Registration number: 03679828

Kier Business Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2020

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 2020

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

Fair review of the business

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

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 at the end of March 2020.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	2020	2019
Revenue	£'000	26,833	41,008
EBITDA before exceptionals	£'000	(1,714)	(90)
Operating profit/(loss) before exceptionals	£'000	(2,261)	(601)
Operating margin before exceptionals	%	(8)	(1)

Corporate responsibility

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

Stakeholders

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

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

Below are examples of the Group's key stakeholders and its engagement with them. The Company has supported the Group in this engagement.

Suppliers
The Group has continued to engage with its suppliers to reduce the number of supply chain payment days. From 1 January 2020 to 30 June 2020 for example, the Group's average payment days remained consistent at 38 days and the percentage of payments made to suppliers within 60 days increased from 81% to 84%, in each case compared to the six months period to 31 December 2019. Kier is committed to further improvements in our payment practices and continue to work with our customers and suppliers to achieve this. The actions taken by the Group have also resulted in 92% of registered entities have been reinstated to the Prompt Payment Code.

Employees
Kier is a people focused business and needs to attract and retain the best people and develop their skills and talents. Kier's people make the biggest impact within its business, for both clients and wider society.

During the year, the Group introduced a new set of values which underpin Kier's culture: Collaborative, Trusted and Focused.

Kier is committed to developing an inclusive workplace, creating an environment which allows its people to thrive and enhancing diversity to deliver more value for our employees, clients and customers. Kier's new values also place a greater emphasis on how managers, leaders and their teams create a more inclusive environment.

Kier is also cultivating a working environment that is more attractive for employees by increasing flexibility through its new Smart Working policy in 2019, which embraces agile, flexible and remote working practices.

To strengthen and diversify our search for talent, Kier has broadened the channels it uses to attract people. The content it publishes on its recruitment advertising platforms aims to attract people from a broad spectrum of backgrounds and industries, who might not otherwise have considered a career within the built environment. This is supported by unconscious bias training and the use of gender-neutral advertising software.

Safety, health and environment
The safety and wellbeing of Kier's employees and suppliers remain of paramount importance. The Group's Safety, Health and Environment ("SHE") Committee (the "Committee") focuses on overseeing the consolidation of the Group's safety culture and performance, with employee health and welfare being a particular area of focus during the year.

The 5 SHE Basics campaign, which was relaunched with a new visual identity on sites across the Group during the year, is fundamental to the Group's approach to safety which aims to improve the Group's overall safety performance.

For further information on the Group's activities with regards to SHE matters, including the SHE Committee report at pages 99 and 100, please see the Kier Group plc 2020 Annual Report (available at www.kier.co.uk).

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.

COVID-19 impact: high.

During COVID-19, the Company has worked closely with its people, clients and suppliers to ensure that its sites and offices are able to continue to operate safely and in accordance with Government guidelines.

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:
- Continued focus on the five basics of SHE risk management;
- Implementing the Kier Group's new sustainability framework, 'Building for a Sustainable World'; and
- Setting a tone from the top through activities such as senior management visible leadership tours.

Legislation and regulation
Principal risk: failure to manage effectively changes in legislation and regulation.

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.

COVID-19 impact: no material impact.

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.

Reduced availability of financing options resulting in an inability to maintain adequate funding or financial liquidity and an inability to execute the Company's strategy effectively.

COVID-19 impact: medium.

The Group has worked with its clients and supply chain to maintain liquidity during COVID-19. The Kier Group has agreed waivers and revised financial covenants with its lenders and worked with other stakeholders to ensure sufficient flexibility under its principal finance facilities remains available.

Potential impact:
• The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees);
• Conducting existing business becomes increasingly challenging;
• May adversely affect the Company's ability to raise equity; and
• The loss of future business.

Mitigating actions:
• Effective cash forecasting and working capital management;
• Following COVID-19, the Kier Group has agreed waivers with its lenders in respect of the financial covenants for the test period ended 30 June 2020 and has agreed revised financial covenants which will apply for the going concern period;
• Collaborative engagement with customers, HMRC, pension scheme trustees, banks, lenders and sureties; and
• Exit, substantial exit or restructuring of non-core businesses to reduce net debt.

Market and sector performance

Principal risk: a general market or sector downturn may materially and adversely affect the Company's ability to secure work.

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

COVID-19 impact: high.

COVID-19 has resulted in high levels of macroeconomic sector uncertainty and volatility and has resulted in the UK entering a recession. This has, in turn, adversely affected the Company's financial performance.

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.

Contract management
Principal risk: failure to manage contracts effectively at each stage of a project's lifecycle.

The Company has a number of large and complex contracts in progress at any one time. Failure to manage the risks associated with these contracts could materially and adversely affect the Company's financial performance.

COVID-19 impact: medium.

COVID-19 has resulted in certain projects being delayed or suspended and the Company incurring additional costs as a result.

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.

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

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

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

COVID-19 impact: high.

The Company has implemented a number of measures relating to its employees, including temporary pay reductions, furlough and requiring more agile working practices (including working from home).

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:
• Focus on skills development and retention plans for the talent pipeline;
• Create an effective, inclusive work environment, through our Performance Excellence culture; and
• Clear and effective communication with the workforce.

Supply chain
Principal risk: failure to maintain effective working relationships with the supply chain; following COVID-19, supply chain insolvencies.

The Company relies on its supply chain for the delivery of its projects. Maintaining close and effective working relationships with the supply chain is therefore a priority for the Company. Following COVID-19, the risk of insolvencies in the supply chain has increased.

COVID-19 impact: medium.

The Company has worked closely with its supply chain to ensure that projects can be delivered. There has been an increase in the number of insolvencies within the supply chain as a result of COVID-19.

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 seek to reduce supply chain payment terms; and
• Review the supply chain to ensure alternative delivery mechanisms are available and appropriate contingencies are in place.

Strategy
Principal risk: The Company fails to deliver its strategy.

The delivery of the Company's strategy is of fundamental importance to its future performance.

COVID-19 impact: low.

The Company believes that COVID-19 has affected its short-term performance, rather than the longer-term delivery of its strategy.

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 our Performance Excellence culture;
• Continued focus on cash management; and
• Effective communication with stakeholders.

Brexit
The UK left the EU on 31 January 2020, with a transition period currently running to 31 December 2020. Currently, the UK's long-term relationship with the EU remains unclear.

The Group has identified potential risks relating to, for example, the supply chain, the workforce and the supply and cost of materials and has set up contingency plans in respect of these risks. The Group keeps these plans under review, in the light of political developments. In particular, the Group continues to work with its supply chain to develop plans to ensure continuity of potentially critical supplies and has developed plans with respect to those members of its workforce who are nationals of EU member states and wish to continue to work in the UK.

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

As the UK continues its exit from lockdown, Government restrictions and requirements are closely monitored so as to ensure continued compliance. Particular areas of focus include:
- Compliance with the Company's operating site procedures;
- Ensuring the continued supply of materials and availability of the supply chain, wherever possible; and
- Supporting the Company's workforce to continue to operate as effectively as possible in the circumstances.

Emerging risks
The Company has identified the following as principal, emerging risks:
- The continued impact of COVID-19 on the Company's sites and operations;
- The UK's recession, following COVID-19; and
- The operational, financial and commercial effects of climate change disruption on the Company.

Approved by the Board on 27 November 2020 and signed on its behalf by:

....
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 2020.

Directors of the Company

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

Lee Howard (resigned 1 October 2019)

Ian Meredith

Leigh Thomas (resigned 1 October 2019)

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

Clive Thomas (appointed 1 October 2019)

Mark Whittaker (appointed 24 January 2020)

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.

Employment of disabled persons
The companies in the Group are equal opportunities employers and consider applications for employment from disabled persons. Facilities, equipment and training are provided to assist disabled employees and, should an employee become disabled during their employment, efforts would be made to retain them in their current role or to explore opportunities for re-deployment in the Group.

Employee involvement
Kier's leadership team is committed to listening to what people feel about working for Kier and taking action to improve the employee experience. A culture of open communication between employees and senior management is encouraged. This year, Kier has introduced a new employee engagement survey tool, 'Your Voice', which will invite people to say how they feel about working for Kier through a series of regular online surveys. The feedback will then be acted on by the senior management team.

As part of the Group's engagement with employees, information is provided to employees through the intranet, newsletters, webinars, management calls, and formal and informal face-to-face meetings. Employee roadshows are held across the business to update and consult with employees at key times of the year and each business also engages with their employees through their own internal communication channels.

Employees are encouraged to share in the success of Kier through participation in employee share plans, including the SAYE plan and the SIP.

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

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

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

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

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

Approved by the Board on 27 November 2020 and signed on its behalf by:

....
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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2020; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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.

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Diane Walmsley

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

27 November 2020

Kier Business Services Limited

Income Statement for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	26,833	41,008
Cost of sales		(24,913)	(37,853)
Gross profit		1,920	3,155
Administrative expenses		(4,387)	(3,756)
Other operating income	5	206	-
Exceptional administrative items	6	-	(342)
Operating loss	7	(2,261)	(943)
Finance income	8	1,021	1,381
Finance costs	9	(277)	(878)
Net finance income		744	503
Loss before taxation		(1,517)	(440)
Income tax credit/(expense)	13	1,144	(540)
Loss for the financial year		(373)	(980)

The above results were derived from continuing operations.

Kier Business Services Limited

Statement of Comprehensive Income for the Year Ended 30 June 2020

	2020 £ 000	2019 £ 000
Loss for the year	(373)	(980)
Total comprehensive expense for the year	(373)	(980)

The notes on pages 20 to 42 form an integral part of these financial statements.

Kier Business Services Limited

(Registration number: 03679828)
Statement of Financial Position as at 30 June 2020

	Note	2020 £ 000	2019 £ 000
Non-current assets			
Property, plant and equipment	14	-	9
Right of use assets	16	365	-
Investments	17	1	1
Deferred tax assets	13	5,573	4,434
		5,939	4,444
Current assets			
Trade and other receivables	18	34,408	47,474
Income tax asset		2,054	2,138
Contract assets	4	797	3,921
Cash and cash equivalents	19	-	238
		37,259	53,771
Total assets		43,198	58,215
Current liabilities			
Current portion of long term lease liabilities	23	(130)	-
Trade and other payables	20	(19,948)	(33,674)
Contract liabilities	4	(859)	(2,424)
Loans and borrowings	25	(8,487)	(6,613)
Provisions	26	(389)	(2,475)
		(29,813)	(45,186)
Non-current liabilities			
Long term lease liabilities	23	(219)	-
Provisions	26	(461)	-
		(680)	-
Total liabilities		(30,493)	(45,186)
Net assets		12,705	13,029
Equity			
Retained earnings		12,705	13,029
Total equity		12,705	13,029

The financial statements on pages 16 to 42 were approved by the Board of Directors on 27 November 2020 and signed on its behalf by:

....

Clive Thomas
Director

The notes on pages 20 to 42 form an integral part of these financial statements.

Kier Business Services Limited

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

	Retained earnings £ 000	Total £ 000
At 1 July 2019	13,029	13,029
Change in accounting policy	(7)	(7)
At 1 July 2019 (As restated)	13,022	13,022
Loss for the financial year	(373)	(373)
Total comprehensive expense for the year	(373)	(373)
Share based payment transactions	56	56
At 30 June 2020	12,705	12,705

	Retained earnings £ 000	Total £ 000
At 1 July 2018	14,009	14,009
Loss for the year	(980)	(980)
Total comprehensive expense	(980)	(980)
At 30 June 2019	13,029	13,029

The notes on pages 20 to 42 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.

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

Summary of disclosure exemptions
The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:
IAS 7: Complete exemption from preparing a cash flow statement and related notes;
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;
IFRS 15: Exemption from certain disclosures in respect of revenue from contracts with customers; and
IFRS 16: Exemption from certain disclosures in respect of leases.

2 Accounting policies (continued)

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.

Going concern
The performance, financial position and key risks impacting the Company are set out in the Strategic Report.

The Directors are of the opinion that the Company will continue to meet its performance obligations under its client contracts. The Company is in a positive net assets position.

The Company has maintained detailed 12 month rolling forecast profit and loss accounts, balance sheets and cash flows throughout the financial period and continues to do so. These forecasts take into account reasonably possible changes and uncertainties. The 12 month rolling forecasts form part of a four year financial plan (to 2023) which is reviewed on a quarterly basis. The four year plan sits at the heart of a comprehensive four year business plan which has been reviewed and approved by the shareholders and has been cascaded through the management of the Company.

In carrying out their duties in respect of going concern, the Directors have carried out a comprehensive review of the Company financial position and cash flow forecast for a period of 12 months from the date of signing these financial statements. This review has taken account of client spend forecasts as well as any risk and uncertainty brought about by the current economic environment.

The directors have received letters of support from the company's parent Kier Group plc which states their intent to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the signing of these financial statements.

Having taken all of the above factors into consideration, the Directors have concluded that the Company should continue to adopt the going concern basis in preparing these financial statements.

Changes in accounting policy
The following new standards, amendments to standards and interpretations are effective for the financial year ended 30 June 2020 onwards:
• IFRS 16 'Leases'
• Amendments to IFRS 9 'Financial Instruments' on prepayment features with negative compensation and modification of financial liabilities
• Amendments to IAS 19 'Employee Benefits' on plan amendment, curtailment or settlement
• Amendments to IAS 28 'Investments in Associates' on long term interests in associates and joint ventures
• Annual improvements 2015-2017 cycle
• IFRIC 23 'Uncertainty over income tax treatments'

Other than the impact of IFRS 16 as noted below, none of the above amendments to standards or interpretations have had a material effect on the financial statements.

2 Accounting policies (continued)

Changes resulting from adoption of IFRS 16

IFRS 16 'Leases' became mandatorily effective on 1 January 2019. The Company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The Company has transitioned to IFRS 16 using the modified retrospective approach whereby the cumulative impact of applying the standard is accounted for as an adjustment to equity at the start of the accounting period in which it is first applied (i.e. 1 July 2019).

The main impact of IFRS 16 has been to move the Company's longer-term operating leases onto the balance sheet, with a consequential increase in non-current assets and lease obligations. Operating lease charges in respect of these leases, previously included in administrative expenses, have been replaced by depreciation and interest costs.

IFRS 16 has introduced a new category of non-current assets for 'right-of-use assets' associated with leases. At the date of initial application of IFRS 16, the carrying value of the Company's right-of-use assets was less than the additional lease liabilities that came on to the balance sheet. The Company has recognised a debit adjustment to reserves of £7,354 (net of the associated tax effect) in respect of the transitional adjustments.

Under the Company's chosen method of adoption, comparative figures for the preceding financial period have not been restated and remain presented under the previous lease standard, IAS 17. A reconciliation between the operating lease commitments disclosed under IAS 17 at 30 June 2019 and the lease liabilities on the Company's balance sheet at 1 July 2019 under IFRS 16, is set out below.

	As originally reported 2019 £ 000
Operating lease commitments at 30 June 2019	637
Operating lease commitments discounted at the incremental borrowing rate	616
Adjustments as a result of the assessment of the reasonably certain lease terms under IFRS 16 for intra-group vehicle fleet leases	235
Adjustment as a result of different treatment of extension and termination options	132
Restatement - error in FY19 stated lease commitment	120
Lease liabilities recognised at 1 July 2019	1,103

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average rate applied was 3.4%.

The right-of-use assets associated with the vehicle, plant and large property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

For leases previously classified as finance leases the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This did not result in any measurement adjustments immediately after the date of initial application.

2 Accounting policies (continued)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

• Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
• Reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
• Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
• Hindsight has been used in determining the lease term where the contract contains options to extend or terminate the lease.

As a further practical expedient, the standard permits accounting for operating leases with a remaining term of less than 12 months as at 1 July 2019 as short-term leases. This practical expedient can be applied on a lease by lease basis. The Company has chosen to apply this practical expedient to its sundry plant and equipment leases but not its property or vehicle lease portfolios. The Company believes this approach will help comparability in the financial periods immediately following adoption of IFRS 16.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease.'

Impact on Statement of Financial Position as at 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	IFRS 16 adjustments £ 000
Right of use assets	1,058
Accruals	61
Prepayments	(23)
Lease liabilities	(1,103)
Decrease in retained earnings as at 1 July 2019	(7)

The Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

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.

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.

Share based payments
The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. 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 value of the option granted is calculated using the Black Scholes option pricing 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 proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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.

2 Accounting policies (continued)

Leases

For the 2019 comparative reporting period, leases in terms of which the Company assumed substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition the leased assets were measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to those assets. Other leases were operating leases, and the rental charges were charged to the income statement on a straight-line basis over the life of each lease.

The Company has applied the following accounting policy in respect of leases from 1 July 2019.

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.

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.

2 Accounting policies (continued)

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.

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:

	2020 £ 000	2019 £ 000
Rendering of services	26,833	41,008

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. 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

	2020 £ 000	2019 £ 000
Contract assets	797	3,921
Contract liabilities	(859)	(2,424)
Net unbilled contract (liabilities)/assets	(62)	1,497

5 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2020 £ 000	2019 £ 000
Government grants	206	-

6 Exceptional administrative items

	2020 £ 000	2019 £ 000
Disposal of pensions administration business	-	2,295
Onerous contract provision	-	(1,600)
Impairment of intangible asset	-	(162)
Restructuring provision	-	(875)
	-	(342)

6 Exceptional administrative items (continued)

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 majority of the Business Process Outsourcing business terminated in March 2020.

7 Operating loss

Arrived at after charging

	2020 £ 000	2019 £ 000
Depreciation expense	9	74
Amortisation expense	-	275
Impairment of intangible asset	-	162
Operating lease expense	-	242
Right of use assets depreciation	538	-
Profit on disposal of right of use assets	(36)	-

The gain relates to excess of outstanding lease liability over right of use asset in connection to the LPF contract which ended this year.

8 Finance income

	2020 £ 000	2019 £ 000
Interest received from group undertakings	1,021	1,381

9 Finance costs

	2020 £ 000	2019 £ 000
Interest on bank overdrafts and borrowings	252	790
Interest on obligations under finance leases and hire purchase contracts	25	-
Interest paid to group undertakings	-	88
	277	878

10 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	14,302	20,469
Social security costs	1,333	2,337
Other pension costs	1,168	1,713
Share-based payment expenses	56	-
	16,859	24,519

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

	2020 No.	2019 No.
Permanent staff	331	566

11 Directors' remuneration

One director (2019: one) 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:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Directors' emoluments	144	177
Contributions to defined contribution scheme	20	22
	164	199

12 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of the Company's financial statements	260	207

Auditors' remuneration was borne by another Group company.

13 Income tax credit/(expense)

Tax (credited)/charged in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	(6)	547
Deferred taxation		
Arising from origination and reversal of temporary differences	(278)	(45)
Arising from changes in tax rates and laws	(557)	5
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(303)	33
Total deferred taxation	(1,138)	(7)
Tax (credit)/expense in the income statement	(1,144)	540

13 Income tax credit/(expense) (continued)

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

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before taxation	(1,517)	(440)
Corporation tax at standard rate	(288)	(84)
(Decrease)/increase in current tax and deferred tax from adjustment for prior periods	(310)	580
Increase from effect of expenses not deductible in determining taxable profit / tax loss	11	39
Deferred tax (credit)/expense relating to changes in tax rates or laws	(557)	5
Total tax (credit)/expense	(1,144)	540

The deferred tax balance as at the year end has been recognised at 19% (2019:17%).

Deferred tax

Deferred tax assets

2020	Asset £ 000
Accelerated tax depreciation	4,434
Other items	1,139
	5,573

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

13 Income tax credit/(expense) (continued)

	2020 £000	2019 £000
At 1 July	4,434	4,427
(Charged)/credited to the income statement	835	7
Adjustment in respect of prior years	304	-
At 30 June	5,573	4,434

14 Property, plant and equipment

	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation		
At 30 June 2019	346	346
At 1 July 2019	346	346
Disposals	(183)	(183)
At 30 June 2020	163	163
Depreciation		
At 30 June 2019	337	337
At 1 July 2019	337	337
Charge for the year	9	9
Eliminated on disposal	(183)	(183)
At 30 June 2020	163	163
Carrying amount		
At 30 June 2020	-	-
At 30 June 2019	9	9

15 Intangible assets

	Other intangible assets £ 000	Total £ 000
Cost or valuation		
At 1 July 2019	718	718
At 30 June 2020	718	718
Accumulated amortisation and impairment		
At 1 July 2019	718	718
At 30 June 2020	718	718
Carrying amount		
At 30 June 2020	-	-

16 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Total £ 000
Carrying amount			
At 1 July 2019	831	227	1,058
Additions	-	11	11
Disposals	(166)	-	(166)
Depreciation charge for the year	(417)	(121)	(538)
At 30 June 2020	248	117	365

17 Investments

Joint ventures

	£ 000
Cost or valuation	
At 1 July 2019	1
At 30 June 2020	1
Provision	
Carrying amount	
At 30 June 2020	1
At 30 June 2019	1

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

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
MPHBS Limited	Holding company	81 Fountain Street, Manchester, M2 2EE England and Wales	50%	50%

18 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	459	2,180
Amounts due from group undertakings	33,500	44,836
Prepayments and accrued income	84	458
Other receivables	365	-
	34,408	47,474

Included within amounts due from group undertakings is £20,706,000 (2019: £30,778,000) relating to intercompany loans. Loans to the value of £11,507,000 are unsecured, repayable on demand and attract interest at 4.0%. A loan to the value of £9,199,000 is unsecured, repayable on demand and attracts interest at 6.0%. All other amounts are non-interest bearing, unsecured and repayable on demand.

19 Cash and cash equivalents

	2020 £ 000	2019 £ 000
Cash at bank	-	238
Bank overdrafts	(8,487)	(6,613)
Cash and cash equivalents	(8,487)	(6,375)

20 Trade and other payables

	2020 £ 000	2019 £ 000
Current		
Trade payables	303	2,679
Accruals and deferred income	2,603	3,784
Amounts owed to group undertakings	15,496	22,875
Social security and other taxes	1,545	4,229
Other payables	1	107
Total current trade and other payables	19,948	33,674

Included within amounts owed to group undertakings in 2019 there was an intercompany loan of £4,118,000 this loan was fully repaid in February 2020. All other amounts are non-interest bearing, unsecured and repayable on demand.

21 Share capital

Allotted, called up and fully paid shares

	No.	2020 £ 000	No.	2019 £ 000
Ordinary Shares of £1 each	100	-	100	-

22 Obligations under leases and hire purchase contracts

Operating leases

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

	2020 £ 000	2019 £ 000
Within one year	-	222
In two to five years	-	415
	-	637

23 Leases

Leases included in liabilities

	2020 £ 000	2019 £ 000
Current	130	-
Non-current	219	-

Lease liabilities maturity analysis
Future minimum lease payments as at 30 June 2020 are as follows[1]:

	2020 £ 000	2019 £ 000
Less than one year	183	-
One to two years	114	-
Two to three years	65	-
Three to four years	1	-
Total gross payments	363	-
Impact of finance expenses	(14)	-
Carrying amount of liability	349	-

[1] The Company initially applied IFRS 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

Total cash outflows related to leases

	2020 £ 000	2019 £ 000
Total cash outflow	588	-

24 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 by the company to the scheme and amounted to £1,168,000 (2019 - £1,713,000).

25 Loans and borrowings

	2020 £ 000	2019 £ 000
Current loans and borrowings		
Bank overdrafts	8,487	6,613

26 Other provisions

	Restructuring provisions £ 000	Onerous contracts £ 000	Other provisions £ 000	Total £ 000
At 1 July 2019	875	1,600	-	2,475
Additional provisions	-	665	185	850
Provisions used	(875)	(1,600)	-	(2,475)
At 30 June 2020	-	665	185	850
Non-current liabilities	-	461	-	461
Current liabilities	-	204	185	389

Provision in year relates to an onerous contract within the Business Process Outsourcing business and the other provision relates to expected employee costs and dilapidations.

27 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.