Registration number: 00873179

Kier Integrated Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2023

Kier Integrated Services Limited

Contents

Kier Integrated Services Limited

Company Information

Directors	Andrew Bradshaw
	Giuseppe Incutti
	Paul Jackson
	Basil Mendonca
	Mark Pengelly
Company secretary	Jaime Tham
Registered office	2nd Floor Optimum House Clippers Quay Salford M50 3XP
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

The directors present their strategic report for Kier Integrated Services Limited (the "Company") for the year ended 30 June 2023.

Fair review of the business

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

The principal activity of the Company is to work with its long-term clients in the public and regulated sectors to design and deliver a wide range of essential front-line infrastructure services.

Revenue from continuing operations for the year was £563.9m (2022 - £593.1m), a decrease of 4.9%. The overall decrease has arisen as a result of a 48% reduction in revenue from the Highways division as it continues to transfer its business to a fellow Group company following the Kier Group's strategic decision to bid for new contracts and renew existing contracts in Kier Transportation Limited. This has been partially set off by increases in the Utilities and Regional Civils businesses.

The Company made a loss before tax of £4.4m (2022 - £12.8m profit before tax). The decrease in profit is largely due to reduced activity in the telecoms sector (see 'Regulated Services' section below).

As a result of the loss in the year the Company's net assets have decreased from £19.1m to £15.8m.

The Company's cash balance has remained stable, increasing from £112.4m to £113.3m.

Public Sector Services

The Company continues to operate and provide services in the local authority roads maintenance market. However, as part of the Kier Group strategic review carried out in 2019, it was confirmed that the Company would exit the waste services market. Since then the Company has secured the termination of major contracts and has continued to reduce its exposure to this market as contracts conclude. Revenue from the Company's environmental business has reduced to nil, having decreased by 95% in the prior year.

Regulated Services

The Regulated Services business delivers long-term contracts providing a range of services, including repair, maintenance and emergency response services in the water, energy, gas and telecommunications sectors in the United Kingdom, as well as design and construction services for the United Kingdom's waterways network and the rail sector. Customers are largely regulated by Government agencies including OFWAT for water and OFGEM for gas and power.

The Utilities business provides construction and maintenance services, under long-term contracts, to the water, energy, and telecoms sectors. The Utilities business had anticipated higher volumes in the telecoms sector with the UK Government's commitment to rolling out 5G connectivity to the UK. However, changes to market conditions has resulted in reduced activity, which in turn has had an adverse impact on the telecoms margin. However, the pipeline for attractive, high-quality, long-term infrastructure work remains strong.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2023	2022
Adjusted operating profit	£ 000	(766)	15,566
Adjusted operating margin	%	(0.1)	2.6
Adjusted profit before tax	£ 000	(3,805)	13,712
Order book	£bn	0.7	0.8

Adjusted operating profit and adjusted profit before tax are defined in note 6 to the financial statements. Adjusted operating margin is calculated as adjusted operating profit as a proportion of revenue.

Outlook

The overall outlook for the Company is positive, despite current uncertainty within the UK economy. The Company specialises in infrastructure markets that are key focus areas for the UK Government and market regulators, where investment in maintenance is likely to continue for some time. The Company delivers essential every-day services that are required all year round, regardless of the prevailing political agenda. This means the Company can maintain operational stability and pursue growth.

The regulated utilities market provides opportunities to grow in the run-up to each new regulatory period. The directors remain confident that the Company is well positioned to take advantage of the next round of water and power regulatory review periods.

Since the Kier Group acquired Mouchel in 2015, the Group has been operating its highways services contracts through two separate companies; local authority highways contracts in Kier Integrated Services Limited and the legacy Mouchel strategic highways contracts in Kier Transportation Limited. In order to consolidate its highways operations into a single company, the Group has made the strategic decision to bid all future local authority and strategic highways contracts through Kier Transportation Limited. Kier Integrated Services Limited will continue to operate its existing contracts (including any extensions) until they expire. However, any re-bids will be made by the Company's fellow subsidiary, Kier Transportation Limited, and therefore, in the longer term, the Company's highways operations will, in effect, be transferred to Kier Transportation Limited.

Corporate responsibility

Please see the Environmental, Social and Governance ('ESG') report 'Building for a sustainable world' in the Kier Group plc 2023 Annual Report (pages 42 to 61 inclusive), which is available at www.kier.co.uk, for details of the Group's corporate responsibility activities. As a member of the Group, the Company has participated in these activities.

Stakeholders

The Directors consider that during the year, they have acted to promote the long-term success of the Company, that has generated value for shareholders and contributed to the wider society while considering the interests of a range of stakeholders as set out in section 172(1) (a) to (f) of the Companies Act 2006.

Employees, customers, shareholders, supply chain partners, banks, lenders, sureties and insurers, pension trustees, joint venture partners and the UK government are all key stakeholders for the Group. As part of the decision-making process, Kier looks at how it will potentially impact its stakeholders. Engagement with stakeholders is seen as key to the delivery of Kier's purpose and strategy and therefore its long-term sustainable success. Read more on our engagement with key stakeholders in the Kier Group plc 2023 Annual Report on pages 70 to 73.

Principal risks and uncertainties

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

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

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

Health and safety

Principal risk: failure to maintain a safe working environment and prevent a major incident.

The Company's operations are complex and potentially hazardous and require the continuous management of health, safety, wellbeing and sustainability matters.

Potential impact:
• An increase in safety or environmental incidents on site;
• The failure to meet clients' expectations, adversely affecting the ability to bid for and win new work;
• Financial penalties arising from fines, legal action and project delays; and
• An unhealthy employee population with heightened risk of stress, resulting in greater levels of absence and less operational resilience.

Mitigating actions:
• Focusing on the proactive approach to risk management including the creation of major risk groups specific to each business;
• Simplifying our safety documentation making it easier for our people to access and understand and freeing them up to proactively manage safety on our projects;
• Process put in place to enable greater lessons learnt sharing from incidents and high potential incidents;
• Continued focus on the five safety, health and environment basics;
• Embedding the four strategic pillars and associated objectives of the Health, Safety & Wellbeing strategy (behaviour, operational safety, health and wellbeing and engineering safety);
• Setting a tone from the top, through activities such as senior management visible leadership tours; and
• Ongoing roll-out and embed of the culture programme which recognises healthy behaviours.

Principle risks and uncertainties (continued)

Legislation and regulation
Principal risk: failure to comply with and manage effectively current legislation and regulation and any changes to them.

The sectors in which the Company operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements including those introduced by new legislation or regulation.

Potential impact:
• Penalties for failing to adhere to legislation or regulation;
• Increased operating costs of compliance;
• The loss of business; and
• Reputational damage.

Mitigating actions:
• Appropriate policies that are regularly reviewed and relevant training and awareness programmes to support policy implementation;
• Regular engagement with Government and Government agencies with respect to the Company's continued compliance;
• Monitoring of, and planning for, the impact of new legislation and regulations; and
• Collaborative engagement with external stakeholders.

Funding
Principal risk: failure to maintain adequate financial liquidity and/or comply with the Group's financial covenants.

Failure to maintain adequate financial liquidity and/or comply with the Group's financial covenants resulting in an inability to execute the Company's strategy effectively.

Potential impact:
• The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees);
• Conducting existing business becomes increasingly challenging; and
• The loss of future business.

Mitigating actions:
• Effective cash forecasting and working capital management in combination with continued monitoring and prudent financial planning to ensure cash generation and covenant compliance is maintained;
• Continued collaborative engagement with key stakeholders;
• Through financial planning the Company ensures that appropriate levels of headroom under committed facilities and their financial covenants are in place to accommodate reasonable downside; and
• The Group's revolving credit facility is scheduled to expire in January 2025. The Board is confident in the Group's ability to access a number of available funding markets to achieve an appropriate capital structure and would expect to complete its re-financing in the current financial year.

Principle risks and uncertainties (continued)

Maintaining an order book within selected markets

Principal risk: a general market or sector downturn materially and adversely affects the Company's ability to secure work - UK Government spending, certainty and timing, including competitiveness of current market.

The Company's strategy sets out specific sectors that it wishes to trade within. The pipeline of work could be adversely affected by a general or sector downturn or cause a delay to projects going to site.

Potential impact:
- A failure of one or more of the Company's businesses;
- Increased competition for new work; and
- A decrease in stakeholder confidence in the Company.

Mitigating actions:
- To continue to secure long-term frameworks within each of our business divisions;
- Tailoring the Company's offer to meet customer needs; and
- Maintaining an efficient cost base.

Contract management

Principal risk: failure to manage contracts effectively throughout the project lifecycle.

The business suffers a significant loss as a result of failing to adequately undertake bidding, design, mobilisation, delivery and handover (including any remediation works).

Potential impact:
- A failure to manage project delivery and WIP and, ultimately, to meet the Company's financial targets;
- The Company incurring losses on individual contracts; and
- The Company failing to win new work because of reputational impact.

Mitigating actions:
- Tender peer review through the Kier Group Tender Risk Committee;
- Kier standards for contract amendments;
- Commercial Handbook explains how we manage change; and
- In-built escalation to identify unacceptable levels of unagreed change.

Principle risks and uncertainties (continued)

People
Principal risk: failure to attract and retain key employees.

The Company's employees are critical to its performance. The Company needs to identify, retain and motivate people with the right skills, experience and behaviours and to identify tomorrow's leaders.

Potential impact:
• An adverse effect on the delivery of the Company's purpose and strategy;
• A lack of operational leadership, potentially leading to poor project performance; and
• An erosion of the Company's employer brand.

Mitigating actions:
• Roll out of culture programme across the business;
• People strategy aligned to the medium-term business plan;
• Diversity and Inclusion roadmap;
• Health, safety and wellbeing strategy;
• Management and leadership development offer;
• Roll out of Being a Kier Manager / line manager training;
• Listening to feedback from employees, including the use of engagement surveys; and
• Create an effective, inclusive work environment, through our Performance Excellence culture.

Supply chain
Principal risk: failure to maintain effective working relationships with the supply chain, supply chain insolvencies, capacity, pricing and inflation volatility.

The Company relies upon its partners for the delivery of its projects. Maintaining a close working relationship is a priority for the Company.

Potential impact:
• Unavailability of appropriate resources, impacting on project delivery and cost;
• Use of suppliers from outside the preferred supplier list increases cost and decreases quality; and
• Poor relationships lead to lack of confidence in the Company and adverse publicity.

Mitigating actions:
• Continuing updating the Kier subcontract to reflect the principles of the Construction Playbook;
• Placement of a Procurement Director directly into each business to deliver their supply chain management strategy;
• Continued focus to meet prompt payment reporting requirements;
• Further use of the shared service centre and division resources to channel spend and reduce risk; and
• Continued support of security software and investigate right to work module for further risk reduction across the business.

Principle risks and uncertainties (continued)

Strategy
Principal risk: Failure to deliver the Company's strategy.

The Company fails to deliver its strategy in terms of medium-term targets.

Potential impact:
• An adverse impact on the Company's net debt and liquidity;
• Failure to secure positions on national and regional frameworks; and
• Failure to meet stakeholders' expectations may lead to a decline in confidence in the Company.

Mitigating actions:
• Delivery of the balance sheet strategy;
• Maintaining a well bid order book;
• Delivery of project performance;
• Delivery of our Performance Excellence culture;
• Continued focus on cash management; and
• Effective communication with stakeholders.

IT security, resilience, cyber and data protection
Principal risk: The Company is exposed to IT security, resilience, cyber and data protection incidents.

Failure to keep up to date with the modern attack landscape as well as protecting infrastructure from current conventional cyber/loss of data risks.

Potential impact:
• Operational impact - e.g. delivery of projects, key systems outage, failure to win work, loss of confidential and/or other data; .
• Financial impact - regulatory fines/prosecutions; and
• Reputational/brand damage.

Mitigating actions:
• Staff mandatory training, awareness and phishing campaigns;
• Vulnerabilities, access and incident management;
• ISO 27001 and cyber essentials accreditation;
• Information security cyber business continuity plan;
• System alerts;
• Patching/updates and monitoring;
• Data loss prevention tools; and
• Partners and suppliers follow Kier Group minimum standards re cyber, security and data.

Principle risks and uncertainties (continued)

Climate change
Principal risk: Failure to identify and effectively manage climate change risks and opportunities.

The Company's operations are subject to physical and transitional climate change risks. Some climate resilience measures offer opportunities to innovate and expand/enhance capabilities.

Potential impact:
• Failure to meet client and investor expectations or regulatory requirements;
• Loss of opportunity to contribute to UK climate action policy and direction;
• Reputational damage; and
• Failure to prepare/plan for physical and financial impacts of extreme and frequent weather conditions affecting operations and supply chain.

Mitigating actions:
• Delivering against the Group's evolved sustainability framework;
• Develop strategic action plans for each business division that are specific to their goals to achieve our short, medium and long term net zero ambitions;
• Work with our supply chain to help deliver the actions associated with our strategic pillars;
• Maintain the climate risk and opportunities register;
• Embrace modern methods of construction and product innovation;
• Develop working groups to tackle the actionable items in each of our strategic pillars; and
• Implement a new environmental data management system.

Macroeconomic
Principal risk: Changes in macroeconomic conditions negatively impact on the Company, its workforce and its clients.

Our ability to win and deliver projects is impacted by developments in the UK economy which may arise from economic slowdown, interest rate rises, unemployment, inflation or UK political and geopolitical instability, resulting in a reduction in, or pausing of, UK Government and private sector spending in our selected markets.

Potential impact:
• Reduced revenue or margins;
• Project affordability;
• Availability of labour and materials; and
• Increased supply chain insolvency risk.

Mitigating actions:
• Use of financial derivative instruments to hedge exposure to fluctuations in interest and exchange rates;
• Various market insight and intelligence relating to pricing and lead times;
• Kier risk management framework;
• Supply chain management;
• Kier Operating Framework and Performance Excellence processes; and
• Kier Commercial Standards.

Approved by the Board on 18/12/23 and signed on its behalf by:

Paul Jackson
....
Paul Jackson
Director

Kier Integrated Services Limited

Directors' Report for the Year Ended 30 June 2023

The directors of Kier Integrated Services Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2023.

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

Andrew Bradshaw

Giuseppe Incutti

Basil Mendonca

Mark Pengelly

Matthew Price (resigned 7 September 2022)

Nigel Quelch (resigned 7 September 2022)

Paul Jackson (appointed 1 July 2023)

Dividends
No dividend was paid in the year and the directors do not recommend a final dividend in respect of the year.

Financial instruments

Objectives and policies

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

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

On behalf of the Board, the RMAC identifies the risks that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process.

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

The Company relies on Kier Group borrowing and bonding facilities. Cash flow is forecast regularly to provide up-to-date and accurate information on the Company's current cash position and its future requirements. The Kier Group has strong, long-term relationships with the providers of its bonding lines and has an in-house team which monitors headroom and advises on bond terms and conditions.

Corporate governance
The Group's parent company, Kier Group plc, as a premium listed company, is subject to the UK Corporate Governance Code (2018) (the 'Code'). Pages 92 to 153 (inclusive) of the 2023 Annual Report of Kier Group plc (available at www.kier.co.uk) explains how Kier Group plc applied the principles of, and complied with the provisions of, the Code during the year.

Kier's Operating Framework (the 'OF') sets out the governance structure within which the Group operates. The OF summarises the core business processes which apply throughout the Group and contains the Group's delegated authorities. In addition, it sets out the Group's purpose and its values - trusted, collaborative and focused.

The Company, as a member of the Group, has adopted the OF as its corporate governance code. The Company, as a member of the Group, has not adopted the Code or any other corporate governance codes as the Board does not regard these as being relevant to a subsidiary company. The OF contains the governance arrangements of the Company and copies of relevant Group governance documents can be found at www.kier.co.uk.

Employee engagement
For information on the Group's activities with regards to employee engagement, which include the employees of the Company, please see the Employee wellbeing and engagement section on pages 57 to 58 of the ESG Report 'Building for a sustainable world' in the 2023 Annual Report of Kier Group plc (available at www.kier.co.uk).

Employment of disabled persons
Kier believes that everyone deserves to have their voice heard and that the different experiences people bring make Kier a better business. For information on the Group's progress with regards to Equality & Diversity, please see the Equality & Diversity section on pages 54 and 55 of the 2023 Annual Report of Kier Group plc (available at www.kier.co.uk).

Engagement with suppliers, customers and others
Information on the Group's engagement with suppliers, customers and others during the financial year can be found on pages 70 to 73 and 90 of the 2023 Annual Report of Kier Group plc (available at www.kier.co.uk).

Important non adjusting events after the financial period
On 4 September 2023, after the year-end, the Company agreed to acquire substantially all of the rail assets of Buckingham Group Contracting Limited ('in Administration') and their HS2 contract supplying Kier's HS2 joint venture, EKFB, for a total consideration of up to £9.6m.

Future developments
The Company's future developments are set out in the Business Review section of the Strategic Report.

Going concern
The financial statements have been prepared on a going concern basis. The Directors' have reviewed budgets and future forecasts and have satisfied themselves that the Company has sufficient financial and liquid resources to continue to operate for a period of at least 12 months from the date these financial statements are signed. Future forecasts indicate that the Company can generate future cash flows, as such the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Going concern (continued)
The Directors have received written confirmation that Kier Group plc will provide continuous financial support to the Company for a period of not less than one year from the date of signing of these financial statements. This financial support will include not seeking the repayment of amounts advanced to the Company by the parent and/or other members of the parent group unless adequate alternative financing has been secured by the Company. As a result, the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing these financial statements.

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

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

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

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

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

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Approved by the Board on 18/12/23 and signed on its behalf by:

Paul Jackson

Paul Jackson
Director

Independent auditors' report to the members of Kier Integrated Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier Integrated Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2023; the Income Statement, the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety legislation, payroll legislation and data protection legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial statement line items through manual journal postings and the use of inappropriate assumptions or management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, Internal Audit and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted containing unusual words in the account descriptions and journals posted moving costs in between contracts;
- Challenging assumptions and judgements made by management in relation to areas of judgement and significant accounting estimates;
- Reviewing board minutes and details of legal expenses incurred in the year; and
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Diane Walmsley

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 December 2023

Kier Integrated Services Limited

Income Statement for the Year Ended 30 June 2023

	Note	2023 £ 000	2022 £ 000
Revenue	4	563,888	593,055
Cost of sales		(535,278)	(548,892)
Gross profit		28,610	44,163
Administrative expenses		(29,940)	(29,556)
Operating (loss)/profit	5	(1,330)	14,607
Finance income	7	5,783	6,231
Finance costs	8	(8,822)	(8,085)
Net finance cost		(3,039)	(1,854)
(Loss)/profit before taxation		(4,369)	12,753
Income tax credit/(expense)	12	307	(2,763)
(Loss)/profit for the financial year		(4,062)	9,990
Supplementary information			
Adjusted[1] operating (loss)/profit	6	(766)	15,566
Adjusted[1] (loss)/profit before tax	6	(3,805)	13,712

The above results were derived from continuing operations.

[1] Reference to 'adjusted' excludes adjusting items, see notes 2 and 6.

Kier Integrated Services Limited

Statement of Comprehensive Income for the Year Ended 30 June 2023

	2023 £ 000	2022 £ 000
(Loss)/profit for the financial year	(4,062)	9,990
Total comprehensive (expense)/income for the year	(4,062)	9,990

The notes on pages 22 to 47 form an integral part of these financial statements.

Kier Integrated Services Limited

(Registration number: 00873179)
Statement of Financial Position as at 30 June 2023

	Note	2023 £ 000	2022 £ 000
Non-current assets			
Intangible assets	13	19,235	19,501
Property, plant and equipment	14	3,935	3,927
Right of use assets	15	7,380	6,780
Investments	16	14,646	15,491
Capitalised mobilisation costs	17	2,834	2,717
Deferred tax assets	12	19,391	19,390
		67,421	67,806
Current assets			
Inventories	18	8,658	9,363
Contract assets	4	91,220	87,432
Trade and other receivables	19	99,150	105,012
Income tax asset		5,472	680
Cash and cash equivalents	20	113,349	112,358
		317,849	314,845
Total assets		385,270	382,651
Current liabilities			
Trade and other payables	21	(173,307)	(178,368)
Contract liabilities	4	(16,401)	(6,969)
Loans and borrowings	23	(99,787)	-
Lease liabilities	22	(3,875)	(3,262)
		(293,370)	(188,599)
Non-current liabilities			
Trade and other payables	21	(4,995)	(10,985)
Loans and borrowings	23	(67,492)	(160,845)
Lease liabilities	22	(3,588)	(3,119)
		(76,075)	(174,949)
Total liabilities		(369,445)	(363,548)
Net assets		15,825	19,103
Equity			
Called up share capital	24	36,500	36,500
Accumulated losses		(20,675)	(17,397)
		15,825	19,103
Total equity		15,825	19,103

The financial statements on pages 18 to 47 were approved by the Board of Directors on 18/12/23 and signed on its behalf by:

Paul Jackson

Paul Jackson
Director

The notes on pages 22 to 47 form an integral part of these financial statements.

Kier Integrated Services Limited

Statement of Changes in Equity for the Year Ended 30 June 2023

	Called up share capital £ 000	Accumulated losses £ 000	Total £ 000
At 1 July 2021	36,500	(28,253)	8,247
Profit for the year	-	9,990	9,990
Total comprehensive income	-	9,990	9,990
Share based payment transactions	-	866	866
At 30 June 2022	36,500	(17,397)	19,103

	Called up share capital £ 000	Accumulated losses £ 000	Total £ 000
At 1 July 2022	36,500	(17,397)	19,103
Loss for the year	-	(4,062)	(4,062)
Total comprehensive expense	-	(4,062)	(4,062)
Share based payment transactions	-	784	784
At 30 June 2023	36,500	(20,675)	15,825

The notes on pages 22 to 47 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
2nd Floor
Optimum House
Clippers Quay
Salford
M50 3XP

2 Accounting policies

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

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 ("FRS 101") Reduced Disclosure Framework and with the Companies Act 2006 as applicable to companies using FRS 101.

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

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

Summary of disclosure exemptions
In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 - 'Share-based payments' (how the fair value of goods/services received or equity instruments granted was determined and details of the number and weighted average exercise prices of share options).

- IFRS 7 - 'Financial instruments: Disclosures'.

- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 - 'Revenue from Contracts with Customers' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15).

- The requirements of paragraph 52 of IFRS 16 - 'Leases' (lessee disclosures).

- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):

- IAS 7 - 'Statement of cash flows'.

2 Accounting policies (continued)

- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more members of a group).
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'

Going concern

The financial statements have been prepared on a going concern basis. The Directors' have reviewed budgets and future forecasts and have satisfied themselves that the Company has sufficient financial and liquid resources to continue to operate for a period of at least 12 months from the date these financial statements are signed. Future forecasts indicate that the Company can generate future cash flows, as such the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have received written confirmation that Kier Group plc will provide continuous financial support to the Company for a period of not less than one year from the date of signing of these financial statements. This financial support will include not seeking the repayment of amounts advanced to the Company by the parent and/or other members of the parent group unless adequate alternative financing has been secured by the Company. As a result, the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing these financial statements.

Exemption from preparing group financial statements

The financial statements contain information about Kier Integrated Services Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Kier Group plc, a company incorporated in England and Wales.

Changes in accounting policy

The following amendments to standards are effective for the financial year ended 30 June 2023 onwards:
• Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (published May 2020).

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

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. It also includes the Company's proportion of work carried out under jointly controlled operations.

The general principles for revenue and profit recognition across the Company are as follows:

• Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent;

2 Accounting policies (continued)

• Additional consideration for contract modifications (variations) is only included in revenue (or the forecast contract out-turn) if the scope of the modification has been approved by the customer. If the scope of the modification has been approved but the parties have not yet determined the corresponding change in the contract price, an estimate of the change to the transaction price is made and included in calculating revenue to the extent that any increase in price is highly probable not to reverse;

• Contract modifications are treated as separate contracts if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract;

• Variable consideration amounts (gain-share amounts, KPI bonuses, milestone bonuses, compensation event claims, etc.) are included in revenue (or forecasts to completion) only to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;

• Refund liabilities (liquidated damages, pain-share amounts, KPI penalties, etc.) are accounted for as a reduction in revenue (or in forecasting contract out-turns) as soon as it is expected that the Company will be required to refund some or all of the consideration it has received from the customer;

• Claims against third-parties (such as insurance recoveries and claims for cost reimbursements) outside of normal supplier price adjustments are recognised only when the realisation of income is virtually certain. The associated income is accounted for as reduction in costs rather than revenue; and

• Contract mobilisation is not considered to be a separate performance obligation in most situations, as the customer receives little or no benefit from mobilisation activities. Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.

• Where revenue that has been recognised is subsequently determined not to be recoverable due to the inability of a customer to meet its obligations, these amounts are charged to administrative expenses as a credit loss;

If the timing of payments agreed with the customer provides the Company or the customer with a significant benefit of financing the transfer of goods or services, the amount of consideration is adjusted for the effects of the time value of money. The Company does not make an adjustment for the time value of money in the following circumstances:

• When the Company expects, at contract inception, that the period between the entity transferring a good or service and the customer paying for it will be one year or less; or

• Where the timing of the payments is for commercial rather than financing reasons, e.g. construction contract retentions.

2 Accounting policies (continued)

Revenue and profit recognition policies applied to specific contract types are as follows:

(a) Construction contracts
Revenue is recognised on construction services over time as the benefit is transferred to the customer. The Company uses an input method to measure progress. The percentage of completion is measured using cost incurred to date as a proportion of the estimated full costs of completing the contract and is applied to the total expected contract revenue to determine the revenue to be recognised to date.

The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

(b) Services
Revenue and profit from services rendered, which include facilities management, highways maintenance, utilities maintenance, street cleaning and recycling, is recognised over time as the service is performed.

Where the contract includes bundled services, the transaction price is allocated to each performance obligation identified in the contract based on the relative stand-alone selling prices of each of the performance obligations. Revenue is then recognised independently when each of the performance obligations is satisfied.

Any variable consideration (e.g. performance bonus) attributable to a single performance obligation is allocated entirely to that performance obligation. Where variable consideration is attributable to the entire contract and is not specific to part of the contract, the consideration is allocated based on the stand-alone selling prices of each of the performance obligations within the contract.

Service contracts are reviewed monthly to assess their future operational performance and profitability.

Adjusting items
IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance. The Directors have considered the requirements of applicable accounting standards, along with additional guidance around alternative performance measures (APMs) and believe it is appropriate to inform users regarding various items and disclose those items which are deemed one-off, material or non-recurring in size or nature, in alignment with the Kier Group's internal management reporting. As such, the Company is disclosing as supplementary information an 'Adjusted Profit' APM which is reconciled to statutory profit in the notes to the financial statements.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Company in the particular year under review and the extent to which results are influenced by material unusual and/or non-recurring items.

The directors exercise judgement in determining the classification of certain items as adjusting using quantitative and qualitative factors. In assessing whether an item is an adjusting item, the directors give consideration, both individually and collectively, as to an item's size, the specific circumstances which have led to the item arising and if the item is likely to recur, or whether the matter forms part of a group of similar items.

A full reconciliation from statutory numbers to adjusted profit measures has been presented in note 6 on page 34.

Finance income and costs policy
Interest receivable and payable on bank balances, intercompany loans and other borrowings is credited or charged to the income statement as incurred using the effective interest rate method.

2 Accounting policies (continued)

Tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Joint operations

The Company undertakes contracts jointly with other parties. These fall under the category of joint operations as defined by IFRS 11. In accordance with IFRS 11, the Company accounts for its own share of sales, profits, assets, liabilities and cash flows measured according to the terms of the agreements.

Investments

Investments in subsidiaries are included in the balance sheet at cost less any provision for impairment. Dividends on equity investments are recognised in income when receivable.

Pre-contract and contract mobilisation costs

Pre-contract costs to obtain a contract that would have been incurred irrespective of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer irrespective of whether the contract is obtained.

Mobilisation costs incurred in respect of a specific contract that has been won or an anticipated contract that is expected to be won (e.g. when the Company has secured preferred bidder status), are carried forward in the balance sheet as capitalised mobilisation costs if: the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered (i.e. the contract is expected to be sufficiently profitable to cover the mobilisation costs).

The vast majority of contracts incurring significant mobilisation costs are contracts that exceed 12 months in duration. The Company's policy is therefore to show its capitalised mobilisation costs as a non-current asset, amortised over the expected contract duration.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

2 Accounting policies (continued)

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	10% straight line or life of lease if shorter
Other property, plant and equipment	Between 10% and 25% straight line

Intangible assets
Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Other intangible assets which comprises internally generated software development costs are stated at cost less accumulated amortisation and impairment losses.

Internally generated intangible assets developed by the Company are recognised only if all of the following conditions are met:
• an asset is created that can be identified;
• it is probable that the asset created will generate future economic benefits; and
• the development cost of the asset can be measured reliably.

Other expenditure is written off in the period in which it is incurred.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Computer software development	5 years straight line

Contract assets and liabilities
When the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, the amount of revenue associated with the transfer of goods or services is accrued and presented as a contract asset in the balance sheet (excluding any amounts presented as a receivable). A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Company transfers a good or service to the customer, the amount is presented as a contract liability on the balance sheet. A contract liability represents the Company's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

2 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ('FIFO') method.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Most Kier Group companies do not have any recent independent third-party financing to use as a starting point for the incremental borrowing rate. Therefore, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, lease term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Any restoration costs.

2 Accounting policies (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company has elected to use the following recognition exemptions, as permitted by the standard:

• Leases of low-value items - The Company has defined low value items as assets that have a value when new of less than c£5,000. Low value items comprise IT equipment and small items of plant.
• Short-term leases - Leases with a lease term of less than 12 months at inception.

For leases in the above categories, a lease liability or right-of-use asset is not recognised. Instead, the Company recognises the related lease payments as an expense on a straight-line basis over the lease term.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leased properties that meet the definition of investment properties are presented within 'investment properties' rather than 'right-of-use assets' on the balance sheet.

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

Defined benefit pension obligation
The Company makes contributions to local government defined benefit pension schemes in respect of certain employees who have transferred to the Group under TUPE transfer arrangements. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and consequently the pension costs for these schemes are treated as if they were defined contribution schemes.

Share based payments
Employees of the Company participate in Kier Group equity-settled, share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options) of Kier Group plc. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair values of the options granted are calculated using the Black Scholes option pricing model, with the exception of the total shareholder return element of the long term incentive plan which is calculated based on a stochastic model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The amount expensed is funded by means of a capital contribution from Kier Group plc which is credited directly to equity.

2 Accounting policies (continued)

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

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

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

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

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

Amounts owing under supply chain finance arrangements are included within trade payables rather than bank debt. The purpose of supply chain finance is purely to grant subcontractors and suppliers access to credit and improve their cashflows. There have been no changes to the underlying terms of the supply chain finance arrangements.

The designation in trade payables is due to the assignment of invoice rather than a novation, the Company acting as an agent with fees related to supply chain finance being borne by the supplier and the final payment date to the bank being set by the Company with interest accrued for any late payments.

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

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

(d) Loans to related parties
Loans to related parties are initially measured at fair value. Subsequent to initial measurement, loans to related parties are measured at amortised cost.

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at amortised cost, namely:

- Trade and other receivables; and
- Loans to related parties.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL.
Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.
Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 Critical accounting judgements and key sources of estimation uncertainty

To be able to prepare financial statements 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 statements. 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:

Impairment of goodwill
The Company tests annually whether goodwill has 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. However, considerable headroom exists when comparing the carrying value of goodwill to the recoverable amount of the cash-generating units. Therefore, any reasonably possible change to the key assumptions is unlikely to give rise to a material impairment of goodwill.

Revenue recognition
On certain contracts 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 statement of financial position date as a percentage of total estimated costs for each contract. The Company also assesses whether work in progress is impaired, in doing so 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.

The Company considers that any individual contract judgement or estimate would not have a material effect on the financial statements.

Deferred tax assets
Deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised. The key judgements in assessing the recoverability of the deferred tax asset relate to the taxable profit forecasts. These forecasts are based on the same Board-approved information used to support the going concern and goodwill impairment assessments. Having reviewed detailed profit forecasts, the directors consider that there is sufficient certainty of future profits to enable the recoverability of the deferred tax asset in full and therefore the deferred tax asset has been recognised in the financial statements.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2023 £ 000	2022 £ 000
Rendering of services	558,194	587,698
Sale of goods	5,694	5,357
	563,888	593,055

4 Revenue (continued)

The analysis of the Company's revenue for the year by class of business is as follows:

	2023 £ 000	2022 £ 000
Public Sector Services	83,828	161,849
Regulated Services	480,060	431,206
	563,888	593,055

The analysis of the Company's revenue for the year by market is as follows:

	2023 £ 000	2022 £ 000
UK	563,888	593,055

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

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. When we have an unconditional right to consideration for the goods or services supplied and performance obligations delivered the amounts due are recognised as trade receivables. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

Current assets and liabilities

	2023 £ 000	2022 £ 000
Contract assets	91,220	87,432
Contract liabilities	(16,401)	(6,969)
Net unbilled contract assets	74,819	80,463

Contract assets have increased by £3,788,000 in the year due to increased volumes in the Company's telecoms business which were offset by decreases in other business areas such as highways and regional civils.

Revenue recognised in the period from:

	2023 £ 000	2022 £ 000
Amounts included in contract liability at the beginning of the period	6,714	7,219

5 Operating (loss)/profit

Arrived at after charging

	2023 £ 000	2022 £ 000
Depreciation expenses - property, plant and equipment	664	530
Depreciation on right of use assets - plant and equipment	2,426	244
Depreciation on right of use assets - land and buildings	1,000	883
Depreciation on right of use assets - motor vehicles	2,930	4,371
Amortisation expense - intangible assets	555	675
Amortisation expense - capitalised mobilisation costs	1,702	953
Expense on short-term leases and leases of low-value assets	33,967	37,541

6 Adjusting items

	Operating profit/(loss)		(Loss)/profit before tax	
	2023 £ 000	2022 £ 000	2023 £ 000	2022 £ 000
Reported (loss)/profit	(1,330)	14,607	(4,369)	12,753
Restructuring and related charges	564	959	564	959
Adjusted (loss)/profit	(766)	15,566	(3,805)	13,712

During the year the Company incurred £2,033,000 (2022 - £917,000) of restructuring costs in relation to its Utilities business, offset by a credit of £1,469,000 (2022 - £Nil) in relation to restructuring in its Environmental business. During the prior year the Company also incurred £42,000 of restructuring costs in relation to its Highways business.

7 Finance income

	2023 £ 000	2022 £ 000
Interest income on bank deposits	3,076	3,693
Interest received from group undertakings	2,707	2,538
	5,783	6,231

8 Finance costs

	2023 £ 000	2022 £ 000
Interest on bank overdrafts and borrowings	560	350
Interest expense on leases	469	301
Interest paid to group undertakings	7,056	6,684
Discount unwind	737	750
	8,822	8,085

9 Staff costs

The aggregate payroll costs were as follows:

	2023 £ 000	2022 £ 000
Wages and salaries	108,163	97,341
Social security costs	10,932	9,809
Other pension costs	4,329	3,846
Share-based payment expenses	784	866
	124,208	111,862

The average monthly number of persons employed by the Company during the year, analysed by category was as follows:

	2023 No.	2022 No.
Public sector services	504	592
Regulated sector services	1,890	1,719
	2,394	2,311

10 Directors' remuneration

No directors were employed directly by the Company during the current or prior year. The directors were remunerated through other Kier Group companies. Any apportionment of their remuneration by time, in respect of performing their duties as directors of the Company, would be immaterial.

11 Auditors' remuneration

The auditors' remuneration for the Company for the year was settled on its behalf by Kier Limited (a member of the Kier Group) and was not recharged to the Company.

12 Income tax credit

Tax (credit)/expense in the income statement

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax	(224)	2,265
UK corporation tax adjustment to prior periods	(82)	48
	(306)	2,313
Deferred taxation		
Arising from origination and reversal of temporary differences	(226)	326
Arising from changes in tax rates and laws	214	274
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	11	(150)
Total deferred taxation	(1)	450
Tax (credit)/expense in the income statement	(307)	2,763

In the current year the tax credit on loss before income tax for the year is lower than the standard rate of corporation tax in the UK of 20.5%. In the prior year the tax expense on profit before income tax for the year is higher than the standard rate of corporation tax in the UK of 19%.

The differences are reconciled below:

	2023 £ 000	2022 £ 000
(Loss)/profit before tax	(4,369)	12,753
Corporation tax at standard rate	(896)	2,423
Current tax (credit)/expense from adjustment for prior periods	(82)	48
Increase from effect of revenues exempt from taxation	(307)	-
Effect of expenses not deductible in determining taxable profit/loss	753	168
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	11	(150)
Deferred tax expense relating to changes in tax rates or laws	214	274
Total tax (credit)/expense	(307)	2,763

The deferred tax balance as at the year end has been recognised at 25% (2022 - 25%), which is the enacted corporation tax rate effective from 1 April 2023.

12 Income tax credit (continued)

Deferred tax

Deferred tax assets

2023	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	3,888	-	3,888
Tax credits	2,842	-	2,842
Tax losses carry-forwards	12,661	-	12,661
	19,391	-	19,391

2022	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	5,088	-	5,088
Tax credits	1,641	-	1,641
Tax losses carry-forwards	12,661	-	12,661
	19,390	-	19,390

Deferred tax movement during the year:

	At 1 July 2022 £ 000	Recognised in income £ 000	At 30 June 2023 £ 000
Accelerated tax depreciation	5,088	(1,200)	3,888
Tax credits	1,641	1,201	2,842
Tax losses carry-forwards	12,661	-	12,661
	19,390	1	19,391

Deferred tax movement during the prior year:

	At 1 July 2021 £ 000	Recognised in income £ 000	At 30 June 2022 £ 000
Accelerated tax depreciation	6,217	(1,129)	5,088
Tax credits	951	690	1,641
Tax losses carry-forwards	12,628	33	12,661
Other items	44	(44)	-
	19,840	(450)	19,390

12 Income tax credit (continued)

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.

Having reviewed detailed profit forecasts, the directors consider that there is sufficient certainty of future profits to enable the recoverability of the deferred tax asset in full and therefore the deferred tax asset has been recognised in the financial statements.

13 Intangible assets

	Goodwill £ 000	Internally generated software development costs £ 000	Total £ 000
Cost or valuation			
At 1 July 2022	44,863	4,262	49,125
Additions	-	326	326
Disposals	-	(48)	(48)
At 30 June 2023	44,863	4,540	49,403
Accumulated amortisation and impairment			
At 1 July 2022	27,392	2,232	29,624
Amortisation charge	-	556	556
Amortisation eliminated on disposals	-	(12)	(12)
At 30 June 2023	27,392	2,776	30,168
Carrying amount			
At 30 June 2023	17,471	1,764	19,235
At 30 June 2022	17,471	2,030	19,501

Amortisation of intangible assets is included within administrative expenses on the income statement.

Impairment

Goodwill

The annual impairment review carried out as at the balance sheet date indicated that none of the carrying values of goodwill required any further impairment.

14 Property, plant and equipment

	Land and buildings £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 July 2022	751	5,390	6,141
Additions	-	268	268
Transfers from right of use assets	-	717	717
At 30 June 2023	751	6,375	7,126
Accumulated depreciation			
At 1 July 2022	86	2,128	2,214
Charge for the year	40	624	664
Transfers from right of use assets	-	313	313
At 30 June 2023	126	3,065	3,191
Carrying amount			
At 30 June 2023	625	3,310	3,935
At 30 June 2022	665	3,262	3,927

15 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Plant and equipment £ 000	Total £ 000
Carrying amount				
At 1 July 2021	2,578	5,752	816	9,146
Additions	88	4,114	8	4,210
Disposals	(53)	(1,018)	(7)	(1,078)
Depreciation charge for the year	(883)	(4,371)	(244)	(5,498)
At 30 June 2022	1,730	4,477	573	6,780
Additions	940	3,055	6,139	10,134
Disposals	(15)	(697)	(2,062)	(2,774)
Depreciation charge for the year	(1,000)	(2,930)	(2,426)	(6,356)
Transfers to owned assets	-	-	(404)	(404)
At 30 June 2023	1,655	3,905	1,820	7,380

16 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 July 2021	46,413
At 30 June 2022	46,413
At 30 June 2023	46,413
Provision	
At 1 July 2021	30,928
At 30 June 2022	30,928
Provision	845
At 30 June 2023	31,773
Carrying amount	
At 30 June 2023	14,640
At 30 June 2022	15,485

Details of the subsidiaries as at 30 June 2023 are as follows:

Name of subsidiary	Principal activity	Registered office[1]	Proportion of ownership interest and voting rights held 2023	2022
A C Chesters & Son Limited*	Dormant	2	100%	100%
FDT (Holdings) Ltd*	Dormant	2	100%	100%
FDT Associates Ltd	Dormant	2	100%	100%
Kier Recycling CIC*	Collection and sale of recyclable materials	2	100%	100%
T Cartledge Limited*	Dormant	2	100%	100%
T J Brent Limited*	Dormant	2	100%	100%
TOR2 Limited*	Waste, recycling collections and highways maintenance	2	80.01%	80.01%
Turriff Contractors Limited	Dormant	1	100%	100%
Turriff Group Limited*	Dormant	1	100%	100%

16 Investments (continued)

* indicates direct investment of the Company

[1] See list of registered office details below.

Number	Registered office address
1	Campsie House, Buchanan Business Park, Cumbernauld Road, Stepps, Glasgow, Scotland, G33 6HZ, United Kingdom
2	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP, United Kingdom

Associates

	£ 000
Cost or valuation	
At 1 July 2021	6
At 1 July 2022	6
At 30 June 2023	6
Carrying amount	
At 30 June 2023	6
At 30 June 2022	6

Details of the associates as at 30 June 2023 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2023	2022
Team Van Oord Limited *	Maintenance services in the utilities sector	Bankside House, Henfield Road, Small Dole, Henfield, West Sussex, BN5 9XQ United Kingdom	25%	25%

* indicates direct investment of the Company

Joint operations

Kier Clancy Docwra (KCD)

The Company has a material joint operation, Kier Clancy Docwra (KCD), in which it holds a 50% share in the ownership (2022 - 50%). The activities undertaken by this operation are maintenance services in the utilities sector. Its trading address is Thames Water Offices, Clear Water Court, Vastern Road, Reading, RG1 8DB, United Kingdom.

17 Capitalised mobilisation costs

	2023 £ 000	2022 £ 000
At the beginning of the year	2,717	2,347
Additions	1,819	1,323
Amortisation	(1,702)	(953)
At the end of the year	2,834	2,717

18 Inventories

	2023 £ 000	2022 £ 000
Raw materials, consumables, finished goods and goods for resale	8,658	9,363

The cost of inventories recognised as an expense in the year amounted to £49,509,000 (2022 - £53,438,000). This is included within cost of sales.

19 Trade and other receivables

Current	2023 £ 000	2022 £ 000
Trade receivables	20,771	20,582
Receivables from related parties	78,067	83,482
Prepayments	300	14
Other receivables	12	934
	99,150	105,012

Receivables from related parties are unsecured, repayable on demand and attract interest at a rate of between 0% and 4% per annum.

20 Cash and cash equivalents

	2023 £ 000	2022 £ 000
Cash at bank	113,349	112,358

Cash and cash equivalents include £1,133,000 (2022 - £1,856,600) being the Company's share of cash and cash equivalents held by joint operations.

21 Trade and other payables

	2023 £ 000	2022 £ 000
Trade payables	95,523	92,704
Accrued expenses	21,274	28,320
Amounts due to related parties	41,179	39,589
Social security and other taxes	13,917	13,669
Other payables	1,414	4,086
Total trade and other payables	173,307	178,368

Non-current	2023 £ 000	2022 £ 000
Trade payables	4,995	10,985

The following amounts are included within amounts due to related parties:
- loans from dormant or non-trading subsidiary companies totalling £16,306,000 (2022 - £16,306,000), which are unsecured, interest-free and repayable on demand.
- loans from other group companies totalling £12,247,000 (2022 - £11,831,000), which are unsecured, repayable on demand and attract interest at a rate varied by the group from time to time (4% for the current and preceding accounting periods).
- trading balances with fellow group companies totalling £11,240,000 (2022 - £11,452,000), which are unsecured, interest-free and repayable on demand.

22 Lease liabilities

Leases included in liabilities

	2023 £ 000	2022 £ 000
Current	3,875	3,262
Non-current	3,588	3,119
Total lease liability	7,463	6,381

22 Lease liabilities (continued)

Lease liabilities maturity analysis

Future minimum lease payments as at 30 June 2023 are as follows:

	2023 £ 000	2022 £ 000
Less than one year	4,170	3,428
One to two years	2,065	1,520
Two to three years	1,157	1,104
Three to four years	507	441
Four to five years	86	172
Over five years	-	29
Total gross payments	7,985	6,694
Impact of finance expenses	(522)	(313)
Carrying amount of liability	7,463	6,381

Total cash outflows related to leases

	2023 £ 000	2022 £ 000
Principal elements of lease payments	6,219	5,328
Interest	469	301
Short-term leases and leases of low-value assets	33,967	37,541
Total cash outflow	40,655	43,170

23 Loans and borrowings

	2023 £ 000	2022 £ 000
Non-current loans and borrowings		
Other borrowings	67,492	160,845

	2023 £ 000	2022 £ 000
Current loans and borrowings		
Other borrowings	99,787	-

Non-current other borrowings consists of a loan of £67,492,000 (2022 - £64,896,000) from Kier Group plc which is repayable on 30 June 2025. Current other borrowings consists of a loan of £99,787,000 (2022 - £95,949,000) from Kier Limited which is repayable on 30 June 2024. The loan from Kier Limited was presented in non-current other borrowings in the prior year based on its repayment date. Both loans are unsecured and interest is fixed at 4% per annum.

24 Called up share capital

Allotted, called up and fully paid shares

	No.	2023 £ 000	No.	2022 £ 000
Ordinary shares of £1 each	36,500,000	36,500	36,500,000	36,500

25 Share-based payments

The Kier Group Savings Related Share Option Scheme ('Sharesave')

Scheme description

Participation in the Kier Group plc 2006 Sharesave scheme is offered to all employees of the Company who have been employed for a continuous period determined by the Kier Group plc board of directors. Under the Sharesave contract participating employees save a regular sum each month for three years of not less than £5 and not more than £500 per month. Options to acquire ordinary shares in the capital of Kier Group plc were granted to eligible employees who entered into a Sharesave contract. The number of options granted were that number of shares which had an aggregate option price not exceeding the projected proceeds of the Sharesave contract. Options granted under the Sharesave scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Kier Group.

10,312 Sharesave options (2022 - 5,234) were exercised in the year by participants employed by the Company, with a weighted average share price at the date of exercise of 62.9p (2022 - 104.3p).

The options outstanding at 30 June 2023, held by employees of the Company, had exercise prices (adjusted for share issues) ranging from 55.0p to 96.0p (2022 - from 56.5p to 647.2p) and a weighted average remaining contractual life of 1.6 years (2022 - 1.7 years).

The Kier Group Long Term Incentive Plan ('LTIP')

Scheme description

The Group has a Long-Term Incentive Plan (LTIP) in which senior employees of the Company participate. Awards made under the LTIP scheme are normally able to vest following the third anniversary of the date of the grant. Vesting may be in full or in part (with the balance of the award lapsing) and is subject to the Group achieving specific performance targets. Awards under the LTIP are all equity settled by way of shares in Kier Group plc.

675,918 options were exercised under the LTIP during the year, by participants employed by the Company, with a weighted average share price at date of exercise of 62.2p. No share options vested under the LTIP schemes during the preceding year.

The options outstanding at 30 June 2023, held by employees of the Company, had exercise price of £Nil (2022 - £Nil) and a weighted average remaining contractual life of 1.4 years (2022 - 1.2 years).

25 Share-based payments (continued)

The Kier Group Conditional Share Award Plan ('CSAP')

Scheme description

The Group previously operated a conditional share award plan (CSAP) under which senior employees of the Company received awards of shares subject only to service conditions, i.e. the requirement for participants to remain in employment with the Group over the vesting period. Participants were entitled to receive dividend equivalents on these awards. Awards under the CSAP were all equity settled by way of shares in Kier Group plc.

No options were exercised under the CSAP in the year. In the prior year, 51,327 options were exercised under the CSAP, by participants employed by the Company, with a weighted average share price at the date of exercise of 108.2p.

There were no CSAP options outstanding at 30 June 2023 or 30 June 2022.

26 Non adjusting events after the financial period

On 4 September 2023, after the year-end, the Company agreed to acquire substantially all of the rail assets of Buckingham Group Contracting Limited ('in Administration') and their HS2 contract supplying Kier's HS2 joint venture, EKFB, for a total consideration of up to £9.6m.

27 Contingent liabilities

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 Kier Integrated Services (Holdings) Limited and that company's subsidiaries. At 30 June 2023 the net indebtedness of these companies for borrowings repayable on demand amounted to £Nil (2022 - £Nil).

The Company has given guarantees and indemnities in respect of performance bonds. At 30 June 2023, indemnities outstanding amounted to £45,000 (2022 - £295,000).

28 Related party transactions

Income and receivables from related parties

2023	**Subsidiary £ 000**
Receipt of services	-

2022	**Subsidiary £ 000**
Receipt of services	(257)

28 Related party transactions (continued)

Loans to related parties

2023	Subsidiary £ 000
At start of year	2,850
Repaid	(50)
At end of year	2,800

2022	Subsidiary £ 000
At start of year	2,850
At end of year	2,850

Terms of loans to related parties
Kier Integrated Services Limited made available a working capital loan facility to TOR2 Limited until 8th July 2020. TOR2 Limited had previously been able to draw down and repay loans at any time while the facility is available. Now that TOR2 Limited has ceased trading, the loan balance will be settled as part of the winding up process of TOR2 Limited.

The Company is applying FRS 101 and is therefore taking advantage of the exemption from the requirements within IAS 24 to disclose related party transactions entered into between two or more members of a group, where any subsidiary which is party to the transaction is wholly owned by such a member.

29 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Integrated Services Group Limited.

The ultimate parent is Kier Group plc.

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

The ultimate controlling party is Kier Group plc.

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

The address of Kier Group plc is:
2nd Floor
Optimum House
Clippers Quay
Salford
M50 3XP

Further information on Kier Group plc can be obtained from www.kier.co.uk.