 More London Place, London, SE1 2AF England and Wales	100%	100%
Genica Limited (dissolved)*	Dormant	1 More London Place, London, SE1 2AF England and Wales	100%	100%
KHSA Limited (formerly Mouchel International (Jersey) Limited)*	Highways design and asset maintenance	Sanne Group, 13 Castle Street, St Helier, JE4, 5UT Jersey	100%	100%
Kier Traffic Support Limited*	Dormant	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%
Kier Management Consulting Limited*	Design and business services	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%
Kier Education Services Limited*	Program management, FM and construction management	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	50%
Kier Education Investments Limited*	Holding company	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	50%
Kier Ewan Limited*	Holding company	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

11 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
Kier Parkman Ewan Associates Limited	Dormant	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%
Kier Rail Limited*	Holding company	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%
Kier Rail No.2 Limited (in liquidation)	Dormant	1 More London Place, London, SE1 2AF England and Wales	100%	100%
Kier Rail No.3 Limited (in liquidation)	Dormant	1 More London Place, London, SE1 2AF England and Wales	100%	100%
The Impact Partnership (Rochdale Borough) Limited*	Dormant	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	80.1%	80.1%
Parkman Consultants Limited*	Dormant	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	100%	100%
Parkman Kenya Limited	Dormant	5th Floor, Agip House, P.O. Box 41425, Nairobi Kenya	100%	100%
Parkman Nigeria Limited	Dormant	9, N/ Azikiwe St., Lagos Nigeria	100%	100%

* indicates direct investment of the Company

Notes:

1. The interest in KHS Limited was sold on 21 December 2018.
2. The interest in The Unity Partnership Limited was sold on 2 July 2018.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

11 Investments (continued)

Joint ventures

Details of the joint ventures as at 30 June 2018 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
Hackney Schools for the Future Limited	Delivery of the Building Schools for the Future programme for the London Borough of Hackney	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	80%	40%

Whilst the ownership percentage of Hackney Schools for the Future Limited is 80%, the shareholders agreement of the company requires unanimous approval from both shareholders, therefore, in the opinion of the directors, the company is jointly controlled.

Associates

Details of the associates as at 30 June 2018 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
Hackney Schools for the Future 2 Limited	Delivery of the Building Schools for the Future programme for the London Borough of Hackney	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD England and Wales	8%	4%

The Company holds an investment in Hackney Schools for the Future 2 Limited indirectly through its holding in Hackney Schools for the Future Limited.

12 Trade and other receivables

	2018 £ 000	2017 £ 000
Amounts due from group undertakings	263,107	264,010
Other receivables	2,512	50
	<u>265,619</u>	<u>264,060</u>

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

12 Trade and other receivables (continued)

Amounts due from group undertakings are net of provisions of £36,457,000 (2017: £32,185,000) against potential non-payment by fellow group subsidiaries relating to balances held in KHSA Limited (formerly Mouchel International (Jersey) Limited) and The Impact Partnership Limited.

Included within amounts due from group undertakings are interest bearing loans of £125,309,000 (2017: £125,389,000). £78,592,000 relates to an intercompany loan originally owed to Mouchel Limited that was transferred to the Company. Interest is receivable at rates between 4.0% and 6.0% per annum. Also included within amounts due from group undertakings are non-interest bearing loans of £22,676,000 (2017: £22,676,000). All loans are unsecured and repayable on demand. The remaining amounts due from group undertakings are interest free, unsecured and repayable on demand.

13 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash at bank	-	1,918
Bank overdrafts	(2,038)	-
	<u>(2,038)</u>	<u>1,918</u>

14 Trade and other payables

	2018 £ 000	2017 £ 000
Current		
Accruals and deferred income	-	205
Amounts owed to group undertakings	152,082	121,004
Other payables	-	104
Total current trade and other payables	<u>152,082</u>	<u>121,313</u>

Included within amounts to group undertakings are interest bearing loans of £97,274,000 (2017: £89,942,000). Interest is charged at rates between 4.0% and 6.0% per annum. All loans are unsecured and repayable on demand. All other amounts are unsecured, repayable on demand and non-interest bearing.

	2018 £ 000	2017 £ 000
Non-current		
Amounts owed to group undertakings	<u>153,062</u>	<u>148,950</u>

Included in amounts owed to group undertakings are the following loans: £35,153,000 (2017: £35,153,000) bearing interest at 6% per annum and repayable on 31 July 2036; £11,000,000 (2017: £11,000,000) bearing interest at 6% per annum and repayable on 31 July 2036; and £106,909,000 (2017: £102,797,000) bearing interest at 4% and repayable on 30 June 2020. The loans are unsecured.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

15 Loans and borrowings

	2018 £ 000	2017 £ 000
Current loans and borrowings		
Bank overdrafts	2,038	-

16 Called up share capital

Allotted, called up and fully paid shares

	No.	2018 £ 000	No.	2017 £ 000
Ordinary Shares of £1 each	2,935,304	2,935	2,935,304	2,935
Irredeemable Preference Shares of £0.01 each	3,398,569	34	3,398,569	34
	<u>6,333,873</u>	<u>2,969</u>	<u>6,333,873</u>	<u>2,969</u>

17 Dividends

During the year an interim dividend of £30,000,000 (2017: £Nil) was paid to the holders of the Ordinary Shares of £1 each in the Company. The directors do not recommend payment of a final dividend in respect of the financial year ended 30 June 2018.

18 Parent of group in whose consolidated financial statements the company is consolidated

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

These financial statements are available upon request from Companies House and at www.kier.co.uk.

19 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Finance Limited.

The ultimate parent is Kier Group plc.

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

The ultimate controlling party is Kier Group plc.

Kier Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

19 Parent and ultimate parent undertaking (continued)

Under the terms of a fully underwritten rights issue, ordinary shareholders of Kier Group plc on the register at the close of business on 30 November 2018 were offered 64,455,707 new ordinary shares of 1 pence each on the basis of 33 new ordinary shares for every existing 50 ordinary shares held. Dealing in the new shares, fully paid, commenced on 20 December 2018, and resulted in proceeds on issue of approximately £250m, net of expenses of £14m.

Relationship between entity and parents

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

The address of Kier Group plc is:

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

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

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

The address of Kier Limited is:

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

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