Registration number: 03679828

Kier Business Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2019

Kier Business Services Limited

Contents

Kier Business Services Limited

Company Information

Directors	Ian Meredith
	Clive Thomas
	Mark Whittaker
Company secretary	Philip Higgins
Registered office	81 Fountain Street Manchester M2 2EE
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Kier Business Services Limited

Strategic Report for the Year Ended 30 June 2019

The directors present their strategic report for Kier Business Services Limited (the "Company") for the year ended 30 June 2019.

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").

Kier Business Services Limited is comprised of two main parts, a Design Business (focusing on accommodation projects in the built environment) and a Business Process Outsourcing business with a number of residual elements of HR advisory, payroll and pensions services, along with an NHS Business Intelligence, Corporate Services and ICT Services to a number of Clinical Commissioning Groups in the North Yorks and Humber Region of the National Health Service.

The majority of Business Services elements came to a conclusion in March 2020 and this part of the business is therefore in the stage of end of life planning. Resources will continue to be diverted to the design business where there is the opportunity for growth in the future and we continue to expand our market and client base through organic growth and client synergy across the wider Kier Group.

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

	Unit	2019	2018
Revenue	£'000	41,008	43,522
EBITDA before exceptionals	£'000	(90)	(7,426)
Operating profit/(loss) before exceptionals	£'000	(601)	(7,822)
Operating margin before exceptionals	%	(1)	(18)

Corporate responsibility
The Kier Group attaches great importance to its corporate responsibility, as evidenced in the Sustainability section in the Kier Group plc 2019 Annual Report and in its Corporate Responsibility update for 2019, available at www.kier.co.uk. As a member of the Kier Group, the Company abides by the same principles.

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 principal risks as relevant to the Company are set out below, together with a summary of the actions taken to mitigate each risk.

Safety, health and sustainability
Principal risk: failure to maintain a safe and sustainable environment and prevent a major incident.

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

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; and
• Financial penalties arising from fines, legal action and project delays.

Mitigating actions:
• Continuation of the Kier Group's safety, health and environment ("SHE") behavioural change programme;
• Continued focus on the five basics of SHE risk management; and
• Setting a tone from the top through activities such as senior management visible leadership tours.

Regulation
Principal risk: failure to manage increased scrutiny and oversight and/or comply with new regulations.

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

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

Mitigating actions:
• Regular engagement with Government and Government agencies with respect to the Company's performance;
• 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 funding or liquidity.

The Company requires access to Kier Group funding and associated facilities (for example, bonding lines) to be able to operate and conduct its business 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;
• Collaborative engagement with banks, lenders and sureties; and
• Dispose of non-core businesses to reduce net debt.

Market and sector performance
Principal risk: a general market or sector downturn affects the Company's performance.

The Company's performance is affected by macroeconomic factors which affect UK business in general and/or the markets in which the Company operates.

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:
• Evaluate markets, including the impact of macroeconomic factors and the associated market risk of specific events (for example, Brexit); and
• Review the Company's pipeline of future work to identify market trends and plan accordingly.

Operating model
Principal risk: the Kier Group's future strategy does not result in an efficient operating model.

The Company needs to maintain and evolve its operating model so as to build and sustain the long term confidence of its key stakeholders, deliver sector leading customer experience and maximise the opportunities for growth. The Company needs to maintain an efficient operating model .

Potential impact:
• The Company does not meet its profit targets;
• The Company is unable to tender effectively for new business; and
• Decisions are not made efficiently and/or effectively.

Mitigating actions:
• Monitor the long term prospects, opportunities and risks associated with the Company's key markets and adapt the operating model accordingly.

Contract management
Principal risk: ineffective contract management leads to losses.

Effective contract management is central to the Company's business model. Failure to manage the risks associated with the Company's contracts could materially and adversely affect the Company's financial performance.

Potential impact:
• A failure to meet the Company's financial targets;
• The Company incurring losses on individual contracts; and
• The Company failing to win new work.

Mitigating actions:
• Identify early warnings of under-performing contracts;
• Adhere to the Kier Group's contract risk governance framework; and
• Timely and accurate reporting of contract performance.

Pre-contract governance
Principal risk: inadequate pre-contract governance fails to identify contract risk.

Effective pre-contract governance is essential in ensuring that the Company understands the risks associated with its projects and puts in place appropriate mitigation plans.

Potential impact:
• Poorly performing contracts, leading to the Company incurring losses;
• The failure to meet a client's expectations on cost and quality; and
• Claims and litigation against the Company.

Mitigating actions:
• Careful selection of tender opportunities;
• Adhere to the Kier Group's contract risk governance framework; and
• Continued focus on supply chain procurement.

People
Principal risk: failure to retain key employees and identify future leaders.

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

Potential impact:
• A loss of experience in the Company and client relationships;
• A lack of operational leadership, potentially leading to poor project performance; and
• An erosion of the Company's employer brand.

Mitigating actions:
• Focus on skills development and retention plans for the talent pipeline;
• Create an effective, inclusive work environment; and
• Clear and effective communication with the workforce.

Supply chain
Principal risk: maintain effective working relationships with the supply chain.

The Company relies on its supply chain to deliver its projects. Maintaining close and effective working relationships with members of the supply chain is therefore 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:
• Develop long-term relationships with critical subcontractors;
• Continue to reduce subcontractor payment terms; and
• Review the supply chain to ensure alternative delivery mechanisms are available and appropriate contingencies are in place.

Brexit

The UK left the EU on 31 January 2020. The Kier Group has established a 'Brexit taskforce' which continues to consider the potential effects of Brexit on the Group. The Group has identified potential risks relating to, for example, the supply chain, the workforce and the supply and cost of materials.

The Group has set up contingency plans in respect of potential risks which have been identified, is monitoring developments and will keep these plans under review. We are working closely with our supply chain at a project level to assess their approach to Brexit post leave date and have undertaken scenario planning sessions to develop plans to ensure continuity with respect to potentially critical points of supply. In addition, the Group continues to work with its employees from EU members states who are looking to continue to live and work in the UK post-Brexit.

Approved by the Board on 29 September 2020 and signed on its behalf by:

C. Thomas

Clive Thomas
Director

The directors of Kier Business Services Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2019.

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:

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

Clive Thomas (appointed 1 October 2019)

Mark Whittaker (appointed 24 January 2020)

Stephen Davies (resigned 3 July 2018)

Lee Howard (appointed 3 July 2018 and resigned 1 October 2019)

Ian Meredith

Peter Slater (resigned 3 July 2018)

Leigh Thomas (appointed 3 July 2018 and resigned 1 October 2019)

Jeremy Williams (resigned 3 July 2018)

Financial instruments

Objectives and policies

Kier Business Services Limited is exposed to foreign exchange risk, interest rate risk, credit risk, liquidity risk and price risk in varying degrees, but all have relatively low levels of risk. For this reason the Company does not undertake hedging or complex financial instruments to mitigate these particular risks. Interest rate risk arises from long-term pound Sterling borrowings issued at variable rates. The Kier Group finance department manages these risks within a set of policies and procedures defined by the parent company Board. The policies for managing these risks are set out below:

(a) Foreign exchange risk

The Company does not hedge for foreign currency exchange risk as balances in foreign currency are not significant, although there are some transactions denominated in foreign currencies. All bonds and guarantees are funded out of the UK.

(b) Interest rate risk

The Company is owed and owes money via intercompany loan notes and these are subject to fixed rate interest charges. The Company does not undertake hedging or complex financial instruments to mitigate this risk.

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

(c) Credit risk
The principal financial assets are cash and debtors. Counterparty risk on cash deposits is managed by adhering to guidelines which currently state that a maximum of £5,000,000 of cash can be deposited with any one UK counterparty. Trade debtors are managed through set up and authorisation policies for new customers and monthly monitoring of balances.

(d) Liquidity risk
The Company's policy on liquidity risk is supported by the Group's policy on liquidity risk. The Group's policy on liquidity risk is to ensure that sufficient borrowing facilities are available to fund operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a Group of relationship banks in the form of unsecured committed borrowing facilities.

The amount of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels.

(e) Price risk
The Company does not hold any equity securities that are available for sale, and does not have any significant exposure to commodity price risk.

Employees
The Group recognises the benefits of a diverse workforce. For the past two years, the focus of the Group's efforts to create a business which better represents society as a whole has been through the Kier Balanced Business Network made up of colleagues from all levels across all parts of the business with a passion for improving diversity and inclusion. Recent activity has focused on a campaign called 'Bring your whole self to work', which encourages people to be proud of who they are at work, without having to change aspects of themselves and their beliefs, and there have been a number of other initiatives, such as a review of family-friendly and agile working policies and the enhancement of maternity pay. Another key initiative is Shaping Your World, which promotes careers in the built environment to the next generation of young people and is designed to overcome industry preconceptions.

Employment of disabled persons
The companies in the Group are equal opportunities employers. The Group considers applications for employment from disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, whenever practicable, the recruitment, training, career development and promotion of colleagues with additional physical or mental needs, including instances of disability during employment.

Further information on the Group's non-financial performance with respect to sustainable business can be found in the Sustainability section of the Kier 2019 Annual Report, available at www.kier.co.uk.

Employee involvement
The Kier Group provides information to employees and encourages two-way engagement. We do this through newsletters, webinars, the Group intranet, social media and formal and informal face-to-face meetings. The Group holds annual employee awards and embarked on a series of employee roadshows during the year. The Group also conducts engagement surveys to obtain feedback on matters of importance to employees.

Safety, health and environment
The Kier Group Safety, Health and Environment ('SHE') committee continues to oversee the progress of the Group's behavioural change programme, which aims to embed good safety behaviours and further improve the safety culture within the Group. The health of our employees, both physical and mental, is integral to the Group's culture and is of the utmost importance.

The role of the SHE committee includes:
(i) reviewing the Group's strategy with respect to SHE matters and challenging management to implement it;
(ii) encouraging management's commitment and accountability with respect to managing the Group's SHE risks;
(iii) reviewing and, as necessary, approving material Group-wide SHE initiatives, policies and procedures; and
(iv) reviewing the Group's exposure to SHE risks and monitoring performance against SHE targets.

For further information on Kier Group's activities with regards to SHE matters, please see the Kier Group plc 2019 Annual Report (available at www.kier.co.uk).

Going concern
The Directors are required to consider the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.
In the period after the balance sheet date and before the singing of these accounts, the Company's performance, along with the entire Kier Group's performance, was adversely affected by the effects of the COVID-19 pandemic. Although the Group's sites remained open through this period, with a number of decisive management actions taken to mitigate against the majority of the effect of the pandemic, COVID-19 has adversely affected the Group's revenue and resulted in it incurring additional costs. This has resulted in a lower level of profitability for the 2020 financial year and an increase in the Group's net debt position.
At 30 June 2020, the Group had £892m of unsecured committed facilities, £20m of uncommitted overdrafts and £125m drawn against uncommitted supply chain financing facilities. In order to provide financial flexibility for the Group following COVID-19, the Group:
› Agreed waivers with its lenders in respect of the financial covenants within the Group's principal debt facilities for the test period ended 30 June 2020;
› Has agreed revised financial covenants under its principal debt facilities which will apply for the going concern period;
› Agreed with HMRC a deferral of the payment of certain amounts in respect of VAT and PAYE until March and June 2021, respectively; and
› Has agreed with its pension trustees a material reduction in the scheme deficit repayments.
The current trading environment remains uncertain, principally due to the potential impact of COVID-19, which makes forecasting challenging.

The Directors of the Kier Group have reviewed the Group's short-term cash flow forecasts to 31 December 2021 (the going concern period), which have been prepared using certain key assumptions and include a number of stressed, but plausible, downside scenarios. These scenarios include a consideration of the risks which may arise to the Group's available liquidity and its ongoing compliance with the revised financial covenants within the Group's principal debt facilities as a result of or in light of the following factors or circumstances:
› The availability of supply-chain finance;
› Potential reductions in trading volumes;
› Potential margin erosion,
› Risks in respect of certain specific projects;
› The Group's ability to conclude its cost reduction plan as forecast; and
› The completion of the sale of Kier Living, following the delay in the sale process which was due, in particular, to COVID-19.
The impact that a second wave of COVID-19 would have on the Group's cashflows, using the financial impact of the initial outbreak as the basis of the assessment, was also considered.

Going concern (continued)

The Kier Group Board also considered the macroeconomic and political risks affecting the UK economy, including Brexit. Brexit has the potential to disrupt the Group's operations, particularly in relation to materials, people and the supply-chain. The Group has established a 'Brexit task force' and has in place business continuity plans to mitigate the risks associated with Brexit. The Board noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements, and that the Group operates primarily in sectors such as health, education and utilities, which are considered likely to remain largely unaffected by macro-economic factors. In addition, significant cost reduction actions have already been taken to improve the Group's profitability.
The Board considered the Group's ability to manage its working capital, in order to mitigate the potential impact on the Group's liquidity over the forecast period, in particular at the lowest point under the downside scenarios in the Spring of 2021, in the event of circumstances described above taking place. This, together with the agreements with the lenders and the pension trustees, and the other measures which have been taken during the year mean that the Group would be expected to continue to have available liquidity headroom under its existing finance facilities and operate within the revised financial covenants over the going concern period.

The Group Director's have committed to support the Company over a period of at least 12 months from the signing of the financial statements.
On the basis of the financial support made available from the Group, and the Group's ability to provide this support, the Board is satisfied that the Company has sufficient financial resources to continue to operate for a period of at least 12 months and therefore, it has adopted the going concern basis in preparing the Company's 2019 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.

Kier Business Services Limited

Directors' Report for the Year Ended 30 June 2019 (continued)

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

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

Approved by the Board on 29 September 2020 and signed on its behalf by:

C. Thomas

Clive Thomas
Director

Kier Business Services Limited

Statement of Directors' Responsibilities

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

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

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

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

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

Independent Auditors' Report to the Members of Kier Business Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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.

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

Reporting on other information (continued)

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Diane Walmsley

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

Date: 29 September 2020

Kier Business Services Limited

Income Statement for the Year Ended 30 June 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	41,008	43,522
Cost of sales		(37,853)	(42,476)
Gross profit		3,155	1,046
Administrative expenses		(3,756)	(8,868)
Exceptional administrative items	5	(342)	-
Operating loss	6	(943)	(7,822)
Finance income	7	1,381	984
Finance costs	8	(878)	(527)
Net finance income		503	457
Loss before taxation		(440)	(7,365)
Income tax (expense)/credit	12	(540)	4,698
Loss for the financial year		(980)	(2,667)

The above results were derived from continuing operations.

Kier Business Services Limited

Statement of Comprehensive Income for the Year Ended 30 June 2019

	2019 £ 000	2018 £ 000
Loss for the year	(980)	(2,667)
Total comprehensive expense for the year	(980)	(2,667)

Kier Business Services Limited

(Registration number: 03679828)
Statement of Financial Position as at 30 June 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Property, plant and equipment	13	9	83
Intangible assets	14	-	437
Investments	15	1	1
Deferred tax assets	12	4,434	4,427
		4,444	4,948
Current assets			
Trade and other receivables	16	47,474	60,871
Income tax asset	12	2,138	8,049
Contract assets		3,921	-
Cash and cash equivalents	17	238	788
		53,771	69,708
Total assets		58,215	74,656
Current liabilities			
Trade and other payables	18	(33,674)	(44,613)
Contract liabilities		(2,424)	-
Loans and borrowings	23	(6,613)	(15,955)
Provisions	24	(2,475)	(79)
		(45,186)	(60,647)
Net assets		13,029	14,009
Equity			
Retained earnings		13,029	14,009
Total equity		13,029	14,009

The financial statements on pages 16 to 40 were approved by the Board of Directors on 29 September 2020 and signed on its behalf by:

C. Thomas

Clive Thomas
Director

Kier Business Services Limited

Statement of Changes in Equity for the Year Ended 30 June 2019

	Called up share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 July 2018	-	14,009	14,009
Loss for the financial year	-	(980)	(980)
Total comprehensive expense for the year	-	(980)	(980)
At 30 June 2019	-	13,029	13,029

	Called up share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 July 2017	-	16,676	16,676
Loss for the financial year	-	(2,667)	(2,667)
Total comprehensive expense for the year	-	(2,667)	(2,667)
At 30 June 2018	-	14,009	14,009

The notes on pages 20 to 40 form an integral part of these financial statements.

1 General information

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

The address of its registered office is:
81 Fountain Street
Manchester
M2 2EE

2 Accounting policies

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

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

Summary of disclosure exemptions
The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:
IAS 7: Complete exemption from preparing a cash flow statement and related notes;
IFRS 2: Exemption from certain disclosures in respect of share based payments for arrangements involving equity instruments of another Group entity;
IAS 8: The listing of new or revised standards that have not been adopted (and information about their likely impact) has been omitted;
IAS 36: Exemption from disclosures for each cash generating unit which contains goodwill, in particular in relation to assumptions and sensitivities;
IFRS 7: Complete exemption from all of the disclosure requirements of IFRS 7, Financial Instruments, other than for those instruments where these disclosures are still required to comply with the law;
IFRS 13: Complete exemption from all of the disclosure requirements of IFRS 13, Fair value measurement;
IAS 24: Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member;
IAS 24: Exemption from disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity;
IAS 1: Exemption from comparatives for movements on property, plant & equipment, intangible assets and share capital; and
IFRS 15: Exemption from certain disclosures in respect of revenue from contracts with customers.

Exemption from preparing group financial statements
The financial statements contain information about Kier Business 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.

2 Accounting policies (continued)

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the Company's ultimate parent company, Kier Group plc. The directors have received a letter from the directors of Kier Group plc, pledging support to allow the Company to meets its obligations. Further details on the going concern assessment are disclosed in the Directors' Report.

Further details on the Company's going concern assessment are included in the Directors' Report on page 9.

Changes in accounting policy

The following new standards, amendments to standards and interpretations are effective for the financial year ended 30 June 2019 onwards:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Amendments to IFRS 2 'Share-based Payments'
- Amendments to IFRS 4 'Insurance Contracts'
- Amendments to IAS 40 'Investment Property'
- Annual Improvements to 2014-2016 cycle
- IFRS 1 and IAS 28 amendments
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

Other than the impact of IFRS 9 and IFRS 15 as noted below, none of the above new standards, amendments to standards or interpretations have had a material effect on the financial statements.

Changes resulting from adoption of IFRS 9 and IFRS 15

The Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 July 2018 using the cumulative effect method, and as such comparative information has not been restated.

IFRS 9 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting.

The company reports that no adjustment or restatement as a result of adopting IFRS 9 is required

IFRS 15 'Revenue from Contracts with Customers'

The adoption of IFRS 15 has resulted in changes in the company's accounting policies for the recognition and measurement of revenue.

IFRS 15 supersedes IAS 11 Construction Contracts; IAS 18 Revenue and related interpretations, introducing a five step approach to revenue recognition and applies to all revenue arising from contracts with its customers. This is explained in more detail in the Revenue Recognition policy.

The company has adopted IFRS 15 using the cumulative effect method. The disclosure requirements in IFRS 15 have not been applied to the comparative information and the information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

2 Accounting policies (continued)

The table below summarises the impact of IFRS 15 at the date of first application

Impact on Statement of Financial Position as at 30 June 2018

	Note	30 June 2018 £ 000	IFRS 15 adjustments £ 000	1 July 2018 £ 000
Non-current assets				
Property, plant and equipment		83	-	83
Intangible assets		437	-	437
Investments		1	-	1
Deferred tax assets		4,427	-	4,427
		4,948	-	4,948
Current assets				
Trade and other receivables		60,871	(4,564)	56,307
Income tax asset		8,049	-	8,049
Contract assets		-	4,564	4,564
Cash and cash equivalents		788	-	788
		69,708	-	69,708
Total assets		74,656	-	74,656
Current liabilities				
Trade and other payables		(44,613)	4,883	(39,730)
Loans and borrowings		(15,955)	-	(15,955)
Contract liabilities		-	(4,883)	(4,883)
Provisions		(79)	-	(79)
		(60,647)	-	(60,647)
Net assets		14,009	-	14,009
Equity				
Retained earnings		14,009	-	14,009
Total equity		14,009	-	14,009

Balance sheet adjustment

The introduction of IFRS 15 introduces 'contract assets' and 'contract liabilities' as new balance sheet categories. There are therefore a number of presentational changes as accrued revenue amounts for work undertaken, but not yet certified/invoiced, have been reclassified as contract assets and amounts received or certified in advance of completing performance obligations have been reclassified as contract liabilities.

2 Accounting policies (continued)

Impact on the results for the year ended 30 June 2019

The table below summarises the impact of the adoption of IFRS 15 on the Company's balance sheet as at 30 June 2019. There was no material impact on the Company's income statement or statement of comprehensive income.

Impact on Statement of Financial Position as at 30 June 2019

	Note	Amounts without adoption of IFRS 15 £ 000	Impact of adopting IFRS 15 £ 000	As reported £ 000
Non-current assets				
Property, plant and equipment		9	-	9
Investments		1	-	1
Deferred tax assets		4,434	-	4,434
		4,444	-	4,444
Current assets				
Trade and other receivables		51,395	(3,921)	47,474
Income tax asset		2,138	-	2,138
Contract assets		-	3,921	3,921
Cash and cash equivalents		238	-	238
		53,771	-	53,771
Total assets		58,215	-	58,215
Current liabilities				
Trade and other payables		(36,098)	2,424	(33,674)
Loans and borrowings		(6,613)	-	(6,613)
Contract liabilities		-	(2,424)	(2,424)
Provisions		(2,475)	-	(2,475)
		(45,186)	-	(45,186)
Net assets		13,029	-	13,029
Equity				
Retained earnings		13,029	-	13,029
Total equity		13,029	-	13,029

The areas of the balance sheet impacted by the adoption of IFRS 15 and the nature of the adjustments are consistent with the transitional adjustments noted above

2 Accounting policies (continued)

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.

Where revenue that has been recognised is subsequently determined not to be recoverable due to a dispute with the customer, these amounts are accounted for as a reduction in revenue. Where non-recovery is as a result of inability of a customer to meet its obligations, these amounts are charged to administrative expenses as a credit loss.

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;

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

• 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;

• 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.

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.

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

Revenue and profit from services rendered, which include design and business services, is recognised over time as the service is performed.

2 Accounting policies (continued)

Revenue and profit recognition (continued)

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.

Tax

The tax expense for the period 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.

Property, plant and equipment

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

For Leasehold improvements depreciation is provided over the life on the lease, up to the first break date.

The estimated useful lives range as follows: Furniture, fittings and equipment - 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

Intangible assets

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

• it is technically feasible to complete the software product so that it will be available for use;
• management intends to complete the software product or sell it;
• there is an ability to use or sell the software product;
• it can be demonstrated how the software product will generate probable future economic benefit;
• adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
• the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets lives are considered finite and are amortised on a straight line basis. Amortisation is recognised within administrative expenses.

Amortisation

Intangible assets are amortised over their estimated useful lives, which are as follows:

Internally generated software development costs	3 to 10 years
Other intangible assets	over the remaining contract life

2. Accounting policies (continued)

Investments
Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised 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 group 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.

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 contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

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) 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.

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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 the 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 forms the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas involving significant judgements or key sources of estimation that may impact on the Company's earnings and financial position are as follows:

(a) Revenue and profit recognition:
The estimation techniques used for revenue and profit recognition require forecasts to be made of the outcome of long term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programme and changes in cost.

(b) Exceptional items:
The Directors exercise judgement in determining whether, on balance, separately identifying certain items as exceptional on the face of the income statement will help the users of the financial statements understand the Company's business performance.

(c) Provision for onerous contracts:
A provision is made for any unavoidable future net losses arising from contract obligations as soon as they become apparent

(d) Impairment of trade receivables and contract assets
The company makes an estimate of the recoverable value of trade receivables and contract assets. When assessing the carrying value management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies a simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

4 Revenue

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

	2019 £ 000	2018 £ 000
Rendering of services	41,008	43,522

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

	2019 £ 000	2018 £ 000
UK	41,008	43,522

5 Exceptional administrative items

	2019 £ 000	2018 £ 000
Disposal of pensions administration business	2,295	-
Onerous contract provision	(1,600)	-
Impairment of intangible asset	(162)	-
Restructuring provision	(875)	-
	(342)	-

On 31 October 2018, the Company disposed of its pension administration business for a total consideration of £3,751,000.

	2019 £'000
Consideration	3,751
Costs of disposal	(1,142)
Book value of net assets sold	(314)
Gain on disposal	2,295

An onerous contract provision of £1,600k has been established in relation to the Business Process Outsourcing business, in addition a further restructuring provision of 875k has been made in relation to expected employee costs.
During the year the Directors assessed the recoverability of an asset relating to the Business Process Outsourcing business resulting in an impairment of £162k. The Business Process Outsourcing business is expected to be terminated by June 2020.

6 Operating profit/(loss)

Arrived at after charging

	2019 £ 000	2018 £ 000
Depreciation expense	74	91
Amortisation expense	275	305
Impairment of intangible asset	162	-
Operating lease expense	242	278

7 Finance income

	2019 £ 000	2018 £ 000
Interest received from group undertakings	1,381	984

8 Finance costs

	2019 £ 000	2018 £ 000
Interest on bank overdrafts and borrowings	790	497
Interest paid to group undertakings	88	30
	878	527

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	20,469	27,697
Social security costs	2,337	2,971
Other pension costs	1,713	2,258
	24,519	32,926

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

	2019 No.	2018 No.
Permanent staff	566	756

10 Directors' remuneration

One director (2018: two) is remunerated by the Company. The other directors are employed and remunerated by the other Group companies and it is not practical for them to allocate remuneration between the companies they work for.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	1	2

10 Directors' remuneration (continued)

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Directors' emoluments	177	254
Contributions to defined contribution scheme	22	27
	199	281

11 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the Company's financial statements	207	150

Auditors' remuneration was borne by another Group company.

12 Income tax expense/(credit)

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	-	(2,428)
UK corporation tax adjustment to prior periods	547	(1,590)
	547	(4,018)
Deferred taxation		
Arising from origination and reversal of temporary differences	(45)	1,031
Arising from changes in tax rates and laws	5	(108)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	33	221
Arising from write-down or reversal of write-down of deferred tax asset	-	(1,824)
Total deferred taxation	(7)	(680)
Tax expense/(credit) in the income statement	540	(4,698)

12 Income tax expense/(credit) (continued)

The tax on profit/(loss) for the year is higher than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before taxation	(440)	(7,365)
Corporation tax at standard rate	(84)	(1,399)
Increase/(decrease) in current tax from adjustment for prior periods	580	(1,590)
Increase from effect of expenses not deductible in determining taxable profit / tax loss	39	2
Deferred tax expense from unrecognised temporary difference from a prior period	-	221
Deferred tax expense/(credit) relating to changes in tax rates or laws	5	(108)
Other tax effects for reconciliation between accounting profit and tax expense/(income)	-	(1,824)
Total tax charge/(credit)	540	(4,698)

The deferred tax is recognised at 17.0% which is the tax rate enacted in law as of the balance sheet date. On 11 March 2020 the Chancellor announced that the proposed change to reduce the UK corporation tax rate from 19% to 17% will not go ahead and the corporation tax rate will remain at 19%. The impact of restating the deferred taxation from 17% to 19% would be £522k.

Deferred tax

Deferred tax assets

2019	Asset £ 000
Accelerated tax depreciation	3,625
Other items	809
	4,434

2018	Asset £ 000
Accelerated tax depreciation	4,380
Other items	47
	4,427

12 Income tax expense/(credit) (continued)

	2019 £000	2018 £000
At 1 July	4,427	5,571
(Charged)/credited to the income statement	7	680
Write off deferred tax transferred from Mouchel Limited	-	(1,824)
At 30 June	4,434	4,427

13 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 July 2018	20	346	366
At 30 June 2019	20	346	366
Accumulated depreciation			
At 1 July 2018	11	272	283
Charge for the year	9	65	74
At 30 June 2019	20	337	357
Carrying amount			
At 30 June 2019	-	9	9
At 30 June 2018	9	74	83

14 Intangible assets

	Assets under the course of construction £ 000	Internally generated software development costs £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation				
At 1 July 2018	8	187	721	916
Transfers	(8)	8	-	-
At 30 June 2019	-	195	721	916
Accumulated amortisation and impairment				
At 1 July 2018	-	128	351	479
Amortisation charge	-	67	208	275
Impairment	-	-	162	162
At 30 June 2019	-	195	721	916
Carrying amount				
At 30 June 2019	-	-	-	-
At 30 June 2018	8	59	370	437

15 Investments

Joint ventures

	£ 000
Cost or valuation	
At 1 July 2018	1
At 30 June 2019	1
Provision	
Carrying amount	
At 30 June 2019	1
At 30 June 2018	1

Details of the joint ventures as at 30 June 2019 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2019	2018
MPHBS Limited	Holding company	81, Fountain Street, Manchester, M2 2EE England and Wales	50%	50%

16 Trade and other receivables

	2019 £ 000	2018 £ 000
Trade receivables	2,180	5,379
Amounts due from group undertakings	44,836	50,848
Prepayments and accrued income	458	4,563
Other receivables	-	81
	47,474	60,871

Included within amounts due from group undertakings is £30,778,000 (2018: £29,948,000) relating to intercompany loans. Loans to the value of £21,579,000 (2018: £20,749,000) are unsecured, repayable on demand and attract interest at 4.0%. A loan to the value of £9,199,000 (2018: £8,678,000) is unsecured, repayable on demand and attracts interest at 6.0%. All other amounts are non-interest bearing, unsecured and repayable on demand.

17 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash at bank	238	788
Bank overdrafts	(6,613)	(15,955)
Cash and cash equivalents	(6,375)	(15,167)

18 Trade and other payables

Current	2019 £ 000	2018 £ 000
Trade payables	2,679	1,910
Accruals and deferred income	3,784	11,266
Amounts owed to group undertakings	22,875	28,172
Social security and other taxes	4,229	3,256
Other payables	107	9
Total current trade and other payables	33,674	44,613

Included within amounts owed to group undertakings is an amount of £4,118,000 (2018: £1,500,000) relating to an intercompany loan. The loan is unsecured, repayable on demand and attracts interest at 4.0%. All other amounts are non-interest bearing, unsecured and repayable on demand.

19 Share capital

Allotted, called up and fully paid shares

	No.	2019 £ 000	No.	2018 £ 000
Ordinary Shares of £1 each	100	-	100	-

20 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2019 £ 000	2018 £ 000
Within one year	222	251
In two to five years	415	403
	637	654

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable and accrued by the company to the scheme and amounted to £1,713,000 (2018 - £2,258,000).

22 Impact of COVID-19 on the Financial Statements

Subsequent to the 30 June 2019 balance sheet date, the world has been impacted by a global pandemic.
This pandemic has had a significant impact on the Kier Group, both operationally and financially. Decisive management actions led to Kier implementing the following self-help measures:

› Temporarily closed all sites to ensure that we could operate safely. Through the application of Site Operating Procedures issued by the Construction Leadership Council we were able to keep about 80% of our sites open throughout the period. Currently all sites are now open.

› Asked c.6,500 employees to take a temporary pay reduction for the three months to 30 June 2020. These reductions depended on seniority and ranged between 7.5% to 25%.

› The Group furloughed c.2,000 employees through the period. As at 31 July 2020 there were none left on furlough.

› The Group also deferred various taxation payments during the period as allowed by the Government.

› All discretionary spend including capital expenditure was reduced to a minimum.

› The closure of the former headquarters at Tempsford Hall in Bedfordshire was brought forward to 30 April 2020 from the previously announced date of 30 June 2020.

› Through strong relationships with the members of our banking syndicate and other debt providers they all agreed waivers to the Group's financial covenants for the year ended 30 June 2020.

› Paused reducing utilisation of the Kier Early Payment Scheme ('KEPS').

The impact of COVID-19 was subsequent to the balance sheet date and has had no impact on the results of the Company for the year ended 30 June 2019. Consideration as to the impact on the Company's going concern assumption has been given on pages 9 and 10.

23 Loans and borrowings

	2019 £ 000	2018 £ 000
Current loans and borrowings		
Bank overdrafts	6,613	15,955

24 Other provisions

	Insurance provisions £ 000	Restructuring provisions £ 000	Onerous contracts £ 000	Dilapidation provisions £ 000	Total £ 000
At 1 July 2018	36	-	-	43	79
Additional provisions	-	875	1,600	-	2,475
Provisions used	(36)	-	-	(43)	(79)
At 30 June 2019	-	875	1,600	-	2,475
Current liabilities	-	875	1,600	-	2,475

25 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Holdings Limited.

The ultimate parent is Kier Group plc.

The ultimate controlling party is Kier Group plc.

Relationship between entity and parents

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

The address of Kier Group plc is:
81 Fountain Street
Manchester
M2 2EE

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

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

The address of Kier Limited is:
81 Fountain Street
Manchester
M2 2EE

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