Registration number: 00216679

Kier Integrated Services (Estates) Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2020

Kier Integrated Services (Estates) Limited

Contents

Kier Integrated Services (Estates) Limited

Company Information

Directors	Giuseppe Incutti
	Clive Thomas
	Lee Woodall
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 Integrated Services (Estates) Limited

Directors' Report for the Year Ended 30 June 2020

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

This report has been prepared in accordance with the special provisions of section 415A of the Companies Act 2006 relating to small companies. The directors have taken exemption under this regime not to disclose the strategic report.

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

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 Woodall (appointed 17 September 2020)

Giuseppe Incutti (appointed 5 June 2020)

Clive Thomas (appointed 1 October 2019)

Thomas Foreman (appointed 5 June 2020 and resigned 31 August 2020)

Lee Howard (resigned 1 October 2019)

Marcus Jones (resigned 8 June 2020)

Principal activities

The principal activity of the Company is the renting out of owned and leased properties.

Dividends

Dividends paid in the year amounted to £Nil (2019: £Nil). The directors do not recommend payment of a final dividend in respect of the year ended 30 June 2020.

Business review

Fair review of the business

Revenue has decreased by £60,000 as a result of a reduction in utilised space of the Scotland properties that the Company sublets to fellow Kier Group companies and a consequential reduction in rent charged. Expenses have decreased in the year as the prior year expenses included additional dilapidation costs associated with the termination of one of the Company's leased properties that was vacated in 2016.

Despite making an operating loss of £45,000 (2019 - £46,000), the Company made a profit before taxation of £435,000 (2019 - £415,000) due to net finance income of £480,000 (2019 - £461,000).

The Company's net assets have therefore increased during the year from £13,137,000 to £13,489,000.

In terms of Key Performance Indicators, the reduction in rent receivable during the year was in line with expectations.

Future developments

The Company is expected to continue to let out its remaining properties to fellow Kier Group companies.

Going concern

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

Financial risks

The Company's exposure to financial risk is not deemed to be significant. The aim of the Company's financial risk management policies is to minimise potential adverse effects on financial performance and net assets.

Financial instruments

Objectives and policies

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

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

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

Exposure to credit risk and liquidity risk is limited due to the majority of transactions occurring between companies within the Kier Group. The Company does not have any foreign currency transactions, hence is not exposed to foreign currency risk. Exposure to interest rate risk is limited as the Company has no borrowings, other than inter-company balances. Interest on inter-company balances is charged at 4%. The directors do not consider there to be any price risk relating to equity instruments.

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 Integrated Services (Estates) Limited

Directors' Report for the Year Ended 30 June 2020 (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 11 June 2021 and signed on its behalf by:

....
Lee Woodall
Director

Kier Integrated Services (Estates) 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 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.

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 of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Kier Integrated Services (Estates) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier Integrated Services (Estates) 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 profit 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 Integrated Services (Estates) 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 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.

Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the 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 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 5, 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 Integrated Services (Estates) 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Diane Walmsley

....

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

Date: 11 JUNE 2021

Kier Integrated Services (Estates) Limited

Income Statement for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	120	180
Administrative expenses		(165)	(226)
Operating loss	5	(45)	(46)
Finance income	6	483	464
Finance costs	7	(3)	(3)
Net finance income		480	461
Profit before taxation		435	415
Income tax expense	11	(83)	(92)
Profit for the financial year		352	323

The above results were derived from continuing operations.

Kier Integrated Services (Estates) Limited

Statement of Comprehensive Income for the Year Ended 30 June 2020

	2020 £ 000	2019 £ 000
Profit for the year	352	323
Total comprehensive income for the year	352	323

The notes on pages 13 to 25 form an integral part of these financial statements.

Kier Integrated Services (Estates) Limited

(Registration number: 00216679)
Statement of Financial Position as at 30 June 2020

	Note	2020 £ 000	2019 £ 000
Non-current assets			
Investment properties	12	1,606	1,641
Deferred tax assets	11	80	72
		1,686	1,713
Current assets			
Trade and other receivables	13	12,588	12,126
Cash and cash equivalents	14	238	107
		12,826	12,233
Total assets		14,512	13,946
Current liabilities			
Trade and other payables	15	(733)	(610)
Income tax liability		(290)	(199)
		(1,023)	(809)
Net assets		13,489	13,137
Equity			
Called up share capital	16	354	354
Revaluation reserve		86	86
Retained earnings		13,049	12,697
Total equity		13,489	13,137

The financial statements on pages 9 to 25 were approved by the Board of Directors on 11 June 2021 and signed on its behalf by:

....
Lee Woodall
Director

The notes on pages 13 to 25 form an integral part of these financial statements.

Kier Integrated Services (Estates) Limited

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

	Share capital £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2018	354	86	12,374	12,814
Profit for the year	-	-	323	323
Total comprehensive income	-	-	323	323
At 30 June 2019	354	86	12,697	13,137

	Share capital £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2019	354	86	12,697	13,137
Profit for the year	-	-	352	352
Total comprehensive income	-	-	352	352
At 30 June 2020	354	86	13,049	13,489

The notes on pages 13 to 25 form an integral part of these financial statements.

1 General information

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

The address of its registered office is:
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 ("FRS 101") Reduced Disclosure Framework and with the Companies Act 2006.

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

Summary of disclosure exemptions
The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:
IAS 7: Complete exemption from preparing a cash flow statement and related notes;
IAS 8: The listing of new or revised standards that have not been adopted (and information about their likely impact) has been omitted;
IFRS 7: Complete exemption from all of the disclosure requirements of IFRS 7, Financial Instruments, other than for those instruments where these disclosures are still required to comply with the law;
IFRS 13: Complete exemption from all of the disclosure requirements of IFRS 13, Fair value measurement;
IAS 24: Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member; and
IAS 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.

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

2 Accounting policies (continued)

Changes in accounting policy

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

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

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

Revenue recognition

The Company enters into lease agreements as a lessor with respect to its investment properties. The Company's revenue comprises rents receivable or service charges in respect of its investment properties in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, rebates and discounts.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

2 Accounting policies (continued)

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.

Depreciation

Asset class	Depreciation method and rate
Investment property - land	Not depreciated
Investment property - buildings	Between 20 to 50 years straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for rental income or recharged expenses in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2 Accounting policies (continued)

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.

Leases

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.

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.

Investment property

The Company's properties are held as investment properties for long-term rental yields.

The Company adopted IFRS in 2011, having previously reported under UK GAAP (generally accepted accounting principles). Certain properties acquired by the Company before the date of its first IFRS balance sheet had been revalued under its previous GAAP. That previous revalued amount became the deemed cost of the asset under IFRS (as permitted under IFRS 1 - First-time Adoption of International Financial Reporting Standards). Since adopting IFRS and continuing to follow its principles under FRS 101, the Company measures the value of these assets under the cost model; assets are carried at deemed cost less accumulated depreciation and impairment.

Subsequent additions of property are stated at historical cost to the Company, being its purchase cost together with any incidental expenses of acquisition.

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding investment properties, deferred tax assets, prepayments and deferred tax liabilities.

The Company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Derecognition

Financial assets

The Company derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred: or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

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

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

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

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

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

The Company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

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

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

2 Accounting policies (continued)

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of investment property
The Company tests annually whether there are any indicators that property, plant and equipment assets may have suffered any impairment to ensure that the Company's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use). Where indicators do not exist, a calculation of value in use is performed, based on the discounted future cash flows of relevant cash generating units. This process requires the use of estimates in identifying indicators of impairment and in predicting future cash flows.

4 Revenue

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

	2020 £ 000	2019 £ 000
Rental income from investment property	120	180

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

5 Operating loss

Arrived at after charging

	2020 £ 000	2019 £ 000
Depreciation expense	35	35

6 Finance income

	2020 £ 000	2019 £ 000
Interest received from group undertakings	483	464

7 Finance costs

	2020 £ 000	2019 £ 000
Interest paid to group undertakings	3	3

8 Staff costs

The Company had no employees in the current or prior year.

9 Directors' remuneration

The directors of the Company were remunerated through other Kier Group companies; any apportionment of their remuneration in respect of their services to the Company would be immaterial.

10 Auditors' remuneration

The audit fees in the current and preceding year were paid on the Company's behalf by Kier Integrated Services Limited. The amount attributable to the Company is approximately £5,000 (30 June 2019 - £5,000). No other fees were payable to the auditors in the current or preceding year.

Kier Integrated Services (Estates) Limited

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

11 Income tax expense

Tax charged in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	91	86
Deferred taxation		
Arising from changes in tax rates and laws	(8)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	6
Total deferred taxation	(8)	6
Tax expense in the income statement	83	92

The tax on profit before taxation for the year is the same as 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
Profit before taxation	435	415
Corporation tax at standard rate	83	79
Increase from effect of expenses not deductible in determining taxable profit	7	7
Increase arising from group relief tax reconciliation	1	-
Deferred tax expense from unrecognised temporary difference from a prior period	-	6
Deferred tax credit relating to changes in tax rates or laws	(8)	-
Total tax charge	83	92

The deferred tax balance as at the year end has been recognised at 19% (2019: 17%) which is the enacted corporation tax rate effective from 1 April 2020.

11 Income tax expense (continued)

Deferred tax

Deferred tax assets and liabilities

2020	**Asset £ 000**
Accelerated tax depreciation	2
Provisions	78
	80

2019	**Asset £ 000**
Accelerated tax depreciation	2
Provisions	70
	72

Deferred tax movement during the year:

	At 1 July 2019 £ 000	Recognised in income £ 000	At 30 June 2020 £ 000
Accelerated tax depreciation	2	-	2
Provisions	70	8	78
Net tax assets	72	8	80

Deferred tax movement during the prior year:

	At 1 July 2018 £ 000	Recognised in income £ 000	At 30 June 2019 £ 000
Accelerated tax depreciation	8	(6)	2
Provisions	70	-	70
Net tax assets	78	(6)	72

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

The directors consider that there is sufficient certainty of future profits to enable the recoverability of the deferred tax asset in full and therefore the deferred tax asset has been recognised in the financial statements.

12 Investment properties

	2020 £ 000	2019 £ 000
Cost		
At 1 July	2,715	2,715
At 30 June	2,715	2,715
Accumulated depreciation		
At 1 July	1,074	1,039
Depreciation charge	35	35
At 30 June	1,109	1,074
Carrying amount		
At 30 June	1,606	1,641

During the year £120,000 (2019 - £180,000) was recognised in income in relation to rental income from investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £Nil (2019 - £Nil). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income amounted to £Nil (2019 - £Nil).

13 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	-	21
Receivables from related parties	12,552	12,069
Other receivables	36	36
Total current receivables	12,588	12,126

Receivables from related parties are loans from other group companies which are unsecured, repayable on demand and attracting interest at a rate varied by the group from time to time (4% for the current and preceding accounting periods).

14 Cash and cash equivalents

	2020 £ 000	2019 £ 000
Cash at bank	238	107

15 Trade and other payables

Current	2020 £ 000	2019 £ 000
Trade payables	8	1
Accrued expenses	653	540
Amounts due to related parties	72	69
Total current trade and other payables	733	610

Amounts due to related parties are loans from other group companies which are unsecured, repayable on demand and attracting interest at a rate varied by the group from time to time (4% for the current and preceding accounting periods).

16 Called up share capital

Allotted, called up and fully paid shares

	No.	2020 £ 000	No.	2019 £ 000
Ordinary shares of £1 each	353,706	354	353,706	354

17 Contingent liabilities

The Company has given an unlimited guarantee, secured by fixed and floating charges over the Company's assets in respect of the borrowings from Bank of Scotland, of Kier Integrated Services (Holdings) Limited and that company's subsidiaries. At 30 June 2020 the net indebtedness of these companies for borrowings repayable on demand amounted to £Nil (2019 - £Nil).

The Company has given guarantees and indemnities in respect of performance bonds. At 30 June 2020, indemnities outstanding amounted to £4,530,000 (2019 - £4,524,000).

18 Related party transactions

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

19 Parent and ultimate parent undertaking

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

The ultimate parent and ultimate controlling party is Kier Group plc.

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

19 Parent and ultimate parent undertaking (continued)

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

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

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