

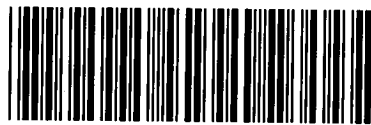
Registration number: 02100338

Kier National Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2019

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Kier National Limited

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Kier National Limited

Company Information

| | |
|-----------------------------|--|
| Directors | Mark Pengelly Nigel Quelch |
| 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 National Limited

Strategic Report for the Year Ended 30 June 2019

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

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

Fair review of the business

The Company is a holding company for the Group's civil engineering, mining and overseas businesses. The principal activities of these businesses include large-scale civil engineering projects and open-cast mining in the UK, including design & project management services, and overseas construction services. As a non-trading holding company the directors do not use any specific KPIs to measure the performance of the Company.

The Company's operating loss in the prior financial year was £166,000 and relates to an impairment of the Company's investments. There is no such impairment in the current year. Profit before tax was £346,000 (2018: £108,000), as the company received interest income on its bank balance of £346,000 (2018: £274,000). The Company's financial position remains challenging. The Company reduced amounts payable to related parties during the year by distributing the vast majority of its cash balance to its parent company, Kier Limited, prior to the year end. Net liabilities reduced by £280,000 to £1,977,000 from £2,257,000 as a result of the profit in the year.

The Company is expected to continue as a non-trading holding company within the Kier Group. The directors have received a letter of support from the directors of Kier Group plc, the Company's ultimate parent company, pledging support to allow the Company to meet its obligations.

Corporate responsibility

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

Principal risks and uncertainties

As the holding company of the Kier Infrastructure and Overseas group, the principal risks and uncertainties of the Company, including financial risk management, are consistent with the principal risks of Kier Infrastructure and Overseas Limited and are not managed separately.

Accordingly, the principal risks and uncertainties of the Kier Infrastructure and Overseas Group, which include those of the Company, are disclosed on pages 3 to 7 of Kier Infrastructure and Overseas Limited's financial statements for the year ended 30 June 2019.

Impairment of investments

The Company tests annually whether its investments have suffered any impairment. The recoverable amounts of subsidiaries are determined based on value-in-use calculations or fair value less cost to sell, if held for sale. Whilst the recoverable amount exceeds the carrying value of the investments, the value-in-use calculation is sensitive to reasonably possible changes in key assumptions (including a decline in the trading performance of the subsidiaries) that could result in an impairment.

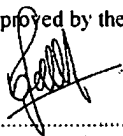
Kier National Limited

Strategic Report for the Year Ended 30 June 2019 (continued)

Brexit

The UK left the EU on 31 January 2020, with a transition period currently running to 31 December 2020. Currently, the UK's long-term relationship with the EU remains unclear. The Group has identified potential risks relating to, for example, the supply chain, the workforce and the supply and cost of materials and has set up contingency plans in respect of these risks. The Group keeps these plans under review, in the light of political developments. In particular, the Group continues to work with its supply chain to develop plans to ensure continuity of potentially critical supplies and has developed plans with respect to those members of its workforce who are nationals of EU member states and wish to continue to work in the UK.

Approved by the Board on 28 September 2020 and signed on its behalf by:



.....
Mark Pengelly
Director

Kier National Limited

Directors' Report for the Year Ended 30 June 2019

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

Directors of the Company

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

Mark Pengelly (appointed 18 March 2019)

Nigel Quelch

Sean Jeffery (resigned 21 November 2018)

Adrian Jones (resigned 12 March 2019)

Marcus Jones (resigned 12 June 2020)

Principal activity

The principal activity of the Company is the holding of subsidiary undertakings engaged in civil engineering, building and mining contracts, including the provision of design and project management services.

Dividends

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

Employees

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

Employment of disabled persons

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

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

Employee involvement

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

Future developments

The Company will continue to hold investments in its trading subsidiaries.

Kier National Limited

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

Going concern

The Directors are required to consider the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

In the period after the balance sheet date and before the signing of these accounts, the Company's performance, along with the entire Kier Group's performance, was adversely affected by the effects of the COVID-19 pandemic. Although the Group's sites remained open through this period, with a number of decisive management actions taken to mitigate against the majority of the effect of the pandemic, COVID-19 has adversely affected the Group's revenue and resulted in it incurring additional costs. This has resulted in a lower level of profitability for the 2020 financial year and an increase in the Group's net debt position.

At 30 June 2020, the Group had £892m of unsecured committed facilities, £20m of uncommitted overdrafts and £125m drawn against uncommitted supply chain financing facilities. In order to provide financial flexibility for the Group following COVID-19, the Group:

- › Agreed waivers with its lenders in respect of the financial covenants within the Group's principal debt facilities for the test period ended 30 June 2020;
- › Has agreed revised financial covenants under its principal debt facilities which will apply for the going concern period;
- › Agreed with HMRC a deferral of the payment of certain amounts in respect of VAT and PAYE until March and June 2021, respectively; and
- › Has agreed with its pension trustees a material reduction in the scheme deficit repayments.

The current trading environment remains uncertain, principally due to the potential impact of COVID-19, which makes forecasting challenging.

The Directors of the Kier Group have reviewed the Group's short-term cash flow forecasts to 31 December 2021 (the going concern period), which have been prepared using certain key assumptions and include a number of stressed, but plausible, downside scenarios. These scenarios include a consideration of the risks which may arise to the Group's available liquidity and its ongoing compliance with the revised financial covenants within the Group's principal debt facilities as a result of or in light of the following factors or circumstances:

- › The availability of supply-chain finance;
- › Potential reductions in trading volumes;
- › Potential margin erosion;
- › Risks in respect of certain specific projects;
- › The Group's ability to conclude its cost reduction plan as forecast; and
- › The completion of the sale of Kier Living, following the delay in the sale process which was due, in particular, to COVID-19.

The impact that a second wave of COVID-19 would have on the Group's cashflows, using the financial impact of the initial outbreak as the basis of the assessment, was also considered.

The Kier Group Board also considered the macroeconomic and political risks affecting the UK economy, including Brexit. Brexit has the potential to disrupt the Group's operations, particularly in relation to materials, people and the supply-chain. The Group has established a 'Brexit task force' and has in place business continuity plans to mitigate the risks associated with Brexit. The Board noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements, and that the Group operates primarily in sectors such as health, education and utilities, which are considered likely to remain largely unaffected by macro-economic factors. In addition, significant cost reduction actions have already been taken to improve the Group's profitability.

The Board considered the Group's ability to manage its working capital, in order to mitigate the potential impact on the Group's liquidity over the forecast period, in particular at the lowest point under the downside scenarios in the Spring of 2021, in the event of circumstances described above taking place. This, together with the agreements with the lenders and the pension trustees, and the other measures which have been taken during the year mean that the Group would be expected to continue to have available liquidity headroom under its existing finance facilities and operate within the revised financial covenants over the going concern period.

Kier National Limited

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

Going concern (continued)

The Group Directors have committed to support the Company over a period of at least 12 months from the signing of the financial statements.

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

Reappointment of independent auditors

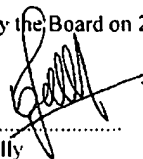
Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is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

Disclosure of information to the auditors

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

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

Approved by the Board on 28 September 2020 and signed on its behalf by:



.....
Mark Pengelly
Director

Kier National 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.

Kier National Limited

Independent Auditors' Report to the Members of Kier National Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier National Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its 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 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Kier National Limited

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

Reporting on other information (continued)

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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.

Kier National Limited

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Date: 29 September 2020

Kier National Limited

Income Statement for the Year Ended 30 June 2019

| | Note | 2019 £ 000 | 2018 £ 000 |
|-------------------------------|------|---------------|---------------|
| Revenue | | - | - |
| Other losses | 4 | - | (166) |
| Operating loss | | - | (166) |
| Finance income | 5 | 346 | 274 |
| Profit before taxation | | 346 | 108 |
| Income tax expense | 9 | (66) | (53) |
| Profit for the financial year | | 280 | 55 |

The above results were derived from continuing operations.

Kier National Limited

Statement of Comprehensive Income for the Year Ended 30 June 2019

| | 2019 | 2018 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Profit for the year | <u>280</u> | <u>55</u> |
| Total comprehensive income for the year | <u>280</u> | <u>55</u> |

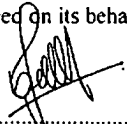
Kier National Limited

(Registration number: 02100338)

Statement of Financial Position as at 30 June 2019

| | Note | 2019 £ 000 | 2018 £ 000 |
|----------------------------|------|-----------------|-----------------|
| Non-current assets | | | |
| Investments | 10 | 45,534 | 45,534 |
| Current assets | | | |
| Cash and cash equivalents | 11 | 18 | 7,293 |
| Total assets | | <u>45,552</u> | <u>52,827</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | (47,411) | (55,000) |
| Income tax liability | 9 | (118) | (84) |
| | | <u>(47,529)</u> | <u>(55,084)</u> |
| Net liabilities | | <u>(1,977)</u> | <u>(2,257)</u> |
| Equity | | | |
| Called up share capital | 13 | 4,000 | 4,000 |
| Accumulated losses | | <u>(5,977)</u> | <u>(6,257)</u> |
| Total equity | | <u>(1,977)</u> | <u>(2,257)</u> |

The financial statements on pages 11 to 23 were approved by the Board of Directors on 28 September 2020 and signed on its behalf by:



 Mark Pengelly
 Director

Kier National Limited

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

| | Called up share capital £ 000 | Accumulated losses £ 000 | Total £ 000 |
|-------------------------------|--|---|------------------------|
| At 1 July 2017 | 4,000 | (6,312) | (2,312) |
| Profit for the financial year | - | 55 | 55 |
| Total comprehensive income | - | 55 | 55 |
| At 30 June 2018 | <u>4,000</u> | <u>(6,257)</u> | <u>(2,257)</u> |

| | Called up share capital £ 000 | Accumulated losses £ 000 | Total £ 000 |
|-------------------------------|--|---|------------------------|
| At 1 July 2018 | 4,000 | (6,257) | (2,257) |
| Profit for the financial year | - | 280 | 280 |
| Total comprehensive income | - | 280 | 280 |
| At 30 June 2019 | <u>4,000</u> | <u>(5,977)</u> | <u>(1,977)</u> |

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

1 General information

The Company is a private company limited by share capital incorporated 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 as applicable to companies using FRS 101.

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

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

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:

IAS 7: Complete exemption from preparing a cash flow statement and related notes:

IFRS 2: Exemption from certain disclosures in respect of share based payments for arrangements involving equity instruments of another Group entity;

IAS 8: The listing of new or revised standards that have not been adopted (and information about their likely impact) has been omitted;

IAS 36: Exemption from disclosures for each cash generating unit which contains goodwill, in particular in relation to assumptions and sensitivities;

IFRS 7: Complete exemption from all of the disclosure requirements of IFRS 7, Financial Instruments, other than for those instruments where these disclosures are still required to comply with the law;

IFRS 13: Complete exemption from all of the disclosure requirements of IFRS 13, Fair value measurement;

IAS 24: Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member;

IAS 24: Exemption from disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity;

IAS 1: Exemption from comparatives for movements on property, plant & equipment, intangible assets and share capital; and

IFRS 15: Exemption from certain disclosures in respect of revenue from contracts with customers.

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

2 Accounting policies (continued)

Going concern

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

Further details on the Company's going concern assessment are included in the Directors' Report on page 5.

Exemption from preparing group financial statements

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

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

Changes in accounting policy

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

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

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

Changes resulting from adoption of IFRS 9 and IFRS 15

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

IFRS 9 'Financial Instruments'

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

The adoption of IFRS 9 has had no material impact on the Company's financial statements for the financial year ended 30 June 2019, and has not required the Company to make an adjustment to its opening reserves.

IFRS 15 'Revenue from Contracts with Customers'

As a non-trading holding company, the Company does not have any revenue from contracts with customers. Therefore, the adoption of IFRS 15 has not had any impact on the Company's financial statements for the financial year ended 30 June 2019.

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

2 Accounting policies (continued)

Investments

Investments in subsidiary undertakings are included at cost less any provision for impairment.

Financial instruments

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

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

(a) Trade receivables and trade payables

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

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

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

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

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

(b) Cash and cash equivalents

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

3 Critical accounting judgements and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments

The Company tests annually whether investments have suffered any impairment. The recoverable amounts of subsidiaries are determined based on value-in-use. These calculations require the use of estimates regarding future cash flows, future growth rates and an appropriate discount factor. Any reasonably possible change in the key assumptions would not result in any shortfall in the recoverable amount as compared to the carrying amount.

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

4 Other losses

The analysis of the company's other losses for the year is as follows:

| | 2019 £ 000 | 2018 £ 000 |
|---------------------------|---------------|---------------|
| Impairment of investments | <u>-</u> | <u>(166)</u> |

5 Finance income

| | 2019 £ 000 | 2018 £ 000 |
|----------------------------------|---------------|---------------|
| Interest income on bank deposits | <u>346</u> | <u>274</u> |

6 Staff costs

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

7 Directors' remuneration

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

8 Auditors' remuneration

Auditors' remuneration for statutory audit services is borne by other Group companies and therefore no disclosures are made with reference to the amount of audit fees paid in respect of the Company.

9 Income tax expense

Tax charged in the income statement

| | 2019 £ 000 | 2018 £ 000 |
|-------------------------|---------------|---------------|
| Current taxation | | |
| UK corporation tax | <u>66</u> | <u>53</u> |

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

9 Income tax expense (continued)

The tax on profit before taxation for the year is the same as the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

| | 2019 £ 000 | 2018 £ 000 |
|--|------------------|------------------|
| Profit before taxation | <u>346</u> | <u>108</u> |
| Corporation tax at standard rate | 66 | 21 |
| Increase from effect of unrelieved losses on disposal operations | <u>-</u> | <u>32</u> |
| Total tax charge | <u><u>66</u></u> | <u><u>53</u></u> |

There is no provided or unprovided deferred tax (2018: £Nil).

10 Investments

| | £ 000 |
|--------------------------|----------------------|
| Subsidiaries | |
| Cost or valuation | |
| At 1 July 2018 | <u>81.099</u> |
| At 30 June 2019 | <u>81.099</u> |
| Provision | |
| At 1 July 2018 | <u>35.565</u> |
| At 30 June 2019 | <u>35.565</u> |
| Carrying amount | |
| At 30 June 2019 | <u><u>45.534</u></u> |
| At 30 June 2018 | <u><u>45.534</u></u> |

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

10. Investments (continued)

Details of the subsidiaries as at 30 June 2019 are as follows:

| Name of subsidiary | Principal activity | Registered office ¹ | Proportion of ownership interest and voting rights held | |
|---|----------------------------|--------------------------------|---|------|
| | | | 2019 | 2018 |
| Kier Build Limited* | Construction | 1 | 100% | 100% |
| Kier Building Limited* (in liquidation) | Dormant | 7 | 100% | 100% |
| Kier Infrastructure and Overseas Limited* | Construction | 1 | 100% | 100% |
| Kier Minerals Limited | Construction | 1 | 100% | 100% |
| Kier Professional Services Limited | Construction | 1 | 100% | 100% |
| Saudi Kier Construction Limited | Construction | 2 | 100% | 100% |
| Kier International Limited | Construction | 1 | 100% | 100% |
| Kier Caribbean and Industrial Limited | Dormant | 1 | 100% | 100% |
| Kier Jamaica Development Limited | Dormant | 1 | 100% | 100% |
| Kier Mining Investments Limited | Dormant | 1 | 100% | 100% |
| Kier Overseas (Four) Limited | Construction | 1 | 100% | 100% |
| Kier Overseas (Nine) Limited | Construction | 1 | 100% | 100% |
| Kier Overseas (Seventeen) Limited | Construction | 1 | 100% | 100% |
| Kier Overseas (Twenty-Three) Limited | Construction | 1 | 100% | 100% |
| T H Construction Limited | Construction | 1 | 100% | 100% |
| Kier International (Investments) Limited | Investment holding company | 1 | 100% | 100% |
| Kier Construction SA | Construction | 3 | 100% | 100% |
| Kier Construction Limited | Construction | 6 | 100% | 100% |

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

10 Investments (continued)

| Name of subsidiary | Principal activity | Registered office ¹ | Proportion of ownership interest and voting rights held | |
|---------------------------|--------------------|--------------------------------|---|------|
| | | | 2019 | 2018 |
| Kier Construction LLC | Construction | 4 | 49% | 49% |
| Kier Dubai LLC | Construction | 5 | 49% | 49% |
| Kier (Malaysia) SDN. BHD. | Dormant | 8 | 100% | 100% |

* indicates direct investment of the Company

¹ See list of registered offices below

Registered offices

1. Tempsford Hall, Sandy, Bedfordshire, SG19 2BD, UK
2. P.O Box 677, 4th Floor, ATCO Building, King Khaled Road, Dammam-31421, KSA, United Arab Emirates
3. 151 Angle Avenue, Jean Paul II et Impasse Duverger, Turgeau, Port-au-Prince, Republic of Haiti
4. Unit 869, PO Box: 61967 Level 08, Aya Business Centre, Al Gaith Tower, Hamdan Street, Abu Dhabi, United Arab Emirates
5. Unit 1501, P.O. Box 2, Thuraya Tower, Plot No C-008-001, TECOM, Dubai, United Arab Emirates
6. c/o Grant Thornton, Cnr Bank Street and West Independence Sq Street, Basseterre, Saint Kitts and Nevis
7. 1 More London Place, London, SE1 2AF
8. 9 - 5 & 7 - 5 Jalan 7/146, Bandas Tasik Selatan, Kuala Lumpur, Malaysia 57000

11 Cash and cash equivalents

| | 2019 £ 000 | 2018 £ 000 |
|--------------|---------------|---------------|
| Cash at bank | 18 | 7,293 |

12 Trade and other payables

| | 2019 £ 000 | 2018 £ 000 |
|--------------------------------|---------------|---------------|
| Current | | |
| Amounts due to related parties | 47,411 | 55,000 |

13 Called up share capital

Allotted, called up and fully paid shares

| | No. | 2019 £ 000 | No. | 2018 £ 000 |
|----------------------------|-----------|---------------|-----------|---------------|
| Ordinary shares of £1 each | 4,000,100 | 4,000 | 4,000,100 | 4,000 |

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

14 Contingent liabilities

There are contingent liabilities in respect of guarantees and claims under contracting and other agreements, including joint arrangements and joint ventures, entered into in the normal course of business, and commitments to support subsidiaries. The Company and other group companies are parties to cross guarantees in respect of group banking arrangements under which Kier Group has no net liability.

15 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Limited.

The ultimate parent is Kier Group plc.

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

The ultimate controlling party is Kier Group plc.

Relationship between entity and parents

The parent of the largest 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.

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

The address of Kier Limited is:

81 Fountain Street
Manchester
M2 2EE

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

Kier National Limited

Notes to the Financial Statements for the Year Ended 30 June 2019 (continued)

16 Non adjusting events after the financial period

Subsequent to the 30 June 2019 balance sheet date, the world has been impacted by a global pandemic.

This pandemic has had a significant impact on the Kier Group, both operationally and financially. Decisive management actions led to Kier implementing the following self-help measures:

- › Temporarily closed all sites to ensure that we could operate safely. Through the application of Site Operating Procedures issued by the Construction Leadership Council we were able to keep about 80% of our sites open throughout the period. Currently all sites are now open.
- › Asked c.6,500 employees to take a temporary pay reduction for the three months to 30 June 2020. These reductions depended on seniority and ranged between 7.5% to 25%.
- › The Group furloughed c.2,000 employees through the period. As at 31 July 2020 there were none left on furlough.
- › The Group also deferred various taxation payments during the period as allowed by the Government.
- › All discretionary spend including capital expenditure was reduced to a minimum.
- › The closure of the former headquarters at Tempsford Hall in Bedfordshire was brought forward to 30 April 2020 from the previously announced date of 30 June 2020.
- › Through strong relationships with the members of our banking syndicate and other debt providers they all agreed waivers to the Group's financial covenants for the year ended 30 June 2020.
- › Paused reducing utilisation of the Kier Early Payment Scheme ('KEPS').

The impact of COVID-19 was subsequent to the balance sheet date and has had no impact on the results of the Company for the year ended 30 June 2019. This includes making no adjustment to the carrying value of the Company's investments. Consideration as to the impact on the Company's going concern assumption has been given on page 5.

The Company anticipates that Kier Group plc will be able to provide financial support, if required, to enable the Company to meet its liabilities and obligations as and when they fall due, for a period of at least 12 months from the date of signing the financial statements.