

KIER FACILITIES SERVICES LIMITED
Company Registration Number 2624887

Directors' Report and Financial Statements
for the year ended 30 June 2011

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KIER FACILITIES SERVICES LIMITED
Company Registration Number 2624887

DIRECTORS' REPORT

The directors present their Directors' report and audited financial statements for the year ended 30 June 2011

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company are facilities management and commercial buildings maintenance

During the year to 30 June 2011, turnover decreased by £3.7m from £116.5m to £112.8m. The revenue figure contained only 9 months of revenue for the business unit responsible for the design and installation of mechanical and electrical services. This business unit was transferred to a subsidiary within Kier Regional Limited on 1 April 2011. It has been agreed that Kier Facilities Services will make a series of payments to the subsidiary of Kier Regional totalling £875,000. £230,000 was paid in May 2011. The remaining balance will be paid during the next year. These payments represent a share of the anticipated future profits on agreement of final accounts.

The company operates in the UK, and is actively further developing its client base within the UK, with particular emphasis on the private sector. The market covers the broad range of facilities management services and commercial buildings maintenance.

The company made a profit before tax of £6.2m for the year ended 30 June 2011 compared to a profit before tax of £4.8m for the year ended 30 June 2010. This improvement is largely due to continued focus on tighter contract cost control, the termination or amending of loss making contracts, control of overhead costs and the continued focus on target markets. The company maintains a focus on the facilities management and building maintenance market place.

At the year end the company had net assets of £6.4m, an improvement of £1.0m due to the improved performance described above.

The principal risk facing the company arises from major bad debt risk and excessive work in progress. The bad debt risk has been mitigated by strict credit checks, strong credit control and a focus on clients with good credit risk profiles. Work in progress is monitored and controlled on a weekly basis utilising experienced surveyors with margin recognised only when the work has been agreed by the client representatives. The level of work in progress has reduced during the year as a result of the continual monitoring. This has enabled some profit recognition on work previously valued at cost.

Much of the company's turnover is linked to long term contracts and framework agreements which provide a solid base that reduces the company's exposure to some of the current market conditions. Some of the company's regular income has been impacted by the tightening of budgets with local authority and government body clients and reduction of discretionary spend.

There is no shortage of new tender opportunities which are expected to convert into new work. This will help to increase the business size during the next twelve months. Pricing levels are tight although the company's coverage across the UK combined with its experience and IT systems will enable it to deliver a cost effective solution for new clients.

The company has strict measures of performance across all business units which include financial performance by contract, debt reviews and regular re-forecasting and monitoring reviews.

The company monitors compliance with laws and regulations on a regular basis, and is fully compliant with all legislation.

The company's aim is to provide a quality cost effective client facing service whilst delivering positive financial returns to its shareholder.

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DIRECTORS' REPORT (CONTINUED)

2. RESULTS AND DIVIDENDS

The profit for the year after taxation and dividends dealt with in the financial statements is £963,000 (2010 £1,358,000)

Dividends	-interim paid	£3,310,000	(2010 £1,881,000)
	-final proposed	£Nil	(2010 £Nil)

3. POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company agrees payment terms with its suppliers and sub-contractors on an individual contract and supplier or subcontractor basis rather than following a standard code. In general, the payment terms agreed are usually between 30 and 60 days. The policy is to abide by these agreed terms whenever it is satisfied that the suppliers or sub-contractors have provided the goods or services in accordance with the contract terms and conditions. Acting in accordance with this policy, at 30 June 2011 the creditor days were 38 days (2010 46 days) in respect of suppliers of invoiced goods and services and 52 days (2010 58 days) in respect of certified amounts due to subcontractors.

4. DIRECTORS

The directors of the Company during the year were

I M Lawson	
C Ventiero	(Appointed 27 June 2011)
C S Hale	(Resigned 30 September 2010)
W R Taylor	(Appointed 20 September 2010)
R A Baker	
I R Bray	(Appointed 1 April 2011)
N J Chidgey	
M Davies	
J R Duxfield	
A M Lemarie	
M C Powell	(Resigned 30 June 2011)
D W Stiff	

The Articles of Association of the Company provide for the indemnification of its directors out of the assets of the Company in the event that they suffer any loss or liability in the execution of their duties as directors. The Company has insurance in favour of its directors and officers in respect of certain losses or liabilities to which they may be exposed due to their office.

5. POLITICAL AND CHARITABLE DONATIONS

The Company has made £4,003 of charitable donations in the year (2010 £1,287) and no political donations (2010 £Nil).

6. DISCLOSURE OF INFORMATION TO AUDITORS

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and each of us has taken all the steps that he or she ought to have taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

7. GOING CONCERN

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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DIRECTORS' REPORT (CONTINUED)

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

8. AUDITORS

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



D W STIFF
SECRETARY

Southern Cross
Basing View
Basingstoke
Hampshire
RG21 4HG

Date 2 September 2011

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the 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 year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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,
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIER FACILITIES SERVICES LIMITED

We have audited the financial statements of Kier Facilities Services Limited for the year ended 30 June 2011 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



JM Papasolomontos (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
2 September 2011

KIER FACILITIES SERVICES LIMITED
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PROFIT AND LOSS ACCOUNT
Year ended 30 June 2011

	Notes	2011 £000	2010 £000
Turnover		112,822	116,505
Cost of sales		(98,837)	(103,642)
		<hr/>	<hr/>
Gross profit		13,985	12,863
Administrative expenses		(8,480)	(8,721)
		<hr/>	<hr/>
Operating profit	2	5,505	4,142
Net interest receivable	4	706	614
		<hr/>	<hr/>
Profit on ordinary activities before taxation		6,211	4,756
Taxation on ordinary activities	5	(1,938)	(1,517)
		<hr/>	<hr/>
Profit for the financial year	16	4,273	3,239
		<hr/>	<hr/>

The above results have all been derived from continuing operations

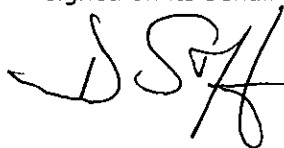
There is no difference between the historical cost result and the result stated above

KIER FACILITIES SERVICES LIMITED
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BALANCE SHEET
As at 30 June 2011

	Notes	2011 £000	2010 £000
Non-current assets			
Intangible assets	6	240	250
Tangible assets	7	8	11
		<u>248</u>	<u>261</u>
Current assets			
Stock	8	3,591	10,944
Debtors - Amounts falling due within one year	9	15,248	15,533
Cash at bank		21,017	17,500
		<u>39,856</u>	<u>43,977</u>
Creditors - Amounts falling due within one year	10	<u>(31,494)</u>	<u>(37,900)</u>
Net current assets		<u>8,362</u>	<u>6,077</u>
Total assets less current liabilities		<u>8,610</u>	<u>6,338</u>
Creditors - Amounts falling due after more than one year	12	(943)	(560)
Provisions for liabilities	14	(1,256)	(330)
Net assets		<u>6,411</u>	<u>5,448</u>
Equity capital and reserves			
Called up share capital	15	2,500	2,500
Profit and loss account	16	3,911	2,948
Shareholders' funds	17	<u>6,411</u>	<u>5,448</u>

The financial statements were approved by the Board of Directors on 2 September 2011 and were signed on its behalf by



D W Stiff
Director

KIER FACILITIES SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice)

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking

Turnover

Turnover arises from the provision of goods sold and services in line with the principal activities set out in the directors' report and excludes value added tax. Turnover is recognised as services are provided and goods are transferred to the client and in accordance with the company's rights to receive consideration from the client

Pre-contract costs

Costs associated with bidding for contracts are written off as incurred (pre-contract costs). When it is virtually certain that a contract will be awarded, usually when the Company has secured preferred bidder status, external costs incurred from that date to the date of financial close are carried forward in the balance sheet

When financial close is achieved on PFI or PPP contracts, external costs are recovered from the PFI special purpose vehicle and pre-contract costs are credited to the profit and loss account, except to the extent that the Company retains a share in the PFI special purpose vehicle. That element is deferred and recognised over the life of the construction contract to which the costs relate. Success fees and financing arrangements, which are not generally material amounts, are deferred in full and recognised over the life of the financing in place for the special purpose vehicle

Tangible fixed assets

In accordance with FRS15 'Tangible Fixed Assets', depreciation is provided in order to write off the cost less residual value over the estimated lives of the assets. The rates of depreciation are as follows

Plant, vehicles and equipment	- 10% to 33% per annum
Leasehold improvements	- 20% to 33% per annum

Leases

Operating lease rentals are charged to the profit and loss account in the year in which they are incurred. Assets held under hire purchase agreements and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreement. The amounts by which the repayments exceed the hire purchase obligations are rated as finance charges, which are amortised over each agreement term to give a constant rate of charge on the remaining balance of the obligation

Deferred taxation

In accordance with FRS19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes

Pension costs

For pension schemes that are accounted for as defined contribution schemes the pension costs charged against profits are based on the actual contributions paid during the year. The Company is a member of the Kier Group Pension Scheme a section of which provides benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 'Retirement Benefits' the scheme is accounted for by the Company as if the scheme was a defined contribution scheme. Full disclosure of the deficit in the Kier Group Pension Scheme (defined benefit section) is provided in the financial statements of the ultimate parent company, Kier Group plc

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

Share based payments

In accordance with the transitional provisions FRS20 has been applied to share options granted after 7 November 2002. The fair value of the options is recognised as an employee expense with a corresponding increase in equity.

The parent company issues equity-settled share based payments under the sharesave and LTIP schemes. The fair value of these shares at the date of grant is expressed on a straight line basis over the vesting period, based on the estimate of shares that will eventually vest.

2 Operating profit – continuing activities

	2011 £000	2010 £000
Operating profit – continuing activities is stated after charging		
Depreciation	3	3
Remuneration of auditors		
Audit of financial statements of subsidiaries pursuant to legislation	33	27
Operating lease rentals Plant	1,574	1,493
Operating lease rentals Other	402	334
Hire of plant and equipment	342	503
	<hr/>	<hr/>

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Kier Group plc.

3 Information relating to directors and employees

	2011 £000	2010 £000
Directors' emoluments as executives		
Emoluments	838	752
Pension contributions	174	156
Share based payments	3	3
	<hr/>	<hr/>
	1,015	911
	<hr/>	<hr/>
Details of the highest paid director during the year were		
Emoluments	126	220
Pension contributions	29	48
	<hr/>	<hr/>
	155	268
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

3	Information relating to directors and employees (continued)	2011 £000	2010 £000
	Staff costs, including directors		
	Wages and salaries	31,258	29,001
	Social security costs	2,703	2,464
	Other pension costs	3,195	1,840
		<hr/>	<hr/>
		37,156	33,305
		<hr/>	<hr/>
		Number of directors	
		2011	2010
	Retirement benefits are accruing to the following number of directors under		
	Money purchase schemes	5	3
	Defined benefit schemes	4	4
		<hr/>	<hr/>
	The accrued pension benefit of the highest paid director is an annual entitlement of £22,000		
		2011	2010
	The average number of persons employed by the Company during the year, including directors, was	1,720	1,520
		<hr/>	<hr/>
4	Net interest receivable	2011 £000	2010 £000
	Interest receivable on bank balances	706	614
		<hr/>	<hr/>
		706	614
		<hr/>	<hr/>
5	Taxation on ordinary activities	2011	2010
	(a): Analysis of charge in period	£000	£000
	Current tax expense		
	UK corporation tax	1,691	1,351
	Adjustments for prior years	142	1,202
		<hr/>	<hr/>
	Total current tax charge	1,833	2,553
		<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

Deferred tax expense

Origination and reversal of temporary differences	43	140
Adjustments for prior years	(61)	(1,176)
Effect of change in tax rate	123	-
	<hr/>	<hr/>
Total deferred tax charge / (credit)	105	(1,036)
	<hr/>	<hr/>
Total tax charge on ordinary activities	1,938	1,517
	<hr/>	<hr/>

(b) Factors affecting the current tax charge

The tax charge is higher (2010 higher) than the standard effective rate of corporation tax in the UK for the year ended 30 June 2011 of 27.5% (2010 standard rate of 28%). The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	6,211	4,756
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27.5% (2010 28%)	1,708	1,332
Effects of		
Expenses not deductible for tax purposes	26	40
Depreciation in excess of capital allowances	(30)	(38)
Other short term timing differences	(13)	17
Under provision in respect of prior years	142	1,202
	<hr/>	<hr/>
Current tax charge for the year	1,833	2,553
	<hr/>	<hr/>

(c): Factors that may affect future tax charges

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

The reduction in the main rate of UK corporation tax to 25 per cent with effect from 1 April 2012 was substantively enacted after the balance sheet date on 5 July 2011 and therefore the further reduction in the deferred tax asset/liability has not been included in the figures above. The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and are therefore not included in the figures above. The overall effect of the further reductions from 26 per cent to 23 per cent, if these applied to the deferred tax balance at 30 June 2011, would be to further reduce the deferred tax asset by approximately £61k.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

6 Intangible assets	Rights £000	Total £000
Cost		
At 1 July 2010	250	250
	<hr/>	<hr/>
At 30 June 2011	250	250
Amortisation		
Charged in year	10	10
	<hr/>	<hr/>
At 30 June 2011	10	10
Net book value at 30 June 2011	240	240
	<hr/>	<hr/>
Net book value at 30 June 2010	250	250
	<hr/>	<hr/>

On 7 September 2009, the Kier Group Plc, through its subsidiary Kier Project Investment Limited, purchased from Telereal Trillium, 64% of the equity of Kent Building Schools for the Future Local Education Partnership (Kent LEP) and a 71.8% interest in the PFI projects being carried out by Kent LEP.

Kier Facilities Services' share of the investment of £250,000 represents the rights to participate in facilities management work on Wave 3 of the Kent Building Schools for the Future projects.

The asset is being amortised as the work is carried out over a period of approximately 25 years. Amortisation commenced in July 2010.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

7	Tangible assets	Leasehold Improve- ments £000	Plant, Vehicles & Equipment £000	Total £000
	Cost			
	At 1 July 2010	83	1,391	1,474
		<hr/>	<hr/>	<hr/>
	At 30 June 2011	83	1,391	1,474
	Depreciation			
	At 1 July 2010	83	1,380	1,463
	Depreciation charge	-	3	3
		<hr/>	<hr/>	<hr/>
	At 30 June 2011	83	1,383	1,466
	Net book value at 30 June 2011	-	8	8
		<hr/>	<hr/>	<hr/>
		-	11	11
	Net book value at 30 June 2010	<hr/>	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

8	Stock	2011	2010
		£000	£000
	Work in progress	3,591	10,944
		<u>3,591</u>	<u>10,944</u>
9	Debtors: Amounts falling due within one year	2011	2010
		£000	£000
	Trade debtors	10,263	9,903
	Construction contract retentions	393	98
	Accrued interest	174	166
	Amount due from other group undertakings	1,766	2,368
	Other debtors	829	1,082
	Prepayments & accrued income	235	223
	Deferred tax	1,588	1,693
		<u>15,248</u>	<u>15,533</u>
	Deferred tax movement		
	B/fwd at 1 July 2010	1,693	657
	Effect of rate change	(123)	-
	Transferred to profit and loss account	18	1,036
		<u>1,588</u>	<u>1,693</u>
	<i>Amounts fully provided for deferred taxation</i>		
	Accelerated depreciation	114	151
	Other timing differences	1,474	1,542
		<u>1,588</u>	<u>1,693</u>

Debtors include construction contract retentions of £185,000 (2010 £30,000) due after more than one year

10	Creditors	2011	2010
		£000	£000
	<u>Amounts falling due within one year</u>		
	Trade creditors	10,020	10,988
	Other creditors	846	1,881
	Construction contract balances	4,087	9,555
	Amount due to other group undertakings	4,735	3,822
	Other tax and social security	597	572
	Accruals and deferred income	8,819	9,008
	Corporation tax creditor	2,390	2,074
		<u>31,494</u>	<u>37,900</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

11 Deferred Grant

Other creditors include a grant from Sheffield City Council in relation to the Westfield Sports Centre. The grant balance was £197,156.65 as at 30 June 2011 (2010 £148,928.15). Funds received from the grant are recorded as a creditor on the balance sheet. This balance reduces in line with expenditure incurred. The effect on profit during the year to 30 June 2011 was £Nil (2010 £Nil).

12 Creditors

	2011	2010
	£000	£000
<u>Amounts falling due after one year</u>		
Accruals and deferred income	943	560
	<hr/> 943 <hr/>	<hr/> 560 <hr/>

13 Obligations under operating leases

The annual commitments under non-cancellable operating leases entered into by the Company are as follows:

	2011	2011	2010	2010
	Land &	Plant &	Land &	Plant &
	buildings	machinery	buildings	machinery
	£000	£000	£000	£000
Expiring in less than one year	-	173	-	448
Expiring between two and five years	123	1,001	123	1,303
Expiring in more than five years	279	-	279	4
	<hr/> 402 <hr/>	<hr/> 1,174 <hr/>	<hr/> 402 <hr/>	<hr/> 1,755 <hr/>

14 Provisions for liabilities

	Other	Total
	provisions	£000
	£000	£000
At 1 July 2010	330	330
Additional amounts provided	926	926
	<hr/>	<hr/>
At 30 June 2011	1,256	1,256
	<hr/>	<hr/>

15 Called up share capital

	2011	2010
	£000	£000
<i>Ordinary shares of £1 each</i>		
Allotted, issued and fully paid	2,500	2,500
	<hr/>	<hr/>

16 Profit and loss account

	2011	2010
	£000	£000
At 1 July 2010	2,948	1,590
Profit for the financial year	4,273	3,239
Dividends	(3,310)	(1,881)
	<hr/> 3,911 <hr/>	<hr/> 2,948 <hr/>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

17 Reconciliation of movements in shareholders' funds	2011	2010
	£000	£000
Opening shareholders' funds	5,448	4,090
Profit for the financial year	4,273	3,239
Dividends	(3,310)	(1,881)
Closing shareholders' funds	<u>6,411</u>	<u>5,448</u>

The adoption of FRS 20 'Share-based payments' is required to recognise the fair value of the share options

LTIP

The group operates a share option plan under which eligible employees are able to participate in the LTIP plan. Options are granted at market value, determined immediately before the grant.

Awards made under the scheme are normally able to vest following the third anniversary of the date of grant. Vesting may be in full or in part (with the balance of the award lapsing), and is subject to the Company achieving performance targets.

18 Related party transactions

In accordance with paragraph 3(c) of FRS 8 'Related Party Transactions', the company is exempt from disclosing details of arrangements with other wholly owned companies in the group.

During the year, the company had transactions with the following disclosable related parties:

- Its key management personnel, and
- The company's immediate parent undertaking Kier Support Services Limited and ultimate parent undertaking Kier Group plc, and
- Fellow subsidiary undertakings and joint ventures of Kier Group plc as listed below

**Shareholding of Kier
Group plc as at
30 June 2011**

Prospect Healthcare (Hinchbrook) Limited	50.00%
Prospect Healthcare (Ipswich) Limited	50.00%
Information Resources (Oldham) Limited	50.00%
ASK (Greenwich) Limited	50.00%
Kent PFI Company 1 Limited	71.84%
Information Resources (Bournemouth) Limited	50.00%
Kier Harlow Limited	80.10%
Kier Sheffield LLP	80.10%
Kier North Tyneside Limited	80.00%
Kier Islington Limited	99.99%
Kier Stoke Limited	80.10%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 *(Continued)*

18 Related party transactions (continued)

The company's key management personnel are the directors. Details of the directors' remuneration are given in note 3.

During the year, the company provided goods and services to fellow subsidiary undertakings and joint ventures of Kier Group plc to the value of £9,920,101 (2010 £8,543,718), and had year end balances owing to it of £970,461 (2010 £676,915). The amount of bad debt written off with respect to above transactions was £Nil (2010 £Nil).

During the year, the company purchased services and materials from fellow subsidiary undertakings and joint ventures of Kier Group plc to the value of £158,455 (2010 £132,573), and had year end balances owing by it of £30,631 (2010 £82,023).

At 30 June 2011 the company has a loan balance of £Nil (2010 £Nil) outstanding on which it paid interest during the year of £Nil (2010 £Nil).

19 Ultimate holding company

The Company is a wholly owned subsidiary of Kier Support Services Limited. The ultimate holding company is Kier Group plc (registered in England and Wales). Both these parent companies are registered in England and Wales and copies of their financial statements will be filed with Companies House, Crown Way, Cardiff, where they will be available to the public.