
MOUCHEL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

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MOUCHEL LIMITED

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MOUCHEL LIMITED

COMPANY INFORMATION

DIRECTORS

C S Apsey
M Barnard
K C Jackson
D R Virden
J Wray

COMPANY SECRETARY

Bethan Melges

REGISTERED NUMBER

01686040

REGISTERED OFFICE

Tempsford Hall
Sandy
Bedfordshire
United Kingdom
SG19 2BD

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

MOUCHEL LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JUNE 2015

The Directors of Mouchel Limited (the "Company" and "Mouchel") present their Strategic Report on the Company for the period ended 30 June 2015. On 8 June 2015 100% of the share capital of the Company's previous ultimate parent company, MRBL Limited, was acquired by Kier Limited ("Kier"), a wholly owned subsidiary of Kier Group plc. The external facilities of the MRBL group, which were held by Mouchel Limited for five months of the period, were immediately settled by Kier and an intercompany loan of £95m was advanced to Mouchel Limited.

Following the acquisition by Kier, the two operating divisions of Mouchel Limited were re-branded. Integrated Infrastructure Services (IIS) continued to trade on the strength of the Mouchel name and became Mouchel Consulting. Mouchel Business Services was renamed Kier Business Services (KBS).

BUSINESS REVIEW

Mouchel is an infrastructure and business services company that helps to transform and sustain essential public services. We work in partnership with public and private sector clients to improve the day-to-day lives of millions of people.

The Company provides advisory, design, project delivery and managed services associated with infrastructure and business services. We work in highways and transportation, local government, emergency services, health, education and utilities markets.

We look for ways to do things more effectively and efficiently for local communities and we support communities by providing clean water and streets; safer, better roads; cost-effective, sustainable energy; landscapes where communities thrive; and well-designed schools where children can learn.

Mouchel Consulting is one of the UK's leading providers of professional, technical and asset management services to highway and water authorities and other infrastructure orientated organisations, such as utility companies, developers and retailers. Our services range from specialist technical advice and design to providing fully integrated asset management. We provide design, managerial, engineering and operational services to support modern society. Mouchel has identified opportunities for government to work more effectively to deliver improved services and has worked in partnership with these same organisations to deliver these more efficiently.

Mouchel Consulting continues to provide water asset management support services to each of the 12 UK water and sewerage companies, including the next stage of Northumbria Water's water efficiency programme. Our water and environment team has ongoing commissions with the Environment Agency, the Scottish Environment Protection Agency, local authorities and water companies, delivering expertise in all aspects of hydrology, hydraulic modelling and river, coastal and drainage engineering.

Mouchel Consulting is involved in some of the UK's most significant infrastructure projects from the High Speed Train Link to modernising and upgrading the M4.

KBS is one of the UK's leading providers of outsourced professional and support services. KBS provide an integrated portfolio of back-office and customer-facing support services to UK local authorities and other public bodies, such as the police and fire and rescue services, Department of Health and education establishments.

Services include HR and payroll management, pension administration, property management, revenues and benefits, contact centre support, financial and procurement services and a range of ICT services. They are delivered through strategic partnerships, which typically encompass a range of these services together with support to the local economy.

KBS' property services team provides strategic and operational asset management, master planning, design, estates and facilities management for a substantial property portfolio up and down the UK. This includes operational property; non operational (investment) property; and regeneration and redevelopment sites.

MOUCHEL LIMITED

STRATEGIC REPORT (continued) FOR THE PERIOD ENDED 30 JUNE 2015

KBS provides its services through long-term collaborative partnerships with public sector bodies, including county councils, unitary and metropolitan councils, district councils, clinical commissioning groups, police and fire and rescue services.

Working in partnership, KBS transforms public services, supports its clients in addressing challenging budgetary cuts, and delivers the vital social and physical infrastructure that helps to solve the problems of economic uncertainty, unemployment, educational attainment, poor health, industrial restructuring and housing shortages.

The Company delivers efficient and effective integrated solutions working in collaboration with its clients. KBS has more than 100 years' experience in delivery excellence using its market-leading capabilities and understanding of the overall end-to-end service process from planning and design through to delivery. By engaging stakeholders and the communities it serves, KBS optimises solutions provided in terms of value to users.

The movements in turnover, underlying operating profit and underlying profit margins compared with the previous year, are disclosed by business segment in Note 2.

The current accounting period is for nine months (following a change of accounting reference date to 30 June) and as a result direct comparison with the previous twelve months are not possible. The comparatives are for the year ended 30 September 2014.

During the period non-underlying costs of £6.7m were incurred primarily relating to costs associated with the acquisition by Kier, subsequent asset impairment charges and refinancing costs prior to the Kier acquisition.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Company, including financial risk and management, are integrated with the principal risks of the Kier Group plc group of companies (the "Group") and are not managed separately. Accordingly the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 33 to 37 of Kier Group plc's annual report for the year ended 30 June 2015.

The Company's financial risk management policies can be found in Note 1.21 of the notes to the financial statements.

KEY PERFORMANCE INDICATORS

The Company uses a variety of performance measures to monitor and manage the business. Some of these are particularly important in monitoring progress and are therefore regarded as key performance indicators (KPI's). These measure past performance and also provide us with the information needed to manage the Company on an ongoing basis.

The Company's KPI's comprise: turnover; underlying operating profit; underlying operating margin; earnings before interest, tax, depreciation and amortisation (EBITDA); order book and staff numbers. Financial indicators measure the volume of work undertaken and its profitability. The order book provides visibility of secured future earnings.

MOUCHEL LIMITED

STRATEGIC REPORT (continued) FOR THE PERIOD ENDED 30 JUNE 2015

Key performance indicators

	9 months ended 30 June 2015	Year ended 30 September 2014	Pro rata 9/12th Year ended 30 September 2014	Increase/ (decrease)
Turnover	£120.6m	£170.0m	£127.5m	(£6.9m)
Underlying operating (loss)/profit ¹	(£10.4m)	£2.4m	£1.8m	(£12.2m)
Underlying operating margin ^{1,2}	(8.6%)	1.4%	1.4%	(10.0%)
EBITDA ³	(£7.6m)	£5.6m	£4.2m	(£11.8m)
Order book at period/year end	£282.2m	£286.7m	£286.7m	(£4.5m)
Staff numbers (average)	2,987	3,184	3,184	(197)

¹ Underlying operating (loss)/profit and underlying operating margin are before non-underlying items of £6.7m (2014: £0.3m).

² Underlying operating margin is calculated by dividing underlying operating (loss)/profit by turnover.

³ See Note 33 for more detail.

On a like for like pro rata basis, turnover decreased due primarily to the contract end of significant joint venture operations with Peek Mouchel and Westminster Transerv. This impacted both the underlying operating result and margin percentage. The order book remains strong at £282.2m and we believe we can capitalise on the numerous opportunities afforded by the Kier acquisition and a shared knowledge base.

ACQUISITIONS

There were no acquisitions made during the period.

HEALTH AND SAFETY

It is Company policy to provide and maintain a safe and healthy working environment for all employees, clients, contractors and third parties. The Health and Safety Policy Statement has been prepared after due consultation with those involved in its operation and has the full backing and authority of the Directors.

A central health and safety team monitors the Company's performance and reports to the Board and other senior managers. The Company is committed to supporting the aims of 'Working Well Together', a Government/Health and Safety Executive (HSE) initiative to promote health and safety in the construction industry. The team is also responsible for embracing the Government/HSE's agenda for revitalising health and safety in the workplace and for coordinating the work of health and safety professionals in each of the businesses.

The Company operates in a number of diverse environments and, as such, the 'significant risks' faced by employees and others will vary across the organisation. These risks include operations in live traffic environments on roads and motorways; personal safety associated with lone working; working at height and in confined spaces; working on the premises or sites of our clients; working with vulnerable groups at schools and community facilities; and occupational hygiene associated with contaminated land.

The Health and Safety Policy is communicated to all employees by means of a Company-wide intranet system, a network of Safety Coordinators in every office, notice boards, face-to-face briefings, induction and training. We encourage staff to report all accidents and near misses so we can learn from problems, share information, and work to prevent accidents and ill-health.

The Company received no enforcement actions and the severity of accident-related industries and work-related ill health amongst our employees has remained significantly below the norm for our industry.

MOUCHEL LIMITED

**STRATEGIC REPORT (continued)
FOR THE PERIOD ENDED 30 JUNE 2015**

CORPORATE RESPONSIBILITY

Details of the Kier Group's corporate responsibilities and activities can be found in the Resources and Relationships section of the Kier Group plc's 2015 Annual Report and in more detail in its full Corporate Responsibility Report for 2015, which is available at www.kier.co.uk/crr2015. The Company maintains a strong commitment to sustainability and recognises it as a collective responsibility, having an impact on the environment, communities and clients served.

This report was approved by the Board of Directors on *30 March 2016* and signed on its behalf.



M Barnard
Director

MOUCHEL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2015

The Directors present their report and the audited financial statements for the period ended 30 June 2015.

The Company changed its accounting reference date to 30 June so as to be co-terminus with that of its ultimate parent company, Kier Group plc. As a result the reporting period is for 9 months whilst the comparatives are for the 12 months ended 30 September 2014.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They 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.

RESULTS AND DIVIDENDS

The loss for the financial period amounted to £14,272,000 (2014: profit £9,567,000). The results were after charging non-underlying items of £6,733,000 (2014: £321,000), see Note 3 for further details. Underlying operating loss was £10,390,000 (2014: profit £2,383,000).

The Directors do not recommend the payment of a dividend (2014: £nil).

MOUCHEL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2015

DIRECTORS

The Directors who served during the period, and up to the date of signing the financial statements, were:

C S Apsey
M Barnard
K C Jackson
R Mundy (resigned 29 September 2015)
P A Rayner (resigned 8 June 2015)
G Rumbles (resigned 8 June 2015)
D R Virden
J Wray

DIRECTORS' INDEMNITIES

MRBL Limited (previous ultimate parent company) maintained cover to 30 September 2015 for its directors and officers and those of the Company under a directors' and officers' liability insurance policy which included a qualifying third party indemnity provision as permitted by section 234 of the Companies Act 2006. Kier Group plc has provided cover from 1 October 2015.

FUTURE DEVELOPMENTS

Mouchel will seek to grow its revenues from long term highways integrated management and maintenance contracts, particularly as a result of the UK government's continuing investment in highways infrastructure and investments in water infrastructure by UK water and sewerage companies under AMP6 asset program.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The Company agrees terms and conditions for its business transactions with its suppliers. Payment is then made to these terms subject to the terms and conditions being met by the supplier.

Trade creditor days of the Company for the period ended 30 June 2015 were 29 days (2014 restated (see note 1.1): 46 days). This represents the ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the period to the trade creditor balance at the period end.

EMPLOYEES

As at 30 June 2015, there were approximately 3,000 employees working for the Company (30 September 2014: approximately 3,180). The Company's policy is to provide an environment for all employees to fully develop their individual potential and thereby encourage their contribution to the success of Mouchel. The Company places considerable value on the involvement of its employees and has Investors in People accreditation for all its UK offices and sites.

Internal communication is a high priority within the Company and employees are kept informed on matters affecting them and on the Company's financial performance. Staff opinions are sought annually via a confidential staff survey. The results of the survey are communicated to staff, reviewed and acted upon to make improvements.

The Company has a diversity and equal opportunities policy and is committed to providing equal opportunities to all employees and job applicants irrespective of gender, race, religion, disability or sexual orientation. The Company policy and practice in respect of disabled persons is to encourage the recruitment and subsequent training, career development and promotion of disabled persons and the retention and retraining of employees who become disabled, on the basis of their aptitude and abilities.

MOUCHEL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2015

GOING CONCERN

The financial statements have been prepared on a going concern basis. Although the Company made a loss for the period and is in a net liability position, it now has the wider support of the Kier Group, which has considerable financial resources, long-term contracts and a diverse range of customers and suppliers across its business activities.

As such, having received written confirmation that MRBL Limited intends to support the Company for at least 12 months from the date these financial statements are signed, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board of Directors on 30 March 2016 and signed on its behalf.



M Barnard
Director

MOUCHEL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOUCHEL LIMITED

Report on the financial statements

Our opinion

In our opinion Mouchel Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its loss for the 9 month period ("the period") then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 June 2015;
- the profit and loss account and the statement of total recognised gains and losses for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

MOUCHEL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOUCHEL LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Date: 30 March 2016

MOUCHEL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 JUNE 2015**

	Note	9 months ended 30 June 2015 £000	Restated * Year ended 30 September 2014 £000
TURNOVER	2	120,559	169,982
Cost of sales		(99,776)	(139,396)
GROSS PROFIT		20,783	30,586
Administrative expenses before exceptional items		(31,173)	(28,203)
Non-underlying administrative expenses	3	(6,733)	(321)
Total administrative expenses		(37,906)	(28,524)
OPERATING (LOSS)/PROFIT	4	(17,123)	2,062
Income from fixed asset investments	7	13,325	5,538
Interest receivable and similar income	8	1,831	649
Interest payable and similar charges	9	(5,037)	(3,442)
Other finance costs	10	(1,504)	(2,122)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,508)	2,685
Tax on (loss)/profit on ordinary activities	11	(5,764)	6,882
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD/YEAR	25	(14,272)	9,567

All amounts relate to continuing operations.

There are no material differences between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the financial period/year stated above and their historical cost equivalents.

The notes on pages 14 to 44 form part of these financial statements.

* See note 1.1

MOUCHEL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 30 JUNE 2015

		9 months ended 30 June 2015 £000	Restated * Year ended 30 September 2014 £000
	Note		
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD/YEAR		(14,272)	9,567
Actuarial loss related to pension scheme	28	(17,759)	(6,062)
Deferred tax on actuarial movement in pension scheme valuations		2,649	(28)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD/YEAR		(29,382)	3,477

The notes on pages 14 to 44 form part of these financial statements.

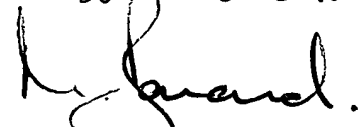
* See note 1.1

MOUCHEL LIMITED
REGISTERED NUMBER: 01686040

BALANCE SHEET
AS AT 30 JUNE 2015

			30 June 2015 £000	30 September 2014 £000
	Note	£000	£000	£000
FIXED ASSETS				
Intangible assets	12		469	897
Tangible assets	13		6,325	11,391
Investments	14		25,355	26,102
			<u>32,149</u>	<u>38,390</u>
CURRENT ASSETS				
Stocks	16	35		32
Debtors	17	259,351		181,533
Cash at bank and in hand	18	2,385		2,599
			<u>261,771</u>	<u>184,164</u>
CREDITORS: amounts falling due within one year	19	(125,687)		(132,567)
NET CURRENT ASSETS			<u>136,084</u>	<u>51,597</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>168,233</u>	<u>89,987</u>
CREDITORS: amounts falling due after more than one year	20		(106,718)	(12,111)
PROVISIONS FOR LIABILITIES	22		(13,163)	(10,739)
NET ASSETS EXCLUDING PENSION DEFICIT			<u>48,352</u>	<u>67,137</u>
Defined benefit pension deficit	28		(51,688)	(41,091)
NET (LIABILITIES)/ASSETS INCLUDING PENSION DEFICIT			<u>(3,336)</u>	<u>26,046</u>
CAPITAL AND RESERVES				
Called up share capital	23		100	100
Profit and loss account	25		(3,436)	25,946
TOTAL SHAREHOLDERS' (DEFICIT)/FUNDS	26		<u>(3,336)</u>	<u>26,046</u>

The financial statements on pages 11 to 44 were approved and authorised for issue by the Board of Directors on 30 March 2016 and were signed on its behalf.



M Barnard
Director

The notes on pages 14 to 44 form part of these financial statements.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is a wholly-owned subsidiary of Kier Group plc; a company incorporated in England and Wales, and is included in its consolidated financial statements which are publically available. The Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. Consequently, the financial statements present information about the Company as an individual undertaking only.

The financial statements have been prepared on a going concern basis. Although the Company made a loss for the period and is in a net liability position, it now has the wider support of the Kier Group, which has considerable financial resources, long-term contracts and a diverse range of customers and suppliers across its business activities.

As such, having received written confirmation that MRBL Limited intends to support the Company for at least 12 months from the date these financial statements are signed, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements.

Prior year comparatives have been restated to allocate £9.5m from revenue to administrative expenses as this was deemed to reflect a more appropriate presentation of management charges and to ensure a comparable treatment with the presentation for the period ended 30 June 2015. In addition, £2.3m has been reallocated from administrative expenses in the profit and loss account to the Statement of Total Recognised Gains and Losses. As a consequence of the above restatements, trade creditor days were restated on page 7 of the Directors Report.

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1 (revised 1996) Cash Flow Statements.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

1.3 Turnover

Contract set-up and bid costs

Pre contract costs incurred before it becomes virtually certain that the contract will be awarded are charged directly to the profit and loss account. Costs incurred after that point are recognised as an asset on the balance sheet and charged to the profit and loss account over the duration of the contract.

Turnover and revenue recognition

Turnover represents the fair value of services provided in the case of time charge work and the value of services provided as a proportion of the total value of the contract in the case of fixed fee contracts. Turnover is net of value added tax.

Turnover recognition on outsourcing contracts is determined by reference to the proportion of the annual service delivered to date. Where cash flows on such contracts varies year on year but the underlying annual service remains the same, revenue is recognised evenly over the length of the contract with under/over amounts recognised in deferred or accrued revenue. Where the costs of obligations in relation to the non-renewal or termination of a contract are higher in the final period of the contract a proportion of turnover is deferred each period to meet these anticipated costs.

As described above, turnover represents the fair value of services provided as a proportion of the total contract value. Work in progress is the difference between the turnover recognised and the amounts actually invoiced to customers. Where invoicing exceeds the amount of turnover recognised these amounts are included in trade and other payables.

Provision is made in full for estimated losses, if the costs of fulfilling the contract exceed the recoverable amount. Turnover is only recognised to the extent that it is probable that it will be recoverable. Where the outcome cannot be measured reliably, turnover is recognised to the extent of costs incurred to date where it is probable that costs will be recoverable.

Where turnover that has been recognised is found to not be recoverable due to a dispute with the client, these amounts are charged against the turnover recognised. Where non-recovery is as a result of inability of a client to meet its obligations, these amounts are charged to administrative expenses.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

1.4 Segmental reporting

A business segment is an operation engaged in providing services that are subject to a different risk, regulatory or economic environment from those of other business segments. A geographical segment is engaged in providing services within a particular world location.

The two business segments used by management to review the business are defined in the Directors' report. These segments form the basis for reporting the Company's class of business information.

The basis for reporting the secondary segment information is the geographical sectors of the UK and elsewhere, as these represent the Company's most significant geographical sectors. As an immaterial proportion of the Company's revenue is derived overseas no analysis by country or continent has been given.

Where appropriate, central costs are allocated to segments based on revenue or utilisation of resource.

1.5 Intangible assets and amortisation

Purchased goodwill is capitalised in the year in which it arises and is amortised over the estimated useful economic life. The estimated useful economic life is currently 10 years, based on the Directors' best estimate.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	Over the life of the lease, up to the first break date
Motor vehicles	-	20% per annum
Plant and office equipment	-	10%, 20% and 33% per annum

Assets under the course of construction are capital software projects which are incomplete at the balance sheet date. They are not depreciated. Once the project is brought into use and transferred to plant and office equipment it will be depreciated in accordance with the policy above.

The corporate information systems are included within plant and office equipment. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements and internally generated costs) from the point of inception to the point of satisfactory completion where the probable future economic benefits arising from the investment can be assessed with reasonable certainty at the time the costs are incurred. Maintenance and minor modifications are expensed in the profit and loss account as incurred. The corporate information systems are depreciated on a straight line basis over their useful economic life of 8 years.

Residual values and estimated useful lives are reviewed, and adjusted if appropriate, at least at each financial period end.

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

1. ACCOUNTING POLICIES (continued)

1.7 Investments

Investments held as fixed assets are shown at cost less provision for impairment. Investments are tested for impairment where a triggering event is identified.

The reversal of an impairment loss is recognised immediately in the profit and loss account to the extent that the original impairment loss was recognised in the profit and loss account.

1.8 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date of which the rent is first expected to be adjusted to the prevailing market rate.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads and is valued on a weighted average cost basis.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.11 Repairs and renewals

These costs are charged against profits as and when they are incurred. No provision for future repairs is made in the financial statements.

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

1. ACCOUNTING POLICIES (continued)

1.12 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on material timing differences at the rate of taxation anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognised when it is considered more likely than not that it will be recovered in the future. Deferred tax assets and liabilities recognised have not been discounted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

1.13 Defined contribution pension schemes

Contributions to the Company's defined contribution schemes are recognised as an employee benefit expense when they fall due. Employer pension contributions in respect of employees who transferred under TUPE to the Company, but who remain members of their respective councils' defined benefit pension scheme, are treated as being made to defined contribution schemes where under the terms of the contract the defined benefit liability effectively remains with the relevant council.

Prepaid contributions are recognised as an asset to the extent that they result in either a cash refund or a reduction in future payments.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

1.14 Defined benefit pension schemes

The liability recognised in the balance sheet for the Company's defined benefit pension schemes is the present value of the defined benefit obligation at the balance sheet date as adjusted for unrecognised past service cost, less the fair value of the scheme assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and by discounting the estimated future cash flows using interest rates on high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Any asset resulting from this calculation is limited to unrecognised past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

The pension expense for the defined benefit schemes is recognised as follows:

Within operating profit

Current service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period;

Past service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods, which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, service costs are recognised immediately; otherwise they are recognised on a straight line basis over the vesting period; and

Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit.

Within finance income/expense on pension schemes

Interest cost on the liabilities of the scheme – calculated by reference to the scheme liabilities and discount rate at the beginning of the year and allowing for changes during the year; and

Expected return on the assets of the scheme – calculated by reference to the scheme assets and long-term expected rate of return at the beginning of the year and allowing for changes during the year.

Within the statement of recognised gains and losses

Actuarial gains and losses arising on the assets and liabilities of the scheme.

1.15 Non-underlying items

Material and non-recurring items of income and expense are disclosed in the profit and loss account as "Non-underlying items". Examples of items which may give rise to disclosure as "Non-underlying items" include gains or losses on disposal of businesses, costs of restructuring and reorganisation of existing businesses, integration of newly acquired businesses, asset impairments and pension fund settlements and curtailments.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

1.16 Share based payments

Following Kier Group Plc's acquisition of MRBL Limited all share option schemes were settled on the date of the acquisition, 8 June 2015. The Company would have recognised immediately the amounts that would otherwise have been recognised for services received over the remainder of the vesting period if they had been considered material.

1.17 Interests in joint arrangements not entities (JANE)

A joint arrangement is a contractual arrangement whereby the Company and one or more other parties undertake an economic activity that is subject to joint control through the pooling of assets. Joint control is when the strategic, financial and operating policy decisions relating to the activity require the unanimous consent of the parties.

The Company reports its interests in the JANE by accounting for its share of the JANE's assets, liabilities and cash flows measured according to the agreement governing the arrangement.

1.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. No interest was capitalised in the period (2014: £nil).

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Restructuring provisions are recognised when the Company has committed to a course of restructuring activity that will result in costs to complete.

Insurance/claims provisions reflect management's view of the likely outcome of insurance and other legal claims made against the Company in connection with operational activities.

Dilapidation provisions are recognised to provide for the expected costs of meeting dilapidation/reinstatement requirements for properties leased by the Company when they are exited and these are provided for at the point of lease inception and included within leasehold improvements.

Onerous contract provisions are recognised where the unavoidable costs relating principally to property lease contracts is not expected to be fully recovered by the economic benefits expected to be derived from using those properties.

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

1. ACCOUNTING POLICIES (continued)

1.20 Financial instruments

Financial instruments comprise internal cash resources and debtors and creditors arising from normal trading activities. The policy is to manage financial instruments centrally by the parent company, to provide both the working capital and the investment funds necessary for ongoing operations and future development.

The majority of UK projects and contracts are in Sterling, and otherwise are in line with the currencies in which the majority of the costs are denominated.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(a) Debtors

Debtors are initially measured at book value, do not carry any interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the profit and loss account.

(b) Cash

Cash comprises cash in hand and deposits repayable on demand with any bank or other financial institution.

(c) Creditors

Creditors are not interest-bearing and are measured at their book value.

(d) Borrowings

Bank overdrafts and interest-bearing loans are initially measured at book value, and obligations under finance leases are dealt with in accordance with the policy on leases. After initial recognition loans and borrowings are subsequently measured at amortised cost, taking into account issue costs.

(e) Equity instruments

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

(f) Financial assets and liabilities including investments

Financial assets and liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

1.21 Financial risk management

Mouchel 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 plc 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's policy is to manage its interest cost using a mixture of fixed and variable rate debts.

(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 has cash balances so liquidity risk is considered low.

(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.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

2. SEGMENTAL ANALYSIS

The Company's operations are organised and managed separately, according to the nature of services provided. A description of each of the primary segments can be found in the business review on pages 2 and 3.

Analysis of results by business segment is as follows:

	Mouchel Consulting £000	Kier Business Services £000	Total £000
9 months ended 30 June 2015			
Turnover	96,771	23,788	120,559
EBITDA (see note 33)	(6,206)	(1,374)	(7,580)
Depreciation and loss on disposal	(1,853)	(529)	(2,382)
Operating loss before amortisation	(8,059)	(1,903)	(9,962)
Amortisation of goodwill	(428)	-	(428)
Segment underlying operating loss¹	(8,487)	(1,903)	(10,390)
Non-underlying items (note 3)			(6,733)
Operating loss			<u>(17,123)</u>
Net liabilities ²	<u>(2,678)</u>	<u>(658)</u>	<u>(3,336)</u>
Year ended 30 September 2014 (restated ³)			
Turnover	137,226	32,756	169,982
EBITDA (see note 33)	7,169	(1,604)	5,565
Depreciation and loss on disposal	(2,206)	(405)	(2,611)
Operating profit/(loss) before amortisation	4,963	(2,009)	2,954
Amortisation of goodwill	(571)	-	(571)
Segment underlying operating profit/(loss)¹	4,392	(2,009)	2,383
Non-underlying items (note 3)			(321)
Operating profit			<u>2,062</u>
Net assets ²	<u>21,026</u>	<u>5,020</u>	<u>26,046</u>

¹ Underlying operating loss excludes material income and charges considered to be one-off or non-recurring.

² Net assets have been allocated to segments on the basis of their proportion of turnover.

³ See note 1.1

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

3. NON-UNDERLYING ADMINISTRATIVE EXPENSES

	2015 £000	2014 £000
Transaction and advisory costs	(504)	-
Transition and reorganisation costs	(1,773)	-
Other restructuring charges	(94)	(1,030)
Asset impairment charges	(3,292)	-
Release of onerous contract provisions	-	423
Other exceptional items	(323)	-
Impairment of fixed asset investment (see note 14)	(747)	-
Release against amounts owed by fellow group subsidiaries	-	156
Other provision movements	-	130
	<u>(6,733)</u>	<u>(321)</u>

Management use underlying profit to measure and manage the financial performance of the Company on a day-to-day basis. Underlying profit excludes material income and charges considered to be one off or non-recurring in nature. Explanation for larger movements are:

Transaction and advisory costs are associated with the acquisition of the Mouchel Group by the Kier Group.

Transition and reorganisation costs include contractual payments to management following the acquisition of the MRBL group of companies by the Kier Group and costs associated with integration into the Kier structure.

Other restructuring charges were incurred in 2015 and 2014 to ensure that the Company had the right organisational structure and staffing levels. This resulted in net charges of £94,000 in 2015 (2014: £1,030,000).

Asset impairment charges of £3,292,000 were incurred during the period in relation to plant and office equipment.

Impairment of fixed asset investment during the period of £747,000 relates to the Company's investment in Genica Limited being impaired in full.

In 2014 the Company reversed £156,000 of a provision held for debts owed by fellow group subsidiaries where the subsidiary in question had net liabilities. The debt balance of the subsidiaries had reduced during the year, hence a smaller provision was required.

The tax effect of the non-underlying items above is a credit of £557,000 (2014: £105,000 credit) in the profit and loss account.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

4. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Amortisation of intangible fixed assets (Note 12)	428	571
Depreciation of tangible fixed assets (Note 13)		
- owned by the company	2,288	2,492
Operating lease rentals:		
- plant and machinery	2,100	2,738
- other operating leases	2,120	2,841
Difference on foreign exchange	(39)	(92)
Loss on disposal of tangible fixed assets	94	119
Fees payable to the Company's auditors for:		
Statutory audit of the Company	150	85
Statutory audit of fellow MRBL subsidiaries borne by the Company	210	338
Other services relating to taxation	7	500
Other non-audit services	-	1,000
	<u>79,495</u>	<u>102,763</u>

Note 3 Non-Underlying Costs gives details of material income and charges which, because of their nature, are shown separately.

5. STAFF COSTS

Staff costs were as follows:

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Wages and salaries	67,421	88,088
Social security costs	7,185	9,139
Other pension costs (Note 28)	4,889	5,536
	<u>79,495</u>	<u>102,763</u>

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

5. STAFF COSTS (continued)

The average monthly number of employees, including the Directors, during the period was as follows:

	9 months ended 30 June 2015 No.	Year ended 30 September 2014 No.
Permanent staff	2,488	2,639
Temporary staff	499	545
	<u>2,987</u>	<u>3,184</u>

6. DIRECTORS' REMUNERATION

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Directors' emoluments	1,766	2,546
Compensation for loss of office	359	-
Contributions to defined contribution scheme	120	177
	<u>2,245</u>	<u>2,723</u>
Highest paid Director: Total emoluments	<u>999</u>	<u>707</u>

During the period, retirement benefits were accruing to 5 Directors (2014: 5) in respect of defined contribution pension schemes.

No Directors (2014: 6) were entitled to shares under long term incentive schemes. For more information on the long term incentive schemes, refer to note 24 of the financial statements.

7. INCOME FROM FIXED ASSET INVESTMENTS

Income from fixed asset investments relates to dividends received from Kier Highways Limited of £13,325,000 (2014: £5,500,000) and £nil from other investments (2014: £38,000).

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Interest receivable from group companies	1,830	646
Bank interest receivable	1	3
	<u>1,831</u>	<u>649</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Bank interest payable	186	117
Interest payable on loans from group companies	2,723	3,312
Bond and guarantee interest	441	-
Interest payable on bank loan	1,687	13
	<u>5,037</u>	<u>3,442</u>

The external facilities of the MRBL group were held by Mouchel Limited for five months of the period and interest of £1.7m was payable on the facilities during the period.

10. OTHER FINANCE COSTS

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Expected return on pension scheme assets	7,192	9,610
Interest on pension scheme liabilities	(8,696)	(11,732)
	<u>(1,504)</u>	<u>(2,122)</u>

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

11. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Analysis of tax charge/(credit) in the period/year		
Current tax		
UK corporation tax credit on (loss)/profit for the period/year	(1,584)	(2,575)
Adjustment in respect of prior year	-	907
Total current tax	<u>(1,584)</u>	<u>(1,668)</u>
Deferred tax		
Origination and reversal of timing differences	7,677	(5,551)
Impact of change in tax rate	(329)	337
Total deferred tax (see note 21)	<u>7,348</u>	<u>(5,214)</u>
Tax on (loss)/profit on ordinary activities	<u><u>5,764</u></u>	<u><u>(6,882)</u></u>

Factors affecting tax charge/(credit) for the period/year

The tax credit for the period/year is lower than (2014: higher than) the standard rate of corporation tax in the UK of 20.67% (2014: 22.0%). The differences are explained below:

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
(Loss)/profit on ordinary activities before tax	<u>(8,508)</u>	<u>2,685</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.67% (2014: 22.0%)	(1,759)	591
Effects of:		
Expenses not deductible for tax purposes	962	203
Capital allowances in excess of depreciation	(649)	(924)
Adjustments in respect of prior year	-	907
Other short term timing differences	89	-
Dividends from UK companies	(2,754)	(1,332)
Unrelieved tax losses carried forward	3,447	-
Excess pensions payments made	(920)	(1,113)
Total current tax	<u><u>(1,584)</u></u>	<u><u>(1,668)</u></u>

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

11. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 20.67%.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £496,000.

The deferred tax balance at the period end has been recognised at 20% (2014: 20%).

12. INTANGIBLE ASSETS

	Goodwill £000
Cost	
At 1 October 2014 and 30 June 2015	20,478
Accumulated amortisation	
At 1 October 2014	19,581
Charge for the period	428
At 30 June 2015	20,009
Net book value	
At 30 June 2015	469
At 30 September 2014	897

Goodwill is amortised in accordance with the accounting policy set out in Note 1.5 of the financial statements.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

13. TANGIBLE ASSETS

	Leasehold improve- ments £000	Motor vehicles £000	Plant and office equipment £000	Assets under the course of construction £000	Total £000
Cost					
At 1 October 2014	1,994	602	42,567	3,725	48,888
Additions	148	9	486	173	816
Disposals	(201)	-	(691)	(94)	(986)
Transfer between classes	-	-	3,437	(3,437)	-
At 30 June 2015	1,941	611	45,799	367	48,718
Accumulated depreciation					
At 1 October 2014	1,282	321	35,894	-	37,497
Charge for the period	173	13	2,102	-	2,288
On disposals	-	-	(684)	-	(684)
Impairment	-	-	3,292	-	3,292
At 30 June 2015	1,455	334	40,604	-	42,393
Net book value					
At 30 June 2015	486	277	5,195	367	6,325
At 30 September 2014	712	281	6,673	3,725	11,391

14. INVESTMENTS

	Investments in subsidiary companies £000
Cost	
At 1 October 2014 and 30 June 2015	26,102
Impairment	
At 1 October 2014	-
Charge for the period	747
At 30 June 2015	747
Net book value	
At 30 June 2015	25,355
At 30 September 2014	26,102

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

14. INVESTMENTS (continued)

Subsidiary undertakings

The principal subsidiaries in which the Company had an interest at 30 June 2015 are listed below:

Name	Class of shares	Holding
2020 Liverpool Limited	Ordinary	100 %
Kier Highways Limited	Ordinary	100 %
Genica Limited	Ordinary	100 %

During the period, the Company's investment in Genica Limited was impaired in full.

There were no new business combinations in the current or prior period.

All subsidiaries are incorporated in England and Wales and have the same principal activity as Mouchel Limited. The registered office of the above subsidiaries is Tempsford Hall, Sandy, Bedfordshire, SG19 2BD.

Incorporated joint ventures

The following joint venture's results or financial position, in the opinion of the Directors, principally affect the results or financial position of Mouchel Limited:

Name	Class of share	Holding
The Impact Partnership (Rochdale Borough) Limited	Ordinary	80.1%

The Impact Partnership (Rochdale Borough) Limited is incorporated in England and Wales and Mouchel Limited holds 50% of the voting rights of the company. The joint venture had the same principal activity as Mouchel Limited but has now ceased trading. The Directors of Impact Partnership (Rochdale Borough) Limited now consider Mouchel Limited to have control.

During the period the Company entered into a joint venture with Vinci Construction UK Limited called VinciMouchel Limited. Mouchel Limited holds 50% of the issued share capital and the joint venture has the same principal activities as Mouchel Limited.

The results of the joint ventures have not been included in these financial statements but have been included in the consolidated results of the ultimate parent company, Kier Group plc.

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

15. JOINT ARRANGEMENTS

The Company has interests in the following joint arrangements:

	Portion of joint interest held %
KMI+	7.5
Westminster Transerv	20
Amey Mouchel	25
Scotland Transerv	30
Mouchel Atkins	50
Mouchel Fairhurst	50
Peek Mouchel	50

All these arrangements are accounted for in accordance with the policy detailed in Note 1.17 of the financial statements.

16. STOCKS

	30 June 2015 £000	30 September 2014 £000
Raw materials	35	32

17. DEBTORS

	30 June 2015 £000	30 September 2014 £000
Trade debtors	10,686	11,334
Amounts owed by group undertakings	227,934	139,256
Other debtors	1,048	4,169
Deferred tax asset (see note 21)	4,957	12,305
Prepayments and accrued income	14,726	14,469
	259,351	181,533

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

17. DEBTORS (continued)

Amounts owed by group undertakings are net of a £12,109,000 (2014: £12,109,000) provision against potential non-payment by fellow group subsidiaries, primarily in the Middle East, and also by the Company's joint venture entity, The Impact Partnership (Rochdale Borough) Limited.

Included within amounts owed by group undertakings are interest bearing loans of £89,604,000 (2014: £10,368,000). Interest is receivable at rates between 3.0% to 6.0% per annum. Also included within amounts owed by group undertakings is a non-interest bearing loan of £7,358,000 (2014: £7,358,000). All loans are unsecured and repayable on demand. The remaining amounts owed by group undertakings are interest free, unsecured and repayable on demand.

18. CASH AT BANK AND IN HAND

Included within cash at bank and in hand are restricted cash balances of £2,385,000 (2014: £2,599,000). This balance is restricted by virtue of it being held within the Company's joint arrangements.

19. CREDITORS: amounts falling due within one year

	30 June 2015 £000	30 September 2014 £000
Bank loans and overdrafts	4,204	3,069
Trade creditors	6,386	9,596
Amounts owed to group undertakings	90,199	92,648
Other taxation and social security	5,411	2,797
Other creditors	5,400	7,067
Accruals and deferred income	14,087	17,390
	<u><u>125,687</u></u>	<u><u>132,567</u></u>

Included within amounts owed to group undertakings are interest bearing loans of £44,199,000 (2014: £44,199,000). Interest is charged at 4.0% per annum. Also included within amounts owed to group undertakings are non-interest bearing loans of £10,171,000 (2014: £3,000,000). All loans are unsecured and repayable on demand. All other amounts are unsecured, repayable on demand and non-interest bearing.

No overdraft facility is held by the Company (2014: £nil). As part of the cash pooling arrangements within the group, the Company is able to hold an overdrawn cash position which is offset against cash held in other entities within the Kier Group to give an overall positive net cash position.

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

20. CREDITORS: amounts falling due after more than one year

	30 June 2015 £000	30 September 2014 £000
Amounts owed to group undertakings	106,000	11,000
Other creditors	718	1,111
	<u>106,718</u>	<u>12,111</u>

Amounts owed to group undertakings include a loan note issued on 22 January 2009 by Mouchel Finance Limited. The issue price and redemption value of the loan note is £11,000,000 redeemable on 31 July 2036. The loan note is unsecured and interest is charged at 6.0%. Also included is a loan with MRBL Limited for £95,000,000 on which interest is payable at 4%. The loan is unsecured and repayable 30 June 2020.

21. DEFERRED TAX ASSET

	30 June 2015 £000	30 September 2014 £000
At beginning of period/year	12,305	7,091
Transferred to the profit and loss account	(7,348)	5,214
	<u>4,957</u>	<u>12,305</u>

The amount transferred to the profit and loss account comprises a deferred tax debit of £7,677,000 (2014: credit of £5,551,000) less the effect of the reduction in future tax rate of £329,000 credit (2014: £337,000).

The deferred tax asset is made up as follows:

	30 June 2015 £000	30 September 2014 £000
Accelerated capital allowances	4,864	5,486
Losses	-	6,819
Other timing differences	93	-
	<u>4,957</u>	<u>12,305</u>

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

21. DEFERRED TAX ASSET (continued)

Deferred tax has been recognised at 20% (2014: 20%) reflecting the rate that was enacted in the Finance Act 2013.

Movement on the deferred tax asset relating to the pension deficit charged to the statement of total recognised gains and losses during the period/year was:

	30 June 2015 £000	30 September 2014 £000
At 1 October	10,273	10,301
Deferred tax on actuarial movement in pension scheme valuations	2,649	(28)
At 30 June / 30 September	<u>12,922</u>	<u>10,273</u>

The deferred tax asset of £12,922,000 (2014: £10,273,000) has been deducted in arriving at the net pension liability on the balance sheet.

Deferred tax assets have been recognised as the Directors believe that there will be sufficient future profits for the assets to be recovered.

The tax charges arising on trading profits in future years will be reduced by the impact of trading losses carried forward. The value of deferred tax assets unprovided in relation to revenue losses is £12,044,000 (2014: £1,067,000), which have not been recognised due to doubts surrounding the ability to utilise these losses in the future.

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

22. PROVISIONS FOR LIABILITIES

	Dilapidation provisions £000	Insurance/ claim provisions £000	Restructur- ing and other provisions £000	Onerous contracts provisions £000	Total £000
At 1 October 2014	3,418	1,590	2,498	3,233	10,739
Amounts provided for during the period	40	2,445	167	2,180	4,832
Amounts utilised during the period	(350)	-	(446)	(503)	(1,299)
Amounts released to profit and loss account	(391)	(27)	(781)	(188)	(1,387)
Transferred from accrued income	-	-	-	278	278
At 30 June 2015	<u>2,717</u>	<u>4,008</u>	<u>1,438</u>	<u>5,000</u>	<u>13,163</u>

Dilapidation provisions relate to the expected costs of meeting dilapidation/reinstatement requirements for properties leased when they are exited and these are provided for over the term of the lease. The lease expiry dates range between one and five years.

Insurance/claims provisions reflect management's view of the likely outcome of insurance and other legal claims made against the Company in connection with operational activities. These provisions are held until utilised, by the settlement of a claim, or until such time as the claim is considered unlikely. Due to the very nature of these provisions it is uncertain when they may unwind as individual cases progress at unpredictable rates. Based on historic trends and given the nature of the items being provided against it is management's judgement that they will largely settle within 2 to 5 years of the period end.

Restructuring and other provisions principally relate to other provisions. The majority of these provisions will unwind within one year.

Onerous contract provisions relate principally to property lease contracts where the ongoing level of unavoidable costs is not expected to be fully recovered by the economic benefits expected to be derived from using those properties. The expectation is that this expenditure will be incurred over the remaining periods of the leases which range up to 5 years.

23. CALLED UP SHARE CAPITAL

	30 June 2015 £000	30 September 2014 £000
Authorised, allotted and fully paid		
100,000 (2014: 100,000) ordinary shares of £1 each	<u>100</u>	<u>100</u>

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

24. SHARE BASED PAYMENTS

2012 Management Incentive Plan ("MIP")

The MRBL Limited group of companies had previously put in place a management incentive scheme, the 2012 MIP, in order to aid the retention and incentivisation of the MIP participants.

Following Kier Group's acquisition of MRBL Limited the share options were settled on the date of acquisition, 8 June 2015. The amounts that would otherwise have been recognised for services received over the remainder of the vesting period were deemed to be immaterial and no expense was recognised in the financial statements.

25. PROFIT AND LOSS ACCOUNT

	£000
At 1 October 2014	25,946
Loss for the financial period	(14,272)
Other recognised gains and losses	(15,110)
	<hr/>
At 30 June 2015	(3,436)
	<hr/>

The closing balance on the profit and loss account includes a £51,688,000 (2014: £41,091,000) debit, stated after deferred taxation of £12,922,000 (2014: £10,273,000), in respect of pension scheme liabilities of the Company pension scheme.

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

	30 June 2015 £000	30 September 2014 £000
Opening shareholders' funds	26,046	22,569
(Loss)/profit for the financial period/year	(14,272)	9,567
Other recognised gains and losses during the period/year	(15,110)	(6,090)
	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(3,336)	26,046
	<hr/>	<hr/>

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

27. CONTINGENT LIABILITIES

Contingent liabilities at 30 June 2015 in respect of guarantees and indemnities in the normal course of business totalled £4.5m (2014: £4.5m). Much of this arises from bonds issued by the Company's bankers in support of specific contracts and which can be called at any time by the client who would ordinarily do so in the event of the Company's poor contractual performance. The majority of these bonds are held by the Company on behalf of fellow subsidiaries and not for contracts that are entered into under Mouchel Limited. No such calls were made during the period.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. Provisions are maintained by the Company having regard to the size and nature of the claims and the Director's best estimate of the likely settlement. The Directors do not believe that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a materially adverse effect upon the Company's financial position.

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

28. PENSION COMMITMENTS

The Company operates several occupational pension schemes for its employees. These schemes are a combination of defined benefit and defined contribution schemes. The Mouchel Superannuation Fund and the Mouchel Staff Pension Scheme are funded defined benefit schemes, the Legal and General GPP Scheme and the Mouchel Staff Pension Scheme (DC Section) are defined contribution schemes.

As the Company is unable to identify its share of the Group's schemes' underlying assets and liabilities at the present time the full impact of the defined benefit schemes has been taken within these financial statements, as Mouchel Limited is the largest employer within the Group.

Defined benefit pension schemes

The Mouchel Superannuation Fund and the Mouchel Staff Pension Scheme are funded defined benefit schemes. For these defined benefit schemes the future liabilities for benefits are provided for by the accumulation of assets held externally to the Company in separate, trustee-administered funds. The cost of these schemes is determined in accordance with the advice of independent, professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal business practice these valuations are undertaken on a triennial basis.

The schemes are closed to new entrants except for employees transferring to the Company under TUPE, where the Company is required to provide benefits which are broadly comparable to those provided under the Local Government Pension Scheme or another defined benefit scheme provided by the transferring employer. The schemes were closed to future accrual of benefit on 31 December 2010 for all non-public sector members with these members being offered entry to the Company's defined contribution schemes from 1 January 2011.

Given the membership of the schemes, under the projected unit credit method the current service cost would be expected to increase as the members of the scheme approach retirement.

The amounts recognised in the balance sheet are as follows:

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Present value of funded obligations	(314,878)	(285,986)
Fair value of scheme assets	250,268	234,622
	<hr/>	<hr/>
Deficit in scheme	(64,610)	(51,364)
Related deferred tax asset	12,922	10,273
	<hr/>	<hr/>
Net liability	(51,688)	(41,091)

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

28. PENSION COMMITMENTS (continued)

Analysis of amounts recognised in profit and loss account:

	9 months ended 30 June 2015 £000	Restated (see note 1.1) Year ended 30 September 2014 £000
Current service cost	(137)	(194)
Interest on obligation	(8,696)	(11,732)
Expected return on scheme assets	7,192	9,610
	<hr/>	<hr/>
Total	(1,641)	(2,316)
	<hr/>	<hr/>

Changes in the present value of the defined benefit obligation are as follows:

	9 months ended 30 June 2015 £000	Year ended 30 September 2014 £000
Opening defined benefit obligation	285,986	264,985
Current service cost	137	194
Interest cost	8,696	11,732
Contributions by scheme participants	35	53
Actuarial losses	26,365	17,591
Benefits paid	(6,341)	(8,569)
	<hr/>	<hr/>
Closing defined benefit obligation	314,878	285,986
	<hr/>	<hr/>

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

28. PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets are as follows:

	9 months ended 30 June 2015 £000	(Restated - see note 1.1) Year ended 30 September 2014 £000
Opening fair value of scheme assets	234,622	215,931
Expected return on assets	7,192	9,610
Actuarial gains	8,606	11,529
Contributions by scheme participants	35	53
Contributions by employer	6,154	6,068
Benefits paid	(6,341)	(8,569)
	<u>250,268</u>	<u>234,622</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since 2004 was £65,576,000 (2014: £47,817,000).

The Company expects to contribute £8,793,000 to its Defined benefit pension schemes in 2016.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2015	2014
Discount rate at 30 June	3.90 %	4.10 %
Future salary increases	3.40 %	3.10 %
Future pension increases	2.00 %	1.80 %
Inflation assumption RPI	3.40 %	3.10 %
Inflation assumption CPI	2.30 %	2.10 %

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2015	2014
Current pensioners		
Males	87.3	87.3
Females	89.8	89.7
Future pensioners		
Males	89.1	89.1
Females	91.7	91.6

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

28. PENSION COMMITMENTS (continued)

Amounts for the current period are as follows:

Defined benefit pension schemes

	30 June 2015 £000	30 Sept 2014 £000	30 Sept 2013 £000	30 Sept 2012 £000	31 July 2011 £000
Defined benefit obligation	(314,878)	(285,986)	(264,985)	(250,904)	(241,474)
Scheme assets	250,268	234,622	215,931	200,363	206,182
Deficit	<u>(64,610)</u>	<u>(51,364)</u>	<u>(49,054)</u>	<u>(50,541)</u>	<u>(35,292)</u>

Defined contribution schemes

The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £4,752,000 (2014: £5,342,000). Outstanding contributions at the end of the financial period were £nil (2014: £nil).

Some employees who transferred to the Company under the Transfer of Undertakings (Protection of Employment) Regulations (1981) as amended (TUPE) remain members of their previous schemes, which are pre-funded defined benefit schemes. Where under the terms of the contacts, defined benefit liability remains with the transferor, the Company accounts for these schemes as defined contribution schemes. Cash contributions are recognised as pension costs in the profit and loss account and no asset or liability is shown on the balance sheet.

29. OPERATING LEASE COMMITMENTS

At 30 June 2015 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	30 June 2015 £000	30 September 2014 £000	30 June 2015 £000	30 September 2014 £000
Expiry date:				
Within 1 year	437	693	504	782
Between 2 and 5 years	1,706	1,515	1,072	1,859
After more than 5 years	-	39	-	-

MOUCHEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

30. CAPITAL COMMITMENTS

The Company was committed to capital expenditure of £nil at 30 June 2015 (2014: £nil).

31. RELATED PARTY TRANSACTIONS

During the period the Company sold £2,717,000 (2014: £3,241,000) and purchased £2,247,000 (2014: £2,570,000) worth of goods and services to/from joint venture entities. These goods and services were in respect of the provision of working capital, systems and offices to the joint ventures. At the period end, the Company owed £nil (2014: £nil) to joint ventures and was owed £4,212,000 (2014: £4,786,000) by joint ventures. Impairment provisions of £nil (2014: £156,000) were made in the period in relation to these balances. Interest of £12,000 (2014: £31,000) was receivable in the period on a loan balance included in the above debtor balances.

The Company has taken advantage of the exemption from disclosure of related party transactions with other group members under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Kier Group plc, whose financial statements are publicly available.

The Company is party to an unlimited intercompany composite guarantee with MRBL Limited and Mouchel Rail Limited. This contract is in respect of an uncommitted bond issuance facility.

32. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Mouchel Holdings Limited.

The ultimate parent company and controlling party and the parent of the smallest and largest group for which consolidated financial statements are prepared of which the Company is a member is Kier Group plc, a company incorporated in England and Wales. Copies of the Group financial statements have been filed with Companies House, Crown Way, Cardiff where they are available to the public.

MOUCHEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

33. EBITDA RECONCILIATION

	9 months ended 30 June 2015			Year ended 30 September 2014		
	Underlying business performance £000	Non- underlying items £000	Total £000	Underlying business performance £000	Non- underlying items £000	Total £000
Operating (loss)/profit	(10,390)	(6,733)	(17,123)	2,383	(321)	2,062
Depreciation	2,288	-	2,288	2,492	-	2,492
Loss on disposal of tangible fixed assets	94	-	94	119	-	119
Amortisation - intangible fixed assets	428	-	428	571	-	571
Impairment of tangible assets	-	3,292	3,292	-	-	-
EBITDA	(7,580)	(3,441)	(11,021)	5,565	(321)	5,244

34. RELATED UNDERTAKINGS

Name	Country of Incorporation	Holding %
Subsidiaries		
2020 Liverpool Limited	England and Wales	100
Genica Limited	England and Wales	100
Kier Highways Limited	England and Wales	100
Mouchel Pty Limited *	Australia	100
Joint ventures		
2020 Knowsley Limited *	England and Wales	80.1
Mouchel IRE Limited	Ukraine	50
Network Information Services Limited	England and Wales	50
Pevensy Coastal Defence Limited	England and Wales	6.2
The Impact Partnership (Rochdale Borough) Limited	England and Wales	80.1
VinciMouchel Limited	England and Wales	50
Joint operations		
Amey Mouchel	n/a	25
KMI+	n/a	7.5
Mouchel Atkins	n/a	50
Mouchel Fairhurst	n/a	50
Peek Mouchel	n/a	50
Scotland Transerve	n/a	30
Westminster Transerve	n/a	20

Note: The investment in Pevensy Coastal Defence Limited was disposed of in November 2015.