

Registration number: 05887559

# Kier Holdings Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2020

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# **Kier Holdings Limited**

## **Contents**

	<b>Page(s)</b>
Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 6
Statement of Directors' Responsibilities	7
Independent Auditors' Report	8 to 10
Income Statement	11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 to 25

## **Kier Holdings Limited**

### **Company Information**

**Directors** H Samuels

C Thomas

**Company secretary** P Higgins

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

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

## **Kier Holdings Limited**

### **Strategic Report for the Year Ended 30 June 2020**

The directors present their strategic report for Kier Holdings Limited (the "Company") for the year ended 30 June 2020.

#### **Fair review of the business**

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

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

In the prior year 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) was deferred subject to satisfaction of future contractual commitments. KHSA participated in a joint operation providing road asset management and maintenance services in Australia.

During the year the Company incurred further costs of £37,000 in relation to the sale of KHSA Limited which were set off against the receipt of an £86,000 contribution towards software licence costs and an £8,000 exchange rate gain on the deferred consideration described above. The Company also determined that some costs incurred in the previous year are now recoverable, being £175,000 in relation to the exit of the Woking office and £450,000 in relation to the sale of Mouchel Limited. The Company also incurred impairment losses of £396,000 in respect of investments in subsidiaries, received intercompany interest of £3,884,000 and paid intercompany interest of £12,813,000 during the year. The overall loss before tax for the year was £8,643,000 and the Company's net assets reduced from £117,000 to net liabilities of £7,183,000.

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**

Please see the Sustainability section in the Kier Group plc 2020 Annual Report (pages 42 - 55 inclusive), which is available at [www.kier.co.uk](http://www.kier.co.uk), for details of the Group's corporate responsibility activities. As a member of the Group, the Company has participated in these activities.

#### **Stakeholders**

Kier is committed to engaging with our people, our stakeholders and the communities in which we operate, and creating a healthy and sustainable culture. The Directors of the Company have had regard for the matters set out in section 172(1) (a)-(f) of the Companies Act when performing their duty under s172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business. The Company is a member of the Group; engagement with its or the Group's key stakeholders, including employees, shareholders, Government, the supply chain, lenders, the environment and the communities in which the Group or the Company operates continues to be an integral part of the Board's decision-making.

The 2020 annual report and accounts of Kier Group plc (pages 56 and 57) provides examples of how the Directors of the Company had regard to the matters set out in s172(1)(a)-(f) of the Companies Act 2006 during the year when performing their duty under section 172.

## **Kier Holdings Limited**

### **Strategic Report for the Year Ended 30 June 2020 (continued)**

#### **Principal risks and uncertainties**

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

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

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

#### ***Impairment of investments***

The Company tests annually whether its investments have suffered any impairment. The recoverable amounts of subsidiaries are determined based on value-in-use calculations or fair value less cost to sell, if held for sale. Whilst the recoverable amount exceeds the carrying value of the investments and amounts due from subsidiary undertakings, the value-in-use calculation is sensitive to reasonably possible changes in key assumptions (including a decline in the trading performance of the subsidiaries) that could result in an impairment.

#### ***Brexit***

The UK left the EU on 31 January 2020. A transition period was in place until 31 December 2020, during which all EU rules and laws continued to apply to the UK. On 24 December 2020, the negotiators from the EU and the UK reached an agreement on a new partnership. On 1 January 2021 provisional application of the agreement took effect and the new rules entered into force.

The Group has identified potential risks relating to, for example, the supply chain, the workforce and the supply and cost of materials and has set up contingency plans in respect of these risks. In particular, the Group continues to work with its supply chain to develop plans to ensure continuity of potentially critical supplies and has developed plans with respect to those members of its workforce who are nationals of EU member states and wish to continue to work in the UK. Albeit at an early stage, no operational issues have been encountered so far under the new rules, with suppliers and subcontractors currently anticipating minimal impact on contract delivery.

## Kier Holdings Limited

### Strategic Report for the Year Ended 30 June 2020 (continued)

#### **COVID-19**

The COVID-19 pandemic has had, and may continue to have, a material and adverse effect on the operations of the Company's subsidiary companies and a number of the subsidiaries' stakeholders, including its employees, clients and supply chain. The extent of the effect of COVID-19 on the Company, its subsidiaries and its stakeholders depends on a range of factors, including its effect on the wider economy in general, measures taken by Government in response to it, including the proposed increase in UK infrastructure investment, and the effects of any re-occurrence of the pandemic.

As the UK continues its exit from lockdown, Government restrictions and requirements are closely monitored so as to ensure continued compliance. Particular areas of focus include:

- Compliance with the Company's subsidiary companies' operating site procedures;
- Ensuring the continued supply of materials and availability of the supply chain for the Company's subsidiaries, wherever possible; and
- Supporting the subsidiaries' workforce to continue to operate as effectively as possible in the circumstances.

#### **Emerging risks**

The Company has identified the following as principal, emerging risks:

- The continued impact of COVID-19 on its subsidiaries' sites and operations;
- The UK's recession, following COVID-19; and
- The operational, financial and commercial effects of climate change disruption on its subsidiaries.

Approved by the Board on ..... 29th June 2021 ..... and signed on its behalf by:



C Thomas  
Director

## **Kier Holdings Limited**

### **Directors' Report for the Year Ended 30 June 2020**

The directors of Kier Holdings Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2020.

#### **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:

C Thomas (appointed 1 October 2019)

L Howard (resigned 1 October 2019)

D Mawson (appointed 1 October 2019 and resigned 20 December 2019)

L Thomas (resigned 1 October 2019)

M Whittaker (appointed 24 January 2020 and resigned 23 February 2021)

H Samuels (appointed 19 February 2021)

#### **Dividends**

No dividends were paid in the current or prior year. The directors do not recommend payment of a dividend in respect of the financial year ended 30 June 2020.

#### **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 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.

#### **Going concern**

The directors have received a letter from the directors of Kier Group plc (the Company's ultimate parent company), pledging support to allow the Company to meet its obligations. On these grounds the Board has continued to adopt the going concern basis for the preparation of the financial statements.

## **Kier Holdings Limited**

### **Directors' Report for the Year Ended 30 June 2020 (continued)**

#### **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 .....29th June 2021..... and signed on its behalf by:

.....

C Thomas  
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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# ***Independent auditors' report to the members of Kier Holdings Limited***

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

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### **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 2020 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 2020; 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.

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### **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.

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

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

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

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

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### **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:

### *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 2020 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.

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## **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 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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

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## Other required reporting

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### 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  
29 June 2021

# Kier Holdings Limited

## Income Statement for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
Administrative expenses		-	(5)
Other operating expenses	4	<u>286</u>	<u>(8,645)</u>
Operating profit/(loss)		<u>286</u>	<u>(8,650)</u>
Finance income	5	3,884	4,527
Finance costs	6	<u>(12,813)</u>	<u>(12,631)</u>
Net finance cost		<u>(8,929)</u>	<u>(8,104)</u>
Loss before taxation		(8,643)	(16,754)
Tax on loss	10	<u>1,343</u>	<u>1,861</u>
Loss for the financial year		<u><u>(7,300)</u></u>	<u><u>(14,893)</u></u>

The above results were derived from continuing operations.

## **Kier Holdings Limited**

### **Statement of Comprehensive Income for the Year Ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Loss for the financial year	<u>(7,300)</u>	<u>(14,893)</u>
Total comprehensive expense for the year	<u><u>(7,300)</u></u>	<u><u>(14,893)</u></u>

# Kier Holdings Limited

(Registration number: 05887559)

## Statement of Financial Position as at 30 June 2020

	Note	2020 £ 000	2019 £ 000
<b>Non-current assets</b>			
Investments	11	23,578	23,974
		<u>23,578</u>	<u>23,974</u>
<b>Current assets</b>			
Trade and other receivables	12	285,531	288,233
Income tax asset		4,320	2,977
Cash and cash equivalents	13	-	1,070
		<u>289,851</u>	<u>292,280</u>
<b>Total assets</b>		<u>313,429</u>	<u>316,254</u>
<b>Current liabilities</b>			
Trade and other payables	14	(273,158)	(269,984)
Loans and borrowings	15	(1,301)	-
		<u>(274,459)</u>	<u>(269,984)</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	(46,153)	(46,153)
<b>Total liabilities</b>		<u>(320,612)</u>	<u>(316,137)</u>
<b>Net (liabilities)/assets</b>		<u>(7,183)</u>	<u>117</u>
<b>Equity</b>			
Called up share capital	16	2,969	2,969
Revaluation reserve		19,176	19,176
Accumulated losses		<u>(29,328)</u>	<u>(22,028)</u>
<b>Total equity</b>		<u>(7,183)</u>	<u>117</u>

The financial statements on pages 11 to 25 were approved by the Board of Directors on 29th June 2021 and signed on its behalf by:



C Thomas  
Director

The notes on pages 15 to 25 form an integral part of these financial statements.

# Kier Holdings Limited

## Statement of Changes in Equity for the Year Ended 30 June 2020

	Called up share capital £ 000	Revaluation reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2018	2,969	19,176	(7,135)	15,010
Loss for the financial year	-	-	(14,893)	(14,893)
Total comprehensive expense for the year	-	-	(14,893)	(14,893)
At 30 June 2019	2,969	19,176	(22,028)	117

  

	Called up share capital £ 000	Revaluation reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2019	2,969	19,176	(22,028)	117
Loss for the financial year	-	-	(7,300)	(7,300)
Total comprehensive expense for the year	-	-	(7,300)	(7,300)
At 30 June 2020	2,969	19,176	(29,328)	(7,183)

The notes on pages 15 to 25 form an integral part of these financial statements.



## **Kier Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020**

#### **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:

81 Fountain Street  
Manchester  
M2 2EE  
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; and

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

## **Kier Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

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

##### **Going concern**

The directors have received a letter from the directors of Kier Group plc (the Company's ultimate parent company), pledging support to allow the Company to meet its obligations. On these grounds the Board has continued to adopt the going concern basis for the preparation of the financial statements.

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

The following new standards, amendments to standards and interpretations are effective for the financial year ended 30 June 2020 onwards:

- IFRS 16 'Leases'
- Amendments to IFRS 9 'Financial Instruments' on prepayment features with negative compensation and modification of financial liabilities
- Amendments to IAS 19 'Employee Benefits' on plan amendment, curtailment or settlement
- Amendments to IAS 28 'Investments in Associates' on long term interests in associates and joint ventures
- Annual improvements 2015-2017 cycle
- IFRIC 23 'Uncertainty over income tax treatments'

None of the above new standards, amendments to standards or interpretations 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 subsidiaries are included in the balance sheet at cost less any provision for impairment. Dividends on equity investments 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 as calculated using an appropriate expected credit loss model.

## **Kier Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (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.

Dividends received from the Company's subsidiaries are recognised as an asset in the Company's financial statements in the period in which the dividends are approved by the subsidiary company's shareholders.

## **Kier Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

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

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. An assessment of whether a financial asset is impaired is made at least at each reporting date.

The principal financial assets and liabilities of the Company are as follows:

##### **(a) Trade receivables and trade payables**

The Company has allocated receivables and payables due within 12 months of the balance sheet date to current with the remainder included in non-current.

A trade receivable is recognised when the Company has a right to consideration that is unconditional (subject only to the passage of time before payment is due). Trade receivables do not carry interest and are stated at their initial cost reduced by appropriate allowances for expected credit losses.

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land purchases, are discounted and recorded at their present value.

##### **(b) Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set off exists. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

##### **(c) Bank and other borrowings**

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

#### **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**

The Company tests annually whether investments have suffered any impairment. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates.

Whilst the recoverable amount exceeds the carrying value of the investments and amounts due from subsidiary undertakings, the value-in-use calculation is sensitive to reasonably possible changes in key assumptions that could result in an impairment.

##### **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 2020 (continued)

#### 4 Other operating expenses

	2020	2019
	£ 000	£ 000
Impairment loss	396	5,973
Legal fees associated with exiting the Woking office	(175)	1,688
Costs associated with the sale of Mouchel Limited	(450)	688
Costs associated with the sale of KHSA Limited	(57)	296
	<u>(286)</u>	<u>8,645</u>

The current year impairment cost of £396,000 is in relation to the impairment of the investments in Kier Business Services Limited (£275,000) and Kier Management Consulting Limited (£121,000). The prior year impairment cost of £5,973,000 is in relation to the impairment of the investments in Kier Business Services Limited (£5,604,000) and Kier Management Consulting Limited (£369,000).

During the prior year the Company incurred £1,688,000 of legal fees associated with exiting the Woking office, including a VAT write-off of £175,000. In the current year the Company determined that the VAT of £175,000 is now recoverable.

During the prior year the Company incurred £688,000 of costs associated with the sale of Mouchel Limited to WSP European Holdings Limited in the year ended 30 June 2017. In the current year the Company determined that £450,000 of these costs are now recoverable.

During the year the Company incurred a further £37,000 of costs in relation to the sale of KHSA Limited. The Company also received an £86,000 contribution towards software licence costs and made a £8,000 exchange rate gain on the deferred income in respect of the escrow agreement in relation to the sale.

#### 5 Finance income

	2020	2019
	£ 000	£ 000
Interest received from group undertakings	<u>3,884</u>	<u>4,527</u>

#### 6 Finance costs

	2020	2019
	£ 000	£ 000
Interest paid to group undertakings	<u>12,813</u>	<u>12,631</u>

#### 7 Staff costs

The Company had no employees during the year (2019: none).

## Kier Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 8 Directors' remuneration

The directors did not receive any emoluments in respect of services to the Company (2019: £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 (2019: £15,600) were borne by another group company, Kier Business Services Limited, and have not been recharged.

#### 10 Tax on loss

Tax credited in the income statement

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	(1,663)	(1,861)
UK corporation tax adjustment to prior periods	320	-
	<u>(1,343)</u>	<u>(1,861)</u>

The tax on loss before taxation for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before taxation	<u>(8,643)</u>	<u>(16,754)</u>
Corporation tax at standard rate	(1,642)	(3,183)
Increase in current tax from adjustment for prior periods	320	-
(Decrease)/increase from effect of expenses not deductible in determining taxable profit / tax loss	<u>(21)</u>	<u>1,322</u>
Total tax credit	<u>(1,343)</u>	<u>(1,861)</u>

#### Factors that may affect future tax changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

## Kier Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 11 Investments

Subsidiaries	£ 000
<b>Cost or valuation</b>	
At 1 July 2019	191,976
At 30 June 2020	191,976
<b>Provision</b>	
At 1 July 2019	168,002
Provision	396
At 30 June 2020	168,398
<b>Carrying amount</b>	
At 30 June 2020	23,578
At 30 June 2019	23,974

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 of £275,000 and Kier Management Consulting Limited of £121,000 were required.

In the prior year 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) was deferred subject to satisfaction of future contractual commitments. KHSA participated in a joint operation providing road asset management and maintenance services in Australia. The carrying value disposed was £22,557,000. An impairment of £5,605,000 in respect of Kier Business Services Limited was recognised in the prior year, along with an impairment of £369,000 in respect of Kier Management Consulting Limited.

Details of the subsidiaries as at 30 June 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Kier Business Services Limited*	Design and business services	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Kier Education Services Limited*	Program management, FM and construction management	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Kier Education Investments Limited*	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%

## Kier Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 11 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Kier Ewan Limited*	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Kier Management Consulting Limited*	Design and business services	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Kier Parkman Ewan Associates Limited	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Kier Rail Limited*	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Kier Rail No.2 Limited (dissolved on 19 August 2020)	Dormant	1 More London Place, London, SE1 2AF England and Wales	100%	100%
Kier Rail No.3 Limited (dissolved on 19 August 2020)	Dormant	1 More London Place, London, SE1 2AF England and Wales	100%	100%
Kier Traffic Support Limited*	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
MPHBS Limited*	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	100%	100%
Parkman Consultants Limited*	Dormant	81 Fountain Street, Manchester, M2 2EE 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%
The Impact Partnership (Rochdale Borough) Limited*	Dormant	81 Fountain Street, Manchester, M2 2EE England and Wales	80.1%	80.1%



## Kier Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 11 Investments (continued)

\* indicates direct investment of the Company

##### Joint ventures

Details of the joint ventures as at 30 June 2020 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Hackney Schools for the Future Limited	Delivery of the Building Schools for the Future programme for the London Borough of Hackney	81 Fountain Street, Manchester, M2 2EE England and Wales	80%	80%

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 2020 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Hackney Schools for the Future 2 Limited	Delivery of the Building Schools for the Future programme for the London Borough of Hackney	81 Fountain Street, Manchester, M2 2EE England and Wales	8%	8%

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

	2020	2019
	£ 000	£ 000
Amounts due from group undertakings	283,922	287,127
Accrued income	1,114	1,106
Other receivables	495	-
	<u>285,531</u>	<u>288,233</u>

## Kier Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 12 Trade and other receivables (continued)

Amounts due from group undertakings are net of provisions of £2,606,000 (2019: £2,606,000) against potential non-payment by fellow group subsidiaries.

Included within amounts due from group undertakings are interest bearing loans of £90,930,000 (2019: £90,930,000). £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 (2019: £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

	2020 £ 000	2019 £ 000
Cash at bank	-	1,070

#### 14 Trade and other payables

	2020 £ 000	2019 £ 000
<b>Current</b>		
Accruals and deferred income	-	2,197
Amounts owed to group undertakings	273,158	267,787
Total current trade and other payables	273,158	269,984

Included within amounts to group undertakings are interest bearing loans of £213,504,000 (2019: £208,752,000). Interest is charged at rates between 4% and 6% per annum. All loans are unsecured and repayable on demand. All other amounts are unsecured, repayable on demand and non-interest bearing.

	2020 £ 000	2019 £ 000
<b>Non-current</b>		
Amounts owed to group undertakings	46,153	46,153

Included within amounts owed to group undertakings are loans of £46,153,000 (2019: £46,153,000) bearing interest at 6% per annum and repayable on 31 July 2036. The loans are unsecured.

#### 15 Loans and borrowings

	2020 £ 000	2019 £ 000
<b>Current loans and borrowings</b>		
Bank overdrafts	1,301	-

## Kier Holdings Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 16 Called up share capital

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

	No.	2020 £ 000	No.	2019 £ 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 Parent of group in whose consolidated financial statements the company is consolidated

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

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

#### 18 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](http://www.kier.co.uk).

The ultimate controlling party is Kier Group plc.

##### Relationship between entity and parents

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

The address of Kier Group plc is:

81 Fountain Street  
Manchester  
M2 2EE

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

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

The address of Kier Group plc is:

81 Fountain Street  
Manchester  
M2 2EE

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