Kier MG Limited
Financial statements
For the fifteen month period ended
30 June 2014

Company no 00873179

Company information

Company registration number	00873179
Directors	David Benson Iain Bray Nigel Brook Neil Chidgey John Flood Anita Harris Sean Jeffery Marcus Jones Ian Mackintosh Nigel Quelch Andrew Sleigh Julian Tranter Jonathan Wilkinson
Secretary	Matthew Armitage
Registered office	Tempsford Hall Sandy Bedfordshire SG19 2BD
Auditors	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL
Bankers	Bank of Scotland plc Lloyds Commercial Banking 10 Gresham Street London EC2V 7AE

Kier MG Limited
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Strategic Report

The directors present their strategic report for the fifteen month period ended 30 June 2014.

1. Principal activities and business review

The Company's principal activities during the year continued to be working with our long-term clients in the public and regulated sectors to design and deliver a wide range of essential front-line services that reach over 24 million people every day.

Business review

On 8 July 2013 Kier Group plc acquired the entire share capital of the Company's ultimate parent company, May Gurney Integrated Services plc (now named Kier MGIS Ltd). Following the acquisition, the Company's name was changed from May Gurney Limited to Kier MG Limited.

The accounting period is longer than one year in order to make it coterminous with Kier Group's accounting period end date and hence the amounts presented in the financial statements are not entirely comparable due to the different accounting period lengths.

Turnover from continuing operations for the fifteen month period was £793.1m (year ended 31 March 2013: £586.4m), an annualised increase of 8.2%. Increased activity was achieved in both the Public Sector Services and the Regulated Services divisions, as shown in note 1 to the financial statements.

Operating profit from continuing operations before amortisation and non-recurring costs was £8.8m (year ended 31 March 2013: £9.9m).

During the prior year the Company made significant losses on its MaGOS™ (May Gurney Optimised Solutions, kerbside recycling sort service) environmental services contracts. The Board was of the view that the contracts would remain loss making over the life of the contract and therefore recognised a provision for future losses of £46.5m in the prior period financial statements. In the financial period ended 30 June 2014, the Board have again reviewed the future forecasts of losses on these contracts and, as a result, a further provision for future losses of £7.9m has been made. In addition to this future loss provision, the carrying value of the fixed assets used to deliver the MaGOS contracts has been reviewed and as a result an impairment provision of £12.7m has been recognised in these financial statements. The Company has continued to take actions to drive operational efficiencies and profitability on the MaGOS contracts and has remained in close dialogue with the relevant contract counterparties with the aim of improving the financial performance of those contracts.

Following the acquisition by Kier, the Company incurred non-recurring restructuring and transformation costs of £2m, primarily relating to reduction in staff numbers and office rationalisation across the enlarged group.

The loss after taxation was £20.0m (year ended 31 March 2013: £37.8m loss) and as a result, shareholders' funds declined to a deficit of £7.6m (31 March 2013: reserves of £12.2m).

The Company's order book at 30 June 2014 of £1.8bn (31 March 2013: £1.5bn) continues to show a good visibility of future work.

During the year there were no changes in any of the Company's accounting policies.

Markets and outlook

As part of the larger Kier Group the Company is able to benefit from co-operation with Kier's existing Services division and its Construction division to offer a wider service to customers. Anglian Water, for example, awarded Kier contracts for both maintenance services to be carried out by Kier MG Ltd together with provision of capex construction capabilities from Group.

Regulated Services

The Company's penetration of the regulated utilities sector continues. Contract awards, including awards under the AMP6 bidding cycle, have been high in the year totalling £339m. Most recent AMP6 awards include three five-year Anglian Water contracts with a total value of £210m and a contract worth up to £24m with Bournemouth Water. In August 2014, the £25m p.a. Canal & River Trust National Engineering & Construction Contract (NECC) for England and Wales was secured and the Company was named preferred bidder on Severn Trent's two-year £7m p.a. contract for provision of asset maintenance solutions with a possible five-year extension.

Strategic Report (continued)

Through the Team Van Oord joint venture, £21m worth of projects have been awarded by the Environment Agency for flood defence and flood remediation work.

In the power distribution sector, this period's awards have included a new £107m five-year utilities contract, with Western Power Distribution, giving the Company a foothold in this market and extending the Company's operational reach across Somerset and Bristol.

Further opportunities exist in the AMP6 cycle as well as new opportunities in the power transmission and fixed telecoms markets.

Public Sector Services

55% of the Company's revenue comes from the public sector where budgets are increasingly constrained. With austerity still on the agenda, public sector bodies are continuing to outsource, albeit smaller value individual contracts, reflecting reduced budgets. Bundled service contracts, such as that with Torbay Council, provide clients with a breadth of offerings to enable the provision of cross-sector packages including bespoke packages.

The highways business is continuing to benefit from increased Government spending in infrastructure. The National Infrastructure Plan includes £24bn for highways maintenance and highways management. In addition, the Autumn Statement confirmed that Central Government would invest an additional £1bn over a five-year programme on highways maintenance.

Operating across approximately one fifth of the UK landmass, our long-term, typically ten-year contracts require consistent high quality service and working in partnership with local authorities. As a strategic partner, the Company can assist local authorities to refine their spending plans and discussions are underway with a number of councils including Northamptonshire County Council, Surrey County Council and Suffolk County Council, where the new £200m contract was mobilised this year.

The Environmental Services business remains challenging. As reported above, the Company has a number of loss making contracts which remain under review.

Outlook

With increased attention on regulated sectors such as telecoms and water and the increasing pressure on local authority budgets, it is anticipated that the number of opportunities available to the Company will increase considerably. As well as extending our highways capability to existing and new clients, we continue to look at opportunities arising from the district councils and the Highways Agency. Kier Group's range of capabilities and geographic reach position the Company well for further outsourcing opportunities in the future and it is anticipated that the Company's margin will grow.

2. Results and dividends

	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Loss for the period after taxation recognised in the income statement	**(20,034)**	(37,810)
Dividends paid	**-**	(10,000)
Movements through the statement of changes in equity	**274**	(135)
Decrease in reserves	**(19,760)**	(47,945)

3. Corporate responsibility

Kier Group plc attaches great importance to its corporate responsibility, as evidenced by the extensive Corporate Responsibility Report *in its Financial Statements and in more detail online at* www.kier.co.uk/ar2013/crr

As a member of the Kier group the Company abides by the same principles.

Strategic Report (continued)

4. Risks and uncertainties

Risks are reviewed by the Board on a monthly basis. These risks can be broadly grouped as:

- health, safety & the environment;
- commercial, and
- legislative and economic pressure

Health, safety and environmental risk

The Company could be exposed following a serious death or injury of an employee, contractor, client or member of the public. Environmental pollution could occur leading to financial penalties or damage to our reputation.

These risks are mitigated by having clear organisational policies and procedures in place which are overseen by a central function. There is significant audit to ensure compliance. Large training programmes are in place to ensure best practice. Any incidents are followed by a full investigation and any learning is applied to modify our future best practice.

Commercial risks

Commercial risks arise from a number of potential sources in the normal course of our business. These can include, but are not limited to:

- bidding contracts at the wrong tariffs or unfavourable contractual terms;
- poor mobilisation of contracts;
- failure to deliver operationally as required by the client;

Commercial risk is managed through application of set processes in the approval of contractual terms and conditions. This is followed by monthly review at a contract level of financial performance, compliance with SLA's and a risk register.

Legislative and economic pressure

The Company can be susceptible to pressures from the external environment, including areas such as:

- spending restrictions on clients from either central government or regulatory authorities;
- inflationary cost pressures not being offset by contractual terms, procurement gains or operational inefficiency;
- new legislative requirements

The external environment is closely monitored in order that any proposed changes in legislation are factored into submissions to clients at the time of bidding. Contractual terms are closely reviewed in relation to cost pressures and we endeavour to ensure a flexible approach is maintained to allow cost recovery. Where new legislation is enacted, appropriate training is designed and delivered in order to maximise compliance throughout the organisation.

On behalf of the Board

David Benson
Director
9 March 2015

Report of the directors

The directors present their report and the audited financial statements for the period of fifteen months ended 30 June 2014.

Directors

The directors who held office during the period and since the period end were as follows:

Willie MacDiarmid (resigned 8 July 2013)
Mark Hazlewood (resigned 8 July 2013)
Michael Baldwin (resigned 30 September 2013)
Neil Chidgey (appointed 8 July 2013)
Claudio Veritiero (appointed 8 July 2013, resigned 17 February 2014)
Jonathan Wilkinson (appointed 8 July 2013)
Andrew Sleigh (appointed 1 August 2013)
Sean Jeffery (appointed 23 August 2013)
Anita Harris (appointed 6 September 2013)
Ian Mackintosh (appointed 6 September 2013)
Iain Bray (appointed 11 August 2014)
John Flood (appointed 11 August 2014)
Julian Tranter (appointed 11 August 2014)
Nigel Quelch (appointed 11 September 2014)
David Benson (appointed 9 March 2015)
Nigel Brook (appointed 9 March 2015)
Marcus Jones (appointed 9 March 2015)

Directors' liability insurance

The Company maintains liability insurance for the directors and officers of all Group companies. The directors and officers have also been granted a qualifying third party provision under section 234 of the Companies Act 2006. Neither the Group's indemnity nor insurance provides cover in the event that a director or officer is proved to have acted fraudulently or dishonestly.

Employee involvement

The Company places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through formal and informal meetings. It is the Company's policy to ensure that all employees are made aware of significant matters affecting the performance of the Company through the operation of employee forums, information bulletins, informal meetings, team briefings, internal newsletters and the Company's website and intranet.

Employment policy

The Company is an Equal Opportunity Employer and its policy is to ensure that all employees and job applicants will be given equal opportunity, irrespective of their sex, race, ethnic origin, disability, age, marital status, sexual orientation or religious affiliation in all aspects of employment and training, and that no such person is placed at a disadvantage by requirements or conditions which cannot be shown to be justified.

The Company encourages, where possible, the employment of disabled people and the retention of those who become disabled during their employment with the Company.

A number of employees were shareholders of Kier Group plc. The Group also operates an Employee Share Ownership Trust and an Employee Benefit Trust. Within the bounds of commercial confidentiality, management disseminates information to all levels of staff about matters that affect the progress of the Company and are of interest and concern to them as employees.

Corporate sustainability policy

The Company's business impacts on the lives of everyone who lives in, or uses, the communities it serves – now and in the future. Therefore, its corporate responsibility is to deliver social and environmental sustainability in everything it does. At Kier MG, corporate sustainability is much more than just a set of policies. It is delivered on the ground, every day through its operational teams working in partnership with its customers, customers' customers, supply chain and local communities. The Company creates value in five key areas, closely aligned to its stakeholders' social and environmental sustainability agendas. These are: Climate Change (carbon reduction); Sustainable Resources (using resources responsibly); Community Investment (changing behaviours and helping to create a better society); Waste Minimisation (addressing the need to reduce waste); and Biodiversity & Ecosystems (developing a holistic approach to environmental management).

Report of the directors (continued)

Corporate sustainability policy (continued)

The Company recognises the benefits of sustainable construction and protecting the environment whilst carrying out construction projects and associated activities. All Company activities are carried out in a way that manages environmental impact, fulfils opportunities to enhance the environment, prevents pollution, minimises waste, controls noise, uses materials and resources efficiently, and protects wildlife.

The Company complies with environmental legislation and environmental codes of practice applicable to its industry.

Health and safety policy

It is Company policy to fulfil its duties under the Health and Safety at Work Act 1974 and all other associated acts and legal obligations applicable to the construction industry. In order to achieve the standards required, line management will provide suitable and sufficient resources and properly trained supervision to ensure all work places can carry out their activities in a safe manner.

It is the responsibility of the Company's management at all levels to be conversant with the contents of the policy and to plan work such that foreseeable risks are identified and reduced to an acceptable level through the implementation of risk assessments. All employees must take care of the health and safety of themselves and actively participate and co-operate with the Company to enable the Company to discharge its statutory responsibilities and fulfil its desire for continual improvement in all safety, health and welfare matters.

The Bribery Act 2010

The Bribery Act 2010 came into effect on 1 July 2011. The objectives and provisions of the Act accord with the values Kier MG applies in all its business dealings and which are reflected in its policies already in place.

As part of its compliance with the provisions of the Bribery Act the Company's policies and procedures were reviewed and appropriate information and training was provided to staff, with a view to ensuring on-going compliance with the standards of the Act.

Treasury

The Company's financial instruments, other than derivatives, comprise cash and liquid investments and borrowings. The Company enters into derivatives transactions, namely forward foreign currency contracts albeit infrequently; to manage the currency risks arising from the Company's operations and its sources of finance.

It is the Company's policy that no speculative trading in financial instruments shall be undertaken. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk
The Company's principal credit risk relates to recovery of amounts due under construction contracts. This risk is mitigated by regular application for and certification of works completed under contracted arrangements.

(b) Finance and liquidity risk
Kier MG's cash and liquid investments comprise cash and term deposits.
Surplus cash resources are placed on deposit to maximise returns to the Company whilst maintaining flexibility to meet day-to-day working capital requirements.

(c) Currency risk
The Company's policy is to hedge their known foreign currency transactional exposures for significant transactions by taking out forward foreign exchange contracts.

Any foreign currency transactions are converted at the average of the opening and closing exchange rates each month.

(d) Interest rate risk
Exposure to interest rate risk is limited as the Company has no borrowings other than fixed rate finance lease commitments and inter-company borrowings within the Kier Group (charged at 4.0%).

Going concern

Detailed cash flow forecasts are prepared and regularly reviewed by the Board to assess the Company's financial position. The business is forecast to remain cash generative and to have adequate resources to meet its future obligations. The Company's resources are supported by the strong order book and minimal debt.

The directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. On these grounds the Board has continued to adopt the going concern basis for the preparation of the financial statements.

Report of the directors (continued)

Appointment of new auditor

The Kier Group Board has proposed PricewaterhouseCoopers LLP to replace KPMG LLP as the Group's external auditor for the financial year ending 30 June 2015. This appointment received shareholder approval at the Group's AGM held on 13 November 2014.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 maintaining proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board

David Benson
Director
9 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KIER MG LIMITED

We have audited the financial statements of Kier MG Limited for the fifteen months ended 30 June 2014 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the loss for the fifteen months then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Jonathan Downer

Jonathan Downer
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor, Chartered Accountants
London, E14 5GL
9 March 2015

Accounting policies

Nature of operations

The principal activities of the Company during the period were infrastructure services.

The Company is incorporated and domiciled in the United Kingdom. The registered office is in Sandy, Bedfordshire, UK. The presentation currency used is GB Pound Sterling and figures are quoted to the nearest £1,000.

The principal accounting policies adopted in the presentation of these financial statements are set out below. These policies have been consistently applied to the periods presented unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, with the exception of intangible assets and certain financial instruments, which are recognised using accounting policies as set out below and applied consistently.

The Company claims exemption from the preparation of consolidated accounts in accordance with Part 15 of the Companies Act 2006, as the results are included within the financial statements of its intermediate parent company, Kier MGIS Limited (formerly May Gurney Integrated Services plc), a UK incorporated company, which have been filed at Companies House. These financial statements present information about the Company as an individual undertaking and not about its group.

The directors believe the existing funding is sufficient for the needs of the business for the foreseeable future and for at least twelve months from the date of approval of these financial statements. The directors accordingly consider it appropriate for these financial statements to be prepared on a going concern basis.

Adoption of new and revised International Financial Reporting Standards

In the period, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2013.

The following standards and interpretations came into effect and were adopted in the current period but had no effect on the financial statements:
IFRS 1 (amended) Government loan with a below-market rate of interest and repeat application, borrowing costs;
IFRS 7 (amended) Offsetting of assets and liabilities;
IFRS 9 Financial instruments - classification and measurement
IFRS 10 Consolidated financial statements;
IFRS 11 Joint arrangements;
IFRS 12 Disclosure of interests in other entities;
IFRS 13 Fair value measurement;
IAS 1 Presentation of financial statements - items in other comprehensive income and comparative information;
IAS 16 Property, plant and equipment – amendments re servicing equipment;
IAS 19 (amended) Employee benefits;
IAS 27 Separate financial statements;
IAS 28 Investments in associates and joint ventures; and
IAS 34 Interim financial reporting - amendments re interim reporting of segment assets.

At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements:
IFRS 10 Consolidated financial statements – amendment regarding investment entities;
IFRS 12 Disclosure of interests in other entities – amendment regarding investment entities;
IAS 27 Separate financial statements – amendment regarding investment entities;
IAS 32 Financial Instruments: Presentation - offsetting of assets and liabilities and tax effect of equity distributions;
IAS 36 Impairment of assets – amendment regarding recoverable amount disclosures for non-financial assets;
IAS39 Financial instruments: recognition and measurement – amendment regarding novation of derivatives and continuation of hedge accounting; and
IFRIC 21 Levies.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

Accounting policies (continued)

Goodwill and other intangible assets

Goodwill arising on acquisition of trade and assets and hive-up of trade and assets of subsidiaries, as explained below, represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Goodwill is recognised as an intangible asset and is reviewed for impairment annually. It is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing along the lines of the Company's operating segments. Any impairment is recognised immediately in the income statement.

Other intangible assets, which consist of software development costs, are stated at cost less accumulated amortisation and impairment losses. Amortisation is based on cost and the useful economic lives of these assets.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised over their estimated useful life. The MGConnect™ costs capitalised are amortised over a period of 4 years.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are reviewed for impairment annually and when there are indications that the carrying value may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Company investments in subsidiary undertakings

Company investments are included at cost less amounts transferred to goodwill upon hive-up of trade and assets of subsidiaries to this company. Provision is made for any impairment in value.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of Value Added Tax.

Sales of goods are recognised when goods are delivered and title has passed.

Contract revenue reflects the contract activity during the year and is measured at the fair value of consideration received or receivable. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract.

Where the outcome of a long-term contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

In the case of a cost plus contract, the outcome of a contract can be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the Company, and the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at historic cost to the Company, being its purchase cost together with any incidental expenses of acquisition.

Depreciation of property, plant and equipment is calculated so as to write off their cost over their expected economic lives, residual values are reassessed on an annual basis. The principal annual rates of depreciation are as follows:

Freehold land	-	not depreciated
Freehold property	-	50 years straight line
Leasehold property	-	10% straight line or life of lease if shorter
Plant, machinery and equipment	-	between 10% and 25% straight line

Inventories and work in progress on construction contracts

Inventories are valued at the lower of cost and net realisable value. The cost of purchase is determined by means of the weighted average cost formula.

Contract work in progress is valued at cost plus attributable profit less foreseeable losses. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty. The excess of book value over amounts received on individual contracts is included in current trade receivables and payments received in excess of book value are included in current trade payables.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable in respect of the year is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Accounting policies (continued)

Pension contributions

The Company participates in the May Gurney Pension Scheme which provides benefits based on final pensionable salary. Contributions are paid in accordance with the instructions of Kier MGIS Limited (formerly May Gurney Integrated Services plc). The Scheme was closed to future accrual on 30 September 2012.

Regular pension costs are established in accordance with the recommendations of an independent actuary. The Company is unable to identify its share of the underlying assets and liabilities of the group scheme and consequently accounts for pension costs as though the scheme is a defined contribution scheme, charging them to the income statement in period in which they accrue.

Contributions to the fund are administered by trustees in a fund independent from that Company's assets.

Contributions, which are expected to cover the cost of benefits arising from the current services of employees, are charged to the income statement on an accruals basis.

Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred.

Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. Assets held under finance leases are recognised as assets of the Company, at commencement of the lease term, at the lower of their fair value or the present value of the minimum lease payments and the capital elements of the commitments are shown as obligations under finance leases. Payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. The depreciation policy for assets held under finance leases is consistent with that for owned asset. If there is no reasonable certainty that the Company will obtain ownership at the end of the lease, the asset is depreciated over the shorter of the lease term or the life of the asset.

All other leases are regarded as operating leases and the related payments are charged to the income statement on a straight-line basis over the lease term.

Dividends

Dividends are recognised in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recognised in the period in which they are approved and paid.

Share-based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2005 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to equity.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Accounting policies (continued)

Significant accounting estimates and judgements

To be able to prepare accounts according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial accounts. These estimates are based on historical experience and various other assumptions that management and the Board of directors believe are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas requiring critical judgement that may significantly impact on the Company's earnings and financial position are as follows:

(a) *Estimated impairment of investments and intangible assets*
The Company tests annually whether investments and intangible assets 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.

(b) *Revenue recognition*
The Company uses the percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

(c) *Share-based payments*
The weighted average fair value of options granted during the period was determined using the Trinomial pricing model. The assumptions used are detailed in note 22.

(d) *Intangible assets*
The Company recognises certain intangible assets on acquisition. Judgements in respect of useful lives, discount rates and valuation methods affect the carrying value and amortisation charges in respect of these assets.

(e) *Impairment of work in progress*
In assessing whether work in progress is impaired, estimates are made of future sales revenue, timing and build costs. The Company has controls in place to ensure that estimates of sales revenue are consistent, and external valuations are used where appropriate.

(f) *Loss making contracts*
In accordance with accounting standards, provision is made for losses incurred or foreseen in bringing a contract to completion as soon as they become apparent. In assessing the need for provisions for future losses on such contracts the Board considers a number of areas including: underlying contract losses; operational efficiency gains; claims opportunities and discussions with clients as well as probability assessment in relation to the likely outcome of these factors and the appropriate discount rate. Calculations have been prepared applying the forecast performance and key assumptions (as listed) to support the estimated provision that has been made.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. When recognising and measuring a provision, events occurring after the reporting date, and before authorisation for issue, are considered to determine whether such events provide additional evidence of conditions that existed at the reporting date and should therefore be adjusted for.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Accounting policies (continued)

Financial instruments

The financial instruments used by the Company comprise net funds, trade receivables and trade payables.

(a) Loans and receivables do not carry any interest and are initially stated at their fair value and subsequently measured at amortised cost as reduced by appropriate allowance for estimated irrecoverable amounts.

(b) Cash and cash equivalents comprise cash in hand and demand 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.

(c) Trade payables are not interest bearing and are initially stated at their fair value and subsequently measured at amortised cost.

(d) Loans are raised for support of long-term funding of the Company's operations. They are recognised at fair value on inception. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement using an effective interest method.

(e) Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

(f) Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(g) The Company has a policy of not trading in financial instruments and thus the only risks arising, in the normal course of business, are interest rates and liquidity. The Company's foreign currency risk is minimal as the volume of foreign currency transactions is not significant. The Company currently has no derivative instruments and sees no immediate requirement for any.

Accounting for financial assets

Financial assets consist of receivables, along with cash and cash equivalents.

An assessment of whether a financial asset is impaired is made at least at each reporting date. For receivables, this is based on the latest credit information available, i.e. recent counterparty defaults and external credit ratings. Financial assets that are substantially past due are also considered for impairment. All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Company's trade and other receivables fall into this category of financial instruments.

Individual receivables are considered for impairment when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry of a counterparty. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Accounting for financial liabilities

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

For business combinations, any changes to the consideration transferred, including contingent consideration, resulting from events after the date of the acquisition are recognised in the income statement.

Income statement

for the 15 months ended 30 June 2014	Note	15 months ended 30 June 2014 Continuing operations £'000	15 months ended 30 June 2014 Discontinued operations £'000	15 months ended 30 June 2014 Non-recurring items and amortisation (Note 3) £'000	15 months ended 30 June 2014 Total £'000	Year ended 31 March 2013 Continuing operations £'000	Year ended 31 March 2013 Discontinued operations £'000	Year ended 31 March 2013 Non-recurring items and amortisation £'000	Year ended 31 March 2013 Total £'000
Group revenue	1	**793,161**	**5,670**	**-**	**798,831**	586,419	24,255	-	610,674
Cost of sales		**(767,911)**	**(6,991)**	**(21,665)**	**(796,567)**	(560,720)	(32,631)	(50,700)	(644,051)
Gross profit/(loss)		**25,250**	**(1,321)**	**(21,665)**	**2,264**	25,699	(8,376)	(50,700)	(33,377)
Administrative expenses		**(16,483)**	**-**	**-**	**(16,483)**	(15,795)	(1,624)	-	(17,419)
Contingent consideration	3,17	**-**	**-**	**-**	**-**	-	-	2,842	2,842
Group operating profit/(loss) before non-recurring items	2	**8,767**	**(1,321)**	**(21,665)**	**(14,219)**	9,904	(10,000)	(47,858)	(47,954)
Other expenses									
- Intangible assets amortisation and goodwill impairment	9,10	**-**	**-**	**(2,213)**	**(2,213)**	-	-	(2,639)	(2,639)
- Other non-recurring costs	3	**-**	**-**	**(2,042)**	**(2,042)**	-	-	-	-
Operating profit/(loss)		**8,767**	**(1,321)**	**(25,920)**	**(18,474)**	9,904	(10,000)	(50,497)	(50,593)
Dividends received		**3,392**	**-**	**-**	**3,392**	-	-	-	-
Finance income	4	**1,734**	**-**	**-**	**1,734**	324	-	-	324
Finance costs	4	**(10,072)**	**-**	**-**	**(10,072)**	(858)	-	-	(858)
Profit/(loss) before taxation		**3,821**	**(1,321)**	**(25,920)**	**(23,420)**	9,370	(10,000)	(50,497)	(51,127)
Taxation	7	**(2,771)**	**299**	**5,858**	**3,386**	(2,068)	2,400	12,985	13,317
Profit/(loss) for the period/year attributable to the equity holders of the parent	23	1,050	(1,022)	(20,062)	(20,034)	7,302	(7,600)	(37,512)	(37,810)

Statement of comprehensive income

for the 15 months ended 30 June 2014

	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Loss for the period/year	**(20,034)**	(37,810)
Other comprehensive income for the period/year	**-**	-
Total comprehensive expenditure for the period/year attributable to equity holders	**(20,034)**	(37,810)

Statement of changes in equity

for the 15 months ended 30 June 2014

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2012 and 1 April 2012	1,500	58,635	60,135
Loss for the year	-	(37,810)	(37,810)
Other comprehensive income	-	-	-
Total comprehensive expenditure for the year	-	(37,810)	(37,810)
Transactions with owners:			
Share based payments - income statement charge	-	357	357
Share based payments - deferred tax relief on future exercise	-	(492)	(492)
Dividends paid	-	(10,000)	(10,000)
Balance at 31 March 2013 and 1 April 2013	**1,500**	**10,690**	**12,190**
Loss for the period	**-**	**(20,034)**	**(20,034)**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive expenditure for the period	**-**	**(20,034)**	**(20,034)**
Transactions with owners:			
Share based payments - income statement credit	**-**	**(73)**	**(73)**
Share based payments - deferred tax relief on future exercise	**-**	**347**	**347**
Dividends paid	**-**	**-**	**-**
Balance at 30 June 2014	**1,500**	**(9,070)**	**(7,570)**

Statement of financial position

at 30 June 2014

	Note	30 June 2014 £'000	31 March 2013 £'000
Non current assets			
Property, plant & equipment	11	**3,894**	18,784
Other intangible assets	9	**1,923**	3,026
Goodwill	10	**30,744**	31,862
Deferred tax asset	13	**8,731**	6,385
Investments	12	**37,237**	37,231
		82,529	97,288
Current assets			
Inventories	14	**9,848**	3,599
Current tax recoverable		**2,757**	11,690
Trade and other receivables	16	**174,355**	144,723
Cash and cash equivalents	15	**389**	19,652
		187,349	179,664
Assets included in discontinued operation	8, 16	**12,239**	5,589
Total assets		**282,117**	282,541
Current liabilities			
Trade and other payables	17	**(174,443)**	(194,287)
Current tax liabilities		**-**	-
Borrowings	19	**(52,862)**	(20,000)
Obligations under finance leases	19	**(191)**	(164)
Provisions	20	**(17,798)**	(25,700)
		(245,294)	(240,151)
Liabilities included in discontinued operation	8, 17	**(13,179)**	(8,722)
Non-current liabilities			
Obligations under finance leases	19	**(411)**	(663)
Provisions	20	**(30,803)**	(20,815)
		(31,214)	(21,478)
Total liabilities		**(289,687)**	(270,351)
Net (liabilities)/assets		**(7,570)**	12,190
Equity			
Share capital	21	**1,500**	1,500
Retained earnings	23	**(9,070)**	10,690
Total equity		**(7,570)**	12,190

These financial statements were approved by the board of directors on 9 March 2015 and signed on its behalf by:

David Benson
Director

Company registration number: 873179

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of cash flows

for the 15 months ended 30 June 2014

	Note	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Cash flows from operating activities			
Operating (loss)/profit before amortisation and non-recurring costs		**(14,219)**	(96)
Non-cash items		**15,689**	4,039
Working capital movement		**1,361**	4,555
Discontinued operations		**1,321**	10,000
Cash generated from / (used in) continuing operations	28	**4,152**	18,498
Cash used in discontinued operations		**(3,514)**	(9,013)
Cash generated from operations		**638**	9,485
Non-recurring business closure costs paid		**(2,042)**	(1,093)
Corporation tax received/(paid)		**10,320**	(4,584)
Interest received		**1,734**	37
Interest paid		**(10,072)**	(601)
Net cash received from / (used in) operating activities		**578**	3,244
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(1,740)**	(15,842)
Proceeds from transfer/sale of property, plant and equipment	11	**868**	34,834
Payments to acquire intangible assets	9	**(232)**	(1,318)
Proceeds from transfer/sale of intangible assets	9	**240**	-
Purchase of investments	12	**(6)**	-
Proceeds from sale of investment	12	-	21
Dividends received		**3,392**	-
Payment of contingent consideration agreed		-	(1,882)
Net cash generated from investing activities		**2,522**	15,813
Cash flows from financing activities			
New finance leases		-	851
Payment of finance lease obligations		**(225)**	(24)
Transfer of finance lease obligations	19	-	(24,483)
Loan to Kier Group companies		**(55,000)**	-
Loan received		-	33,000
Loans repaid		**(20,000)**	(33,000)
Net cash used in financing activities		**(75,225)**	(23,656)
Decrease in cash and cash equivalents		**(72,125)**	(4,599)
Opening cash and cash equivalents		**19,652**	24,251
Closing cash and cash equivalents		**(52,473)**	19,652

Net cash			
Cash and cash equivalents	15	**389**	19,652
Bank overdraft	19	**(52,862)**	-
Closing cash and cash equivalents		**(52,473)**	19,652

Notes to the report and accounts

1. Revenue

The following significant categories of revenue were recognised in the year.

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Revenue arising from:		
Sale of goods	**6,484**	4,203
Contract revenue	**792,347**	606,471
	798,831	610,674

For management purposes, the Company is currently organised into two segments - Public Sector Services and Regulated Services. Revenue is mostly derived from contract work and is analysed as follows:

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Public Sector Services	**438,449**	340,256
Regulated Services	**360,382**	270,418
	798,831	610,674

Revenue is derived from activities carried out principally within the United Kingdom.

2. Operating loss before amortisation and non-recurring items

Operating loss is stated after charging:

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Depreciation		
- owned assets (note 11)	**1,890**	3,617
- leased assets (note 11)	**70**	65
Auditors' remuneration - company audit	**100**	100
Amounts payable under operating leases:		
- land and buildings	**3,705**	2,290

3. Non-recurring items and amortisation

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Provision for onerous contracts	**7,863**	46,500
Impairment of fixed assets	**13,802**	-
Internal reorganisation costs	**2,042**	-
Provisions against recoverability of work in progress	**-**	4,200
Contingent consideration	**-**	(2,842)
Intangible assets amortisation and goodwill impairment	**2,213**	2,639
Operating loss attributable to non-recurring items and amortisation	**25,920**	50,497

During the prior period the Company made significant losses on its MaGOS contracts. The Board was of the view that the contracts will remain loss making over the life of the contract and therefore recognised a provision for future losses of £46,500,000 in the prior period financial statements and a further £7,863,000 in the current period.

In addition to the onerous contract provision above, the carrying value of the fixed assets used to deliver the MaGOS contracts has been reviewed and as a result an impairment provision of £12,658,000 has been recognised in the period. A further impairment provision of £1,144,000 has been made in relation to assets associated with the internal development of software interfacing solutions, as these assets were deemed to have a carrying value in excess of their recoverable amount. Therefore, a total asset impairment provision of £13,802,000 has been recognised in the current period financial statements.

On 8 July 2013, Kier Group plc acquired May Gurney Integrated Services plc (since renamed Kier MGIS Limited), the ultimate controlling party of Kier MG Limited and all the other May Gurney Group companies. Non-recurring costs of £2,042,000 were incurred as a result of the subsequent business integration and restructure.

During the prior period the Company also recognised a provision of £4,200,000 against potential unrecoverable work in progress on certain of its contracts. Management believe this is one-off in nature.

During the prior period, the Company agreed a full and final settlement with the vendor of Turriff Group Limited in respect of the remaining £5,000,000 contingent consideration. This was payable in respect of meeting certain revenue targets with key customers and retention of certain key employees. This resulted in a one-off gain of £2,842,000 which was shown on the face of the income statement in the prior period financial statements.

4. Finance income and costs

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Finance income		
Interest receivable from short-term bank deposits	**114**	37
Interest receivable from group undertakings	**1,620**	287
	1,734	324
Finance costs		
Interest payable on short-term bank deposits	**(971)**	(588)
Finance charges payable under finance leases	**(72)**	(13)
Discount unwinding	**(6,088)**	-
Interest payable to group undertakings	**(2,941)**	(257)
	(10,072)	(858)

5. Staff numbers and costs

The average number of people (including directors) employed during the year, categorised by segment, was as follows:

	Number of employees	
for the 15 months ended 30 June 2014	**15 months ended 30 June 2014 £'000**	Year ended 31 March 2013 £'000
Public Sector Services	**3,025**	2,839
Regulated Sector Services	**1,876**	1,793
Shared Services	**210**	217
	5,111	4,849

The aggregate payroll costs of these employees were:

for the 15 months ended 30 June 2014	**15 months ended 30 June 2014 £'000**	Year ended 31 March 2013 £'000
Wages and salaries	**179,625**	132,563
Social security costs	**17,227**	13,893
Pension costs (note 24)	**-**	505
Other pension costs	**5,653**	6,391
	202,505	153,352

6. Directors' emoluments

for the 15 months ended 30 June 2014	**15 months ended 30 June 2014 £'000**	Year ended 31 March 2013 £'000
Directors' emoluments	**254**	-

No retirement benefits are accruing to directors (year ended 31 March 2013: none) under the May Gurney Pension Scheme, a defined benefit scheme.

Only one Director is employed directly by Kier MG Ltd, the other Directors were remunerated through other Kier Group companies.

7. Taxation

(a) Analysis of tax credit:

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Current tax		
Corporation tax on losses for the period/year	**(1,653)**	(8,410)
Under/(over) provision in respect of prior year	**770**	(443)
Total current tax	**(883)**	(8,853)
Deferred tax		
Origination and reversal of timing differences	**(3,288)**	(4,464)
Under provision in respect of prior year	**785**	-
Total deferred tax	**(2,503)**	(4,464)
Total tax credit for the year (note 7(b))	**(3,386)**	(13,317)

(b) Factors affecting the tax charge:

The taxation assessed for the period is higher (year ended 31 March 2013: lower) than the standard rate of corporation tax in the UK of 22.6% (2013: 24%).

The differences are explained as follows:

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Loss before tax	**(23,420)**	(51,127)
Loss before tax multiplied by standard rate of corporation tax in the UK of 22.6% (year ended 31 March 2013: 24%) expected charge	**(5,293)**	(12,270)
Effects of:		
Income exempt from taxation	-	(682)
Dividends receivable not subject to tax	**(767)**	-
Expenses not deductible for tax purposes	**200**	252
Other timing differences	-	(39)
Change in future tax rate	**919**	236
Losses relievable at a higher tax rate	-	(371)
Adjustments to tax charge in respect of previous year	**1,555**	(443)
Total tax credit for year (note 7(a))	**(3,386)**	(13,317)

The Chancellor has so far cut the main rate of corporation tax from 24% to 21% since 2012 and announced it will reduce further by an additional 1% in April 2015, so it will reach 20%. The corporation tax reduction from 23% to 21% effective from 1 April 2014 and a further reduction to 20% effective from 1 April 2015 were both substantively enacted on 2 July 2013.

The deferred tax balance as at the year end has been recognised at 20%.

8. Discontinued operations

The amounts presented in the income statement under discontinued operations relate to the Facility Services business unit, part of the Public Sector Services division. In the prior year the Board made the decision to discontinue this activity which is considered non-core. The Company's core contractual obligations, were completed in the period ended 30 June 2014. At 30 June 2014 only immaterial levels of remedial work commitments remained.

The results of the discontinued activities are presented below:

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Revenue	**5,670**	24,255
Expenses	**(6,991)**	(34,255)
Operating loss for the year	**(1,321)**	(10,000)
Taxation	**299**	2,400
	(1,022)	(7,600)

9. Other intangible assets

for the 15 months ended 30 June 2014	£'000
Cost	
At 31 March 2012 and 1 April 2012	3,468
Internal development	1,318
At 31 March 2013 and 1 April 2013	4,786
Internal development	232
Disposals	(311)
At 30 June 2014	4,707
Amortisation	
At 31 March 2012 and 1 April 2012	621
Charge for year	1,139
At 31 March 2013 and 1 April 2013	1,760
Charge for year	1,095
Disposals	(71)
At 30 June 2014	2,784
Net book value at 30 June 2014	**1,923**
Net book value at 31 March 2013	3,026

In the current and prior periods the company incurred costs in developing software for the MG Connect™ project which is the company's integrated web enabled technology platform that covers all areas of the company's activities. The useful economic life of this asset is 4 years.

During the period intangible assets with a net book value of £241,000 were transferred to Kier Ltd following the transfer of the responsibility for IT department and associated assets.

10. Goodwill

for the 15 months ended 30 June 2014	
	£'000
Cost	
At 1 April 2013 and 30 June 2014	44,863
Amortisation and impairment	
At 1 April 2012	11,501
Charge for year	1,500
At 31 March 2013 and 1 April 2013	13,001
Charge for year	1,118
At 30 June 2014	14,119
Net book value at 30 June 2014	**30,744**
Net book value at 31 March 2013	31,862

The cost of goodwill comprises:

	Year of acquisition	Company cost £'000
Turriff Group Limited	2011	8,604
ECT Recycling CIC	2009	1,885
Kier MG Recycling CIC (formerly May Gurney Recycling CIC)	2010	1,763
FDT (Holdings) Limited	2008	3,634
Southern Household Waste Recycling Centre	2008	4,594
AC Chesters & Son Limited	2007	3,454
T Cartledge Limited	2003	14
Essex Highway Contracts	2003	198
TJ Brent Limited	2005	15,209
Michco 210 Limited	2005	5,508
		44,863

The carrying values of the Company's goodwill are reassessed at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If analysis indicates that the carrying value is too high, then this is reduced to its recoverable amount which is the higher of fair value and its value in use.

Value in use is calculated using pre-tax cash flow projections based on financial budgets and business plans covering a four year period, which take into account historical trends and market conditions, and which have been approved by the Board. The cash flow forecasts are adjusted by an appropriate discount rate derived from our cost of capital plus a reasonable risk premium at the date of valuation.

The key assumptions are: operating margin (2-7%); average annual growth rate (0-7%); and pre-tax discount rate (9.14%). The average growth rates used are consistent with forecasts included in industry reports.

The Company's impairment review is sensitive to changes in the key assumptions used, in particular the growth rate and discount rate. However, based on the Company's sensitivity analysis, a reasonable change in a single assumption will not cause impairment in any of the Company's cash generating units.

The impairment review indicated that the carrying value of goodwill relating to the Southern Household Waste Recycling Centre was partially impaired. The need for impairment arose as a result of the net present value of the CGU being less than the carrying value of the goodwill based on its future projected earnings. Consequently, the carrying value of the CGU has been reduced to reflect its net present value.

11. Property, plant and equipment

for the 15 months ended 30 June 2014	Short leasehold property £'000	Plant, vehicles and equipment £'000	Total £'000
Cost			
At 1 April 2012	2,203	76,465	78,668
Additions	2,515	13,327	15,842
Disposals (transfer to other group company)	-	(62,621)	(62,621)
At 31 March 2013 and 1 April 2013	4,718	27,171	31,889
Additions	147	1,593	1,740
Disposals (transfer to other group company)	-	(9,982)	(9,982)
At 30 June 2014	4,865	18,782	23,647
Depreciation			
At 1 April 2012	664	36,546	37,210
Charge for year	598	3,084	3,682
Disposals (transfer to other group company)	-	(27,787)	(27,787)
At 31 March 2013 and 1 April 2013	1,262	11,843	13,105
Charge for year	574	1,386	1,960
Disposals (transfer to other group company)	-	(9,114)	(9,114)
Impairment	2,177	11,625	13,802
At 30 June 2014	4,013	15,740	19,753
Net book value at 30 June 2014	**852**	**3,042**	**3,894**
Net book value at 31 March 2013	3,456	15,328	18,784

Included in the total net book value of plant, vehicles and equipment is £821,000 (31 March 2013: £891,000) in respect of assets acquired under finance leases and hire purchase agreements. Depreciation for the year on these assets was £70,000 (year ended 31 March 2013: £65,000).

During the period assets with a net book value of £868,000 were transferred to Kier Ltd following the transfer of the responsibility for IT department and associated assets.

In addition to the onerous contract provisions made on the MaGOS contracts, the carrying value of the fixed assets used to deliver the MaGOS contracts has been reviewed and as a result an impairment provision of £12,658,000 has been recognised in the period. A further impairment provision of £1,144,000 has been made in relation to assets associated with the internal development of software interfacing solutions, as these assets were deemed to have a carrying value in excess of their recoverable amount. Therefore, a total asset impairment provision of £13,802,000 has been recognised in the current period financial statements.

At the beginning of the prior year, the Plant and Transport division, which held the majority of the Company's tangible fixed assets, was transferred to Kier FPS Limited. Assets with a net book value of £34,834,000 were transferred.

12. Fixed assets - investments

for the 15 months ended 30 June 2014	Interests in subsidiary undertakings £'000	Interests in associate undertakings £'000	Total £'000
Cost			
At 1 April 2012	39,434	-	39,434
North Lincolnshire Learning Partnership (PSP) Limited	(21)	-	(21)
At 1 April 2013	39,413	-	39,413
Team Van Oord Limited	-	6	6
At 30 June 2014	**39,413**	**6**	**39,419**
Provisions			
At 1 April 2013 and 30 June 2014	2,182	-	2,182
Net book value at 30 June 2014	**37,231**	**6**	**37,237**
Net book value at 31 March 2013	37,231	-	37,231

During the period the Company acquired a 25% participating interest in Team Van Oord Limited.

Joint arrangements that are not entities

The company operates unincorporated arrangements and in accordance with the company's accounting policy its share of the non-entities attributable assets, liabilities and cash flows have been included in the financial statements by proportional consolidation.

13. Deferred tax asset

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
At beginning of period/year	**6,385**	2,433
Transfer to corporation tax	**(504)**	(20)
Income statement charge	**2,503**	4,464
Credited direct to equity	**347**	(492)
At end of period/year	**8,731**	6,385

Deferred taxation at 20% (31 March 2013: 23%) is in respect of:

	30 June 2014 £'000	31 March 2013 £'000
Depreciation in excess of capital allowances	**3,027**	735
Other temporary differences	**324**	674
Share based payments	**197**	427
Tax losses carried forward	**5,183**	4,549
Deferred tax asset	**8,731**	6,385

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

14. Inventories and short-term contracts

for the 15 months ended 30 June 2014	30 June 2014 £'000	31 March 2013 £'000
Raw materials and consumables	-	314
Finished goods and goods for resale	**6,846**	3,285
Construction contracts in progress	**3,002**	-
	9,848	3,599

During the period £91,791,000 (year ended 31 March 2013: £12,620,000) of inventories was recognised as an expense.

15. Cash and cash equivalents

for the 15 months ended 30 June 2014	30 June 2014 £'000	31 March 2013 £'000
Cash at bank and in hand	**389**	19,484
Short term bank deposits	-	168
	389	19,652

The carrying amount of cash and cash equivalents approximates their fair value.

16. Trade and other receivables

for the 15 months ended 30 June 2014	30 June 2014 £'000	31 March 2013 £'000
Trade receivables	**116,995**	84,227
Amounts due from contract customers	**636**	5,258
Amounts owed by intermediate parent undertakings	-	41,109
Amounts owed by group undertakings	**63,126**	16,407
Other receivables	**3,994**	797
Prepayments and accrued income	**1,843**	2,514
Assets included in discontinued operation	**(12,239)**	(5,589)
	174,355	144,723

Trade and other receivables are initially stated at their fair value and subsequently measured at amortised cost as reduced by appropriate allowance for estimated irrecoverable amounts. The directors consider that the carrying values of current trade and other receivables approximate their fair values.

Amounts due from contract customers relates to value in excess of cash received recognised on long-term contracts. At 30 June 2014 there were no contracts being accounted for as a long-term contract (31 March 2013: three).

16. Trade and other receivables (continued)

Trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be potentially impaired and a provision of £642,000 (31 March 2013: £4,830,000) has been recorded accordingly.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	30 June 2014 £'000	31 March 2013 £'000
Not more than 3 months	**8,365**	5,962
More than 3 months but not more than 6 months	**614**	1,686
More than 6 months but not more than 1 year	**246**	-
More than 1 year	**1,580**	-
	10,805	7,648

The movement in the provision for impairment of trade receivables is as follows:

	30 June 2014 £'000	31 March 2013 £'000
Balance at 1 April 2013	**4,830**	684
Provision utilised in the period	**(4,200)**	-
Debited/(credited) to the income statement		
- additional provisions	**12**	4,500
- unused amounts reversed	**-**	(354)
Balance at 30 June 2014	**642**	4,830

The ageing of the impaired receivables is as follows:

	30 June 2014 £'000	31 March 2013 £'000
Up to three months	**-**	200
Three to six months	**74**	100
Six to nine months	**40**	100
Nine to twelve months	**47**	100
Over twelve months	**481**	4,330
	642	4,830

Credit risk

Exposure to credit risk is disclosed in note 18.

17. Trade and other payables

for the 15 months ended 30 June 2014

	30 June 2014 £'000	31 March 2013 £'000
Amounts due to contract customers	**3,594**	18
Trade payables	**104,666**	88,492
Contingent consideration	**100**	100
Amounts owed to intermediate parent undertakings	**1,779**	32,800
Amounts owed to group undertakings	**40,684**	57,657
Other tax and social security	**11,050**	14,934
Other payables	**5,931**	5,355
Accruals and deferred income	**19,818**	3,653
Liabilities included in discontinued operation	**(13,179)**	(8,722)
	174,443	194,287

Trade and other payables are initially stated at their fair value and subsequently measured at amortised cost. The directors consider that the carrying values of current trade and other payables approximate their fair values.

Amounts due to contract customers relates to cash received in excess of value recognised.

During the prior year, the Company agreed a full and final settlement with the vendor of Turriff Group Limited in respect of the remaining £5,000,000 contingent consideration. This was payable in respect of meeting certain revenue targets with key customers and retention of certain key employees. This resulted in a one-off gain of £2,842,000 which is shown on the face of the income statement.

18. Financial instruments

Capital risk management

The Company manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.
The capital structure of the Company comprises equity attributable to equity holders of Kier MG Limited consisting of issued ordinary share capital, reserves and retained earnings as disclosed in Notes 21 and 23 and cash and cash equivalents as disclosed in Note 15.

The Company maintains or adjusts its capital structure through the payment of dividends to the shareholder. The Company's policy is to carry no significant long term debt, other than finance leases.
The Company's overall capital risk management strategy remains unchanged from 2013.

Financial risk management

Financial risk management is an integral part of the way the Company is managed. In the course of its business, the Company is exposed primarily to interest rate risk, credit risk and liquidity risk. The overall aim of the Company's financial risk management policies is to minimise potential adverse effects on financial performance and net assets.
The Company's finance department manages the principal financial risks within policies and operating parameters approved by the Board of directors.

Interest rate risk

Interest rate risk does not arise on the Company's obligations under finance leases as interest rates are fixed at the start of the lease.

Interest rate risk does not arise on the Company's obligations under the revolving loan facility as interest rates are fixed at the date of the draw down.

Interest rate risk arises on the Company's cash and cash equivalents. A 1% increase/decrease in the Bank of England base rate would lead to a £525,000 increase/decrease in the Company's finance costs (31 March 2013: £197,000 increase/decrease in the Company's finance income). Interest rate risk also arises on the company's group balances. A 1% increase/decrease in the Bank of England base rate would lead to a £207,000 (31 March 2013: £62,000) increase/decrease in the company's finance income.

Credit risk

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, namely cash and cash equivalents and trade and other receivables.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. An analysis of amounts that are past due but not impaired is shown in note 16.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Company has no significant concentration of credit risk in respect of amounts due from contract customers or trade receivable balances at the reporting date, with exposure spread over a number of customers and across the Company's operating segments.

Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. Funding in regards to long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

Commodity Price Risk

Through its environmental services contracts the Company has some exposure to fluctuations in recyclable commodity prices. Where possible the Company seeks to mitigate the risk by passing on the risk and reward of price fluctuations to clients and through the use of cap and collar agreements with buyers of recyclables commodities.

Foreign currency risk

The Company does not have significant foreign currency transactions and exposure to foreign currency risk is therefore minimal. Accordingly, these financial statements do not include any sensitivity analysis in respect of currency risk.

Price risk

The directors do not consider there to be any price risk relating to equity instruments and hence no need for any related disclosures.

18. Financial instruments (continued)

Categories of financial instruments

	30 June 2014 Loans and receivables £'000	30 June 2014 Non financial assets £'000	30 June 2014 Financial liabilities at amortised cost £'000	30 June 2014 Non financial liabilities £'000	31 March 2013 Loans and receivables £'000	31 March 2013 Non financial assets £'000	31 March 2013 Financial liabilities at amortised cost £'000	31 March 2013 Non financial liabilities £'000
Financial assets								
Cash at bank	389	-	-	-	19,652	-	-	-
Trade receivables - current	116,995	-	-	-	84,227	-	-	-
Other receivables - current	67,756	-	-	-	63,571	-	-	-
Taxation receivables	-	-	-	2,757	-	-	-	11,690
Prepayments	-	1,843	-	-	-	2,514	-	-
Total	185,140	1,843	-	2,757	167,450	2,514	-	11,690
Financial liabilities								
Trade payables	-	-	(104,666)	-	-	-	(88,492)	-
Other liabilities - current	-	-	(51,988)	(17,798)	-	-	(95,830)	(25,700)
Other liabilities - non current	-	-	-	(30,803)	-	-	-	(20,815)
Finance leases - current	-	-	(191)	-	-	-	(164)	-
Finance leases - non current	-	-	(411)	-	-	-	(663)	-
Accruals	-	-	(19,818)	-	-	-	(3,653)	-
VAT and taxation payables	-	-	-	(11,050)	-	-	-	(14,934)
Contingent consideration	-	-	(100)	-	-	-	(100)	-
Borrowings - current	-	-	(52,862)	-	-	-	(20,000)	-
Total	-	-	(230,036)	(59,651)	-	-	(208,902)	(61,449)
Net	185,140	1,843	(230,036)	(56,894)	167,450	2,514	(208,902)	(49,759)

Maturity of the Company's financial liabilities

	30 June 2014 Trade and other payables £'000	30 June 2014 Finance leases & borrowings £'000	30 June 2014 Total £'000	31 March 2013 Trade and other payables £'000	31 March 2013 Finance leases & borrowings £'000	31 March 2013 Total £'000
Due within one year	176,572	53,092	229,664	187,975	20,230	208,205
Due within one to two years	-	211	211	-	230	230
Due within two to five years	-	230	230	-	500	500
Due after five years	-	-	-	-	-	-
	176,572	53,533	230,105	187,975	20,960	208,935

The above contractual maturities reflect the gross cash flows which may differ to the carrying values of the liabilities at the reporting date.

19. Obligations under finance leases and borrowings

for the 15 months ended 30 June 2014	30 June 2014 £'000	31 March 2013 £'000
Finance lease and hire purchase obligations		
Repayable: Within one year	**191**	164
Repayable: Between two and five years	**411**	663
Repayable: After more than five years	-	-
	602	827

The net obligations under finance lease and hire purchase agreements of £602,000 (31 March 2013: £827,000) are secured on the assets acquired. The directors consider that there is no material difference between the carrying value and the fair value of finance lease obligations.

At the beginning of the previous year, the Plant and Transport division, which held the majority of the Company's finance leases, was transferred to Kier FPS Limited.

The gross obligations under finance lease and hire purchase agreements are £672,000 (31 March 2013: £960,000).

for the 15 months ended 30 June 2014	30 June 2014 £'000	31 March 2013 £'000
Borrowings		
Bank overdraft	**52,862**	-
Bank loan:		
Repayable: within one year	-	20,000
Repayable: between two and five years	-	-
Repayable: after more than five years	-	-
	52,862	20,000

Following the acquisition of the Company's ultimate parent company, Kier MGIS Ltd by Kier Group plc, the Company closed its revolving-loan bank facility.

20. Provisions and other liabilities

for the 15 months ended 30 June 2014	30 June 2014 £'000	31 March 2013 £'000
Site reinstatement obligations	**12**	15
Onerous contracts	**48,589**	46,500
	48,601	**46,515**

Reconciliation of carrying amount of provisions

for the 15 months ended 30 June 2014	Onerous contracts £'000	Site reinstatement obligations £'000	Total £'000
At 1 April 2013	46,500	15	46,515
Additions	7,863	-	7,863
Utilised	(11,862)	(3)	(11,865)
Unwinding of discount	6,088	-	6,088
At 30 June 2014	**48,589**	**12**	**48,601**
Current liabilities	**17,798**	**-**	**17,798**
Non-current liabilities	**30,791**	**12**	**30,803**
At 30 June 2014	**48,589**	**12**	**48,601**
Current liabilities	25,700	-	25,700
Non-current liabilities	20,800	15	20,815
At 31 March 2013	46,500	15	46,515

During the prior period the Company has made significant losses on its MaGOS contracts. The Board was of the view that the contracts will remain loss making over the life of the contract and therefore recognised a provision for future losses of £46,500,000 in the prior period financial statements and a further £7,863,000 in the current period.

The Company makes full provision in respect of site reinstatement obligations where the Company was formerly engaged in the excavation of sand and aggregates and other site reinstatement obligations.

21. Share capital

for the 15 months ended 30 June 2014	30 June 2014 £'000	31 March 2013 £'000
Authorised, issued and fully paid		
Equity shares		
1,500,000 Ordinary shares of £1 each	**1,500**	1,500

22. Share based payments

The following income/(expense) was credited/(charged) in respect of the Company's share-based incentive schemes:

	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
LTIP	**369**	(26)
Share save	**(303)**	(294)
CSOP & other schemes	**7**	(37)
Total	**73**	(357)

For options granted since the May Gurney Integrated Services plc (MGIS) listing on AIM in June 2006, independent valuations have been used to determine the fair values for share-based payments. The fair values and assumptions used were as follows:

22. Share based payments (continued)

	LTIP 09	LTIP 10	LTIP 11	CSOP 09	CSOP 10	CSOP 11	Deferred bonus 10	Deferred bonus 11	Share save 10	Share save 11	Share save 12	Stand alone option 06	Stand alone option 07
Pricing model	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial
Grant date	8 July 09	8 July 10	7 July 11	8 July 09	8 July 10	7 July 11	8 July 10	7 July 11	6 Aug 10	6 Aug 11	30 July 12	12 Mar 07	25 July 07
Share price at grant	161.00p	192.00p	282.00p	161.00p	192.00p	282.00p	192.00p	282.00p	198.00p	273.00p	245.00p	330.00p	335.50p
Exercise price	nil	nil	nil	161.00p	192.00p	282.00p	Nil	Nil	159.00p	219.00p	185.00p	330.00p	335.50p
Option life	10 years	10 years	10 years	10 years	10 years	10 years	3 years	3 years	3.6 years	3.6 years	3.7 years	10 years	10 years
Expected vesting life	3 years	3 years	3 years	3 years	3 years	3 years	2 years	2 years	3.1 years	3.1 years	3.2 years	2 years	3 years
Risk free rate	3.73%	3.22%	3.30%	3.73%	3.22%	3.30%	1.16%	1.13%	1.98%	1.42%	0.31%	4.80%	5.30%
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	25%	25%
Expected dividend yield	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%
Value per option	147.00p	175.00p	264.00p	52.00p	63.00p	103.00p	180.00p	272.00p	39.00p	90.00p	41.00p	87.06p	95.40p

22. Share based payments (continued)

For 2003 Scheme options, which were granted prior to the AIM listing of MGIS, the fair values of services received in return for share-based payments were measured by the fair value of shares received and options granted. Owing to the absence of a market for the MGIS shares at the time of grant, the Company used share valuation methodology which looks at comparator listed companies and adjusts for the lack of an active market by means of discounting their quoted price earnings ratios. The risk free rate of return was assumed to be 5%.

May Gurney Integrated Services Unapproved Share Option Scheme (the "2003 Scheme")

The 2003 Scheme was adopted in 2003 and ceased issuing new options on the flotation of MGIS. Under the Scheme, options were granted to executive directors and to senior and middle management. The exercise of some of the options granted under the 2003 Scheme was conditional upon the achievement of objective performance targets set by the Trustee of the ESOT at the time of grant. Options granted under the 2003 Scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Company or any of the Company's subsidiaries. Further details of the scheme are included in the MGIS Directors' remuneration report.

Options granted, exercised and forfeited under the scheme were as follows:

	15 months ended 30 June 2014		Year ended 31 March 2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at beginning of period/ year	367,500	13.58p	367,500	13.58p
Granted	-	-	-	-
Exercised	(367,500)	13.58p	-	-
Lapsed	-	-	-	-
Outstanding at end of period/year	-	-	367,500	13.58p
Exercisable at the end of the period/year	-	-	367,500	13.58p

No options were exercised in the period/year.

The May Gurney Long Term Incentive Plan ("LTIP")

The LTIP scheme is a long term incentive plan for executive directors and senior managers. The exercise of awards granted under the LTIP will in normal circumstances be conditional upon the achievement of objective performance targets set at the time of grant. Such performance targets shall be measured over a performance period. Options granted under the LTIP Scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Company or any of the Company's subsidiaries. Further details of the scheme are included in the MGIS Directors' remuneration report. Options granted, exercised and forfeited under the scheme were as follows:

	15 months ended 30 June 2014		Year ended 31 March 2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at beginning of period/year	235,060	-	349,726	-
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	(235,060)	-	(114,666)	-
Outstanding at end of period/year	-	-	235,060	-
Exercisable at the end of the period/year	-	-	-	-

22. Share based payments (continued)

The May Gurney Savings Related Share Option Scheme ("Share save")

The Share save scheme was established in July 2007. Participation is offered to all employees of the Company who have been employed for a continuous period which is determined by the board of directors. Under the Share save contract participating employees save a regular sum each month for three years of not less than £5 nor more than £250 per month.

Options to acquire ordinary shares in the capital of MGIS will be granted to eligible employees who enter into a Share save contract. The number of options will be that number of shares which have an aggregate option price not exceeding the projected proceeds of the Share save contract including any bonus. The option price per share will not be less than 80% of the market value of an ordinary share on the day on which invitations to apply for options are issued.

Options granted under the Share save Scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Company or any of the Company's subsidiaries. Further details of the scheme are included in the MGIS Directors' remuneration report. Options granted, exercised and forfeited under the scheme were as follows:

	15 months ended 30 June 2014		Year ended 31 March 2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at beginning of period/year	1,471,292	185.59p	1,922,038	171.86p
Granted	-	-	787,373	185.00p
Exercised	(13,565)	165.03p	(464,136)	140.95p
Lapsed	(76,842)	185.41p	(773,983)	177.66p
Converted to Kier Group plc shares	(1,037,399)			
Kier Group plc options	343,486	746.11p		
Exercised	(104,493)	648.21p		
Lapsed	(38,394)	776.79p		
Outstanding at end of period/year	**200,599**	**791.24p**	1,471,292	185.59p
Exercisable at the end of the period/year	-	-	522	139.00p

The May Gurney Company Share Ownership Plan ("CSOP")

The CSOP scheme is a long term incentive plan for senior managers. The exercise of awards granted under the CSOP will in normal circumstances be conditional upon the achievement of objective performance targets set at the time of grant. Such performance targets shall be measured over a performance period. Options granted under the CSOP Scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Company or any of the Company's subsidiaries. Options granted, exercised and forfeited under the scheme were as follows:

	15 months ended 30 June 2014		Year ended 31 March 2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at beginning of period/year	210,000	304.76p	253,881	285.62p
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(210,000)	304.76p	(43,881)	194.01p
Outstanding at end of period/year	-	-	210,000	304.76p
Exercisable at the end of the period/year	-	-	-	-

22. Share based payments (continued)

The May Gurney Deferred Share Bonus Plan ("Deferred Bonus")

The Deferred Bonus scheme is a long term incentive plan for executive directors and senior managers, whereby one third of the option holders' profit share bonus in 2010 was converted into share options. Options granted under the Deferred Bonus Scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Company or any of the Company's subsidiaries. Options granted, exercised and forfeited under the scheme were as follows:

	15 months ended 30 June 2014		Year ended 31 March 2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at beginning of period/year	17,729	-	52,334	-
Granted	-	-	-	-
Exercised	(17,729)	-	(34,605)	-
Forfeited	-	-	-	-
Outstanding at end of period/year	**-**	**-**	**17,729**	**-**
Exercisable at the end of the period/year	-	-	-	-

Other schemes

Options granted, exercised and forfeited under other schemes were as follows:

Date of award	Market value at date of award	Earliest vesting date	Awarded at 1 April 13	Granted in year	Vested in year	Lapsed in year	Awarded at 30 June 14
12 Mar 07	330.0p	12 Mar 09	151,515	-	-	-	151,515
25 Jul 07	335.5p	25 Jul 10	5,961	-	-	-	5,961

23. Reserves

for the 15 months ended 30 June 2014

	30 June 2014 £'000	31 March 2013 £'000
Profit and loss account		
At 1 April 2013	**10,690**	58,635
Loss for the period/year	**(20,034)**	(37,810)
Dividends paid	**-**	(10,000)
Items credited/(charged) direct to equity	**274**	(135)
At 30 June 2014	**(9,070)**	10,690

24. Employee benefits

The company makes contributions in respect of some salaried employees and supervisory foremen who are members of the May Gurney Defined Benefit Pension Scheme. The scheme funds are administered by trustees and are independent of the company and the group's finances. The employer's contribution rate is based upon pensionable salary per annum in respect of future accrual of benefits. The company's contributions, which are paid in accordance with Kier MGIS Limited (formerly May Gurney Integrated Services plc) instructions, are charged to the income statement in the period in which they accrue. An actuarial review of the fund was carried out on 31 March 2011. The Scheme was closed to future accrual on 30 September 2012. Full details of this valuation are contained in the financial statements of Kier MGIS Limited (formerly May Gurney Integrated Services plc).

May Gurney Defined Benefit Pension Scheme contributions charged to the statement of comprehensive income for the period ended 30 June 2014 amounted to £Nil (year ended 31 March 2013: £505,000).

25. Commitments

for the 15 months ended 30 June 2014

	30 June 2014 £'000	31 March 2013 £'000
Operating lease commitments		
Total commitments due under operating leases:		
Land and buildings		
Within one year	**2,628**	2,290
Between two and five years	**5,341**	5,178
More than five years	**732**	592
	8,701	8,060

26. Contingent liabilities

(a) The Company has given an unlimited guarantee, secured by fixed and floating charges over the Company's assets in respect of the borrowings from Bank of Scotland, of all group companies. At 30 June 2014, the net indebtedness of all other group companies for borrowings repayable on demand amounted to £nil (31 March 2013: £20,000,000).

(b) The Company has given joint and several guarantees securing indemnities given by other group companies in respect of performance bonds. At 30 June 2014, indemnities outstanding amounted to £6,876,187 (31 March 2013: £8,341,776).

27. Group undertakings

The principal group undertakings at 30 June 2014 were as follows:

	Activity		Percentage of equity owned
Subsidiary undertakings			
Turriff Group Limited	- Provision of contracting services to utility markets		100%
Turriff Contractors Limited	- Provision of contracting services to utility markets	***	100%
Underground Moling Services Limited	- Provision of contracting services to utility markets	***	100%
Turriff Smart Services Limited	- Provision of contracting services to utility markets	***	100%
Lambeth Learning Partnership (PSP) Limited	- Intermediate holding company		65%
Engage Lambeth Limited	- Facility services for the education sector	**	80%
TOR2 Limited	- Waste, recycling collections & highways maintenance		80%
Senturion Group Limited	- Dormant		100%
Senturion (MidCo) Limited	- Dormant	◆	100%
Senturion (BidCo) Limited	- Dormant	◆◆	100%
Senturion Trustees Limited	- Dormant	◆	100%
Kier FPS Limited (formerly May Gurney Fleet and Passenger Services Limited)	- Provider of specialist fleet and passenger services	◆◆◆	100%
MGWSP Essex Limited	- Dormant		100%
Kier MG Recycling CIC	- Collection and sale of recyclable materials		100%
TJ Brent Limited	- Dormant		100%
T Cartledge Limited	- Dormant		100%
AC Chesters & Son Limited	- Dormant		100%
FDT (Holdings) Limited	- Dormant		100%
FDT Associates Limited	- Dormant	*	100%
FDT Contracts Limited	- Dormant	*	100%
Norfolk Community Recycling Services Limited	- Dormant		100%
ECT Engineering Limited	- Dormant		100%
Kier MG Building Limited (formerly May Gurney Building Ltd)	- Dormant		100%
Michco 210 Limited	- Dormant		100%
Engineered Products Limited	- Dormant		100%
Associated undertakings			
Team Van Oord Limited	- Non trading		25%
Joint arrangements			
Kier MG / WSP JV	- Highways maintenance		50%
Lafarge Contracting / Kier MG JV	- Civil Engineering		50%

* held by FDT (Holdings) Limited

** held by Lambeth Learning Partnership (PSP) Limited

*** held by Turriff Group Limited

◆ held by Senturion Group Limited

◆◆ held by Senturion (Midco) Limited

◆◆◆ held by Senturion (Bidco) Limited

The shareholdings in subsidiaries, associates and joint ventures all relate to ordinary share capital and are equivalent to the percentages of voting rights held by the group.

The percentages quoted in respect of the joint arrangements are the company's interest under the joint arrangement contract. The joint arrangements' principal places of business are:

MGWSP, Riverside House, Northampton, Northamptonshire;

Lafarge Contracting / Kier MG, Bradgate House, Groby, Leicester.

28. Reconciliation of operating (loss)/profit before amortisation and non-recurring costs to cash generated from operations

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Operating loss before amortisation and non-recurring costs	**(14,219)**	(96)
Depreciation	**1,960**	3,682
Impairment of fixed assets	**13,802**	-
Profit on sale of property, plant and equipment	**-**	-
(Credit)/charge in respect of share-based payments in the period	**(73)**	357
(Increase)/decrease in inventories	**(6,249)**	787
(Increase)/decrease in trade and other receivables	**25,368**	15,256
Increase/(decrease) in trade and other payables	**(17,758)**	(11,488)
Discontinued operations	**1,321**	10,000
Cash (used in)/received from operations	**4,152**	18,498

Cash and cash equivalents (which are presented as a single class of assets on the face of the statement of financial position) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

29. Controlling related party

The company's immediate parent undertaking is Kier MG Group Limited, a company incorporated in England.

The ultimate parent undertaking is Kier Group plc, a company incorporated in England, which purchased the entire share capital of the previous ultimate parent undertaking, Kier MGIS Limited on 8 July 2013. Kier Group plc prepares consolidated group financial statements which are available from Companies House.

30. Related Party Transactions

Key management remuneration

for the 15 months ended 30 June 2014	15 months ended 30 June 2014 £'000	Year ended 31 March 2013 £'000
Short term employee benefits	**1,147**	696
Post employment benefits	**108**	55
Share based payments	**54**	65
	1,309	816

30. Related Party Transactions (continued)

Transactions with intermediate parent undertaking.

Included within trade and other receivables are amounts owed by an intermediate parent company Kier MGIS Ltd (MGIS) of £33,732,000 (31 March 2013: £8,309,000).

Included within trade and other payables is a £1,711,000 (31 March 2013: £1,108,000) loan owed to the Employee Share Ownership Trust. Interest of £19,000 (year ended 31 March 2013: £14,000) was charged in the period.

During the period ended 30 June 2014 there were transactions totalling £nil between the Company and MGIS (year ended 31 March 2013: £843,000) relating to a management charge and £1,470,000 (year ended 31 March 2013: £73,000) interest receivable. In addition the Company received £239,000 (year ended 31 March 2013: £6,478,000 paid to MGIS) net from MGIS from investments in short term bank deposits.

Included within trade and other payables are amounts owed to another intermediate company, Kier MG Group Limited, of £35,329,000 (31 March 2013: £34,050,000). Interest payable to MGIS of £1,682,000 (year ended 31 March 2013: £207,000) was charged during the period.

Transactions with group undertakings.

Included within amounts owed by group undertakings is an amount of £nil (31 March 2013: £462,000) owed by Kier MG Estates Limited (MGE), a fellow subsidiary undertaking of the Company, relating to corporation tax group relief. Included within amounts owed to group undertakings is an amount of £9,245,000 (31 March 2013: £6,512,000) owed to MGE in respect of the Company acting as bankers for MGE and £432,000 (31 March 2013: £69,000) relating to interest owed. Interest of £432,000 (year ended 31 March 2013: £33,000) was charged in the period. During the period MGE charged the Company management fees of £41,000 (year ended 31 March 2013: £377,000) and rental fees of £983,000 (year ended 31 March 2013: £805,000).

Included within amounts owed to group undertakings is an amount of £Nil (31 March 2013: £1,763,000) owed to Kier MG Recycling CIC, a 100% subsidiary of the Company, relating to the value of contracts transferred from the CIC to the Company. Included within amounts owed by group undertakings is an amount of £2,727,000 (31 March 2013: £663,000) owed by the CIC in respect of the Company acting as bankers for the CIC. During the period ended 30 June 2014 there were transactions totalling £nil between the Company and the CIC (year ended 31 March 2013: £645,000) relating to a management charge and £15,000 (year ended 31 March 2013: £3,000) interest was charged to Kier MG Recycling CIC.

Included within amounts owed by group undertakings is an amount of £nil (31 March 2013: £47,000) relating to a loan owed by Lambeth Learning Partnership (PSP) Limited, a 65% subsidiary of the Company. Interest of £3,000 (year ended 31 March 2013: £4,000) was charged in the period.

Included within amounts owed by group undertakings is an amount of £1,702,000 (31 March 2013: £2,500,000) relating to a loan, and £Nil (31 March 2013: £373,000) corporation tax group relief and interest due from TOR2 Limited, an 80% subsidiary of the Company. Interest of £110,000 (year ended 31 March 2013: £114,000) was charged in the period.

Included within amounts owed to group undertakings is an amount of £9,709,000 (31 March 2013: £5,652,000 included in amounts owed by group undertakings) relating to Kier FPS Limited (FPS), a 100% subsidiary of the Company, regarding a loan, amounts owed for assets hived up and plant recharges. Interest of £993,000 was charged by FPS (year ended 31 March 2013: £120,000 charged to FPS) in the period.

Included within amounts owed by and owed to group undertakings are amounts of £4,094,000 and £2,648,000 respectively (31 March 2013: £4,094,000 and £2,648,000) owed to 100% dormant subsidiaries relating to net assets hived up.

All of these transactions, and the year end reporting amounts arising from these transactions were conducted on an arms-length basis and on normal commercial terms.

Transactions with jointly controlled entities and jointly controlled operations.

During the year the Company made sales to and purchases from its jointly controlled entities and arrangements. These were normal trading transactions, conducted on an arms-length basis and on normal commercial terms. The amounts involved individually and in aggregate are not considered to be material either financially or generally to users of these financial statements.

Other related party transactions.

Ishbel Macpherson, non-executive director of the intermediate parent company MGIS until 8 July 2013, was also a non-executive director of Speedy Hire plc. The Company makes purchases from Speedy Hire companies on an arms-length basis in the normal course of business. During the period she held office, the value of purchases from Speedy Hire companies was £45,000 (year ended 31 March 2013: £1,015,000).