

KIER FACILITIES SERVICES LIMITED
(formerly Kier Managed Services Limited)
Company Registration Number 2624887

Directors' Report and Financial Statements
for the year ended 30 June 2009



KIER FACILITIES SERVICES LIMITED

DIRECTORS' REPORT

The directors present their Directors report and audited financial statements for the year ended 30 June 2009

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company are facilities management, buildings maintenance, and design and installation of mechanical and electrical building services

On 1st November 2008, Kier Managed Services Limited and Kier Building Services Engineers combined to form Kier Facilities Services Limited. Kier Building Services Engineers was a division of Kier Support Services Limited. Kier Support Services Limited sold the assets of Kier Building Services Engineers to Kier Facilities Services Limited at book value. The figures to the end of June 2009 reflect the results of the combined business, which produced revenue of £91.4m and a profit before tax of £3.1m.

Turnover has increased by £26.0m from £65.4m to £91.4m.

The company operates in the UK, and is actively further developing its client base within the UK. The market covers the broad range of facilities management services, buildings maintenance, and design and installation of mechanical and electrical building services.

The company has made a profit before tax of £3.1m for the year ended 30 June 2009 compared to a profit before tax of £2.0m for the year ended 30 June 2008. This improvement is largely due to continued focus on target markets and the termination of loss making contracts and control of overhead costs. The company maintains a focus on the facilities management and building maintenance market place.

At the year end the company had net assets of £4.1m, an improvement of £1.1m 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 credit insurance. Work in progress is monitored and controlled on a weekly basis utilising experienced surveyors.

The majority 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 many of the current market conditions.

The company measures performance via a range of measures, including contract performance, 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.

2. RESULTS AND DIVIDENDS

The profit for the year after taxation and dividends dealt with in the financial statements is £1,124,000 (2008: £1,374,000).

Dividends	-interim paid	£1,089,000	(2008: NIL)
	-final proposed	NIL	(2008: NIL)

KIER FACILITIES SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

3 DIRECTORS

The directors of the Company during the year were

I M Lawson	(Chairman)
C S Hale	(Managing Director)
R A Baker	(Appointed 1 st November 2008)
N J Chidgey	
M Davies	
J R Duxfield	(Appointed 1 st November 2008)
A M Lemarie	(Appointed 5 th May 2009)
P C Owen	(Resigned 31 st October 2008)
D W Stiff	(Appointed 1 st November 2008)

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.

4. POLITICAL AND CHARITABLE DONATIONS

The Company has made £929.00 of charitable donations in the year (2008: £1,000) and no political donations (2008: Nil).

5. 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.

6. AUDITOR

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
Date 7th September 2009

Southern Cross
Basing View
Basingstoke
Hampshire
RG21 4HG

KIER FACILITIES SERVICES LIMITED

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 judgments 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, 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 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.

KIER FACILITIES SERVICES LIMITED

INDEPENDENT AUDITORS' 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 2009 set out on pages 6 to 16. 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 sections 495 and 496 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 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.

KIER FACILITIES SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIER FACILITIES SERVICES LIMITED (CONTINUED)

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



S J Wardell (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y8BB
Date 15th September 2009

KIER FACILITIES SERVICES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 June 2009

	Notes	2009	2008
		£000	£000
Turnover		91,377	65,419
Cost of sales		(81,604)	(58,769)
		<hr/>	<hr/>
Gross profit		9,773	6,650
Administrative expenses		(7,426)	(5,160)
		<hr/>	<hr/>
Operating profit	2	2,347	1,490
Net interest receivable	4	768	462
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,115	1,952
Taxation on profit on ordinary activities	5	(902)	(578)
		<hr/>	<hr/>
Profit for the financial year	13	2,213	1,374
		<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

BALANCE SHEET As at 30 June 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Tangible assets	6	1,403	1,796
		<u>1,403</u>	<u>1,796</u>
Current assets			
Stock	7	4,434	123
Debtors - Amounts falling due within one year	8	12,969	10,562
Cash at bank		18,355	9,562
		<u>35,758</u>	<u>20,247</u>
Creditors - Amounts falling due within one year	9	(32,485)	(18,835)
		<u>3,273</u>	<u>1,412</u>
Net current assets			
		<u>3,273</u>	<u>1,412</u>
Total assets less current liabilities		4,676	3,208
Creditors - Amounts falling due after more than one year	10	(586)	(242)
		<u>(586)</u>	<u>(242)</u>
Net assets		4,090	2,966
		<u>4,090</u>	<u>2,966</u>
Equity capital and reserves			
Called up share capital	12	2,500	2,500
Profit and loss account	13	1,590	466
		<u>4,090</u>	<u>2,966</u>
Shareholders' funds	14	4,090	2,966
		<u>4,090</u>	<u>2,966</u>

The financial statements were approved by the Board of Directors on 7th September 2009 and were signed on its behalf by



D W Stiff
Director

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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 comprises goods sold and services provided and excludes value added tax

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

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

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

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

	2009 £000	2008 £000
Operating profit – continuing activities is stated after charging		
Depreciation	859	770
Remuneration of auditors		
Audit of financial statements of subsidiaries pursuant to legislation	17	19
Other services	-	2
Operating lease rentals Plant	1,383	311
Operating lease rentals Other	308	127
(Profit)/loss on disposal of fixed assets	(2)	(8)
Hire of plant and equipment	975	387

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

	2009 £000	2008 £000
Directors emoluments as executives		
Emoluments	640	322
Pension contributions	132	50
Share based payments	1	-
	<hr/>	<hr/>
	773	372
Details of the highest paid director during the year were		
Emoluments	201	83
Pension contributions	45	14
Share based payments	-	-
	<hr/>	<hr/>
	246	97

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 *(Continued)*

3	Information relating to directors and employees	2009 £000	2008 £000
	Staff costs, including directors		
	Wages and salaries	26,426	20,964
	Social security costs	2,280	1,589
	Other pension costs	1,552	842
		30,258	23,395
	The accrued pension benefit of the highest paid director is an annual entitlement of £35,000		
		2009	2008
	The average number of persons employed by the Company during the year, including directors, was	1,400	1,046

Pensions:

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.

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 *(Continued)*

4		2009	2008
		£000	£000
	Interest receivable on bank balances	793	475
	Interest payable on bank loans and overdraft wholly repayable within five years	(18)	(8)
	Interest payable in respect of finance leases and hire purchase contracts	(7)	(5)
		<hr/>	<hr/>
		768	462
		<hr/>	<hr/>
5	Taxation on ordinary activities	2009	2008
	(a): Analysis of charge in period	£000	£000
	Current tax		
	UK Corporation tax charge based on the result for the year	977	613
	Adjustments in respect of previous periods	122	102
		<hr/>	<hr/>
	Total current tax charge	1,099	715
		<hr/>	<hr/>
	Deferred tax		
	Origination and reversal of timing differences	(101)	(39)
	Adjustments in respect of previous years	(96)	(100)
	Rate change effects	-	2
		<hr/>	<hr/>
	Tax deferred tax charge	(197)	(137)
		<hr/>	<hr/>
	Total tax charge for the year	902	578
		<hr/>	<hr/>

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 *(Continued)*

(b) Tax reconciliation	2009	2008
	£000	£000
Profit on ordinary activities before tax	3,115	1,952
Current tax at 28% (2008 29.5%)	<u>873</u>	<u>576</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	3	11
Capital gains – sale of joint venture	-	-
Other short term timing differences	(5)	-
Tax exempt revenues	6	-
Exceptional pension & Share based payment charge not deductible for tax purposes	-	-
Depreciation in excess of capital allowances	99	28
Profit on disposal of assets not taxed	-	(2)
Adjustments for prior years	123	102
Current tax charge for year	<u><u>1,099</u></u>	<u><u>715</u></u>

(c): Factors that may change future tax charges

The Company is not aware of any significant factors that may affect future tax charges

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 *(Continued)*

6	Fixed assets – tangible assets	Leasehold Improvements	Plant, Vehicles & Equipment	Total
		£000	£000	£000
	Cost			
	At 1 July 2008	83	4,987	5,070
	Additions	-	470	470
	Disposals		(106)	(106)
		<hr/>	<hr/>	<hr/>
	At 30 June 2009	83	5,351	5,434
	Depreciation			
	At 1 July 2008	83	3,191	3,274
	Depreciation charge	-	859	859
	Disposals		(102)	(102)
		<hr/>	<hr/>	<hr/>
	At 30 June 2009	83	3,948	4,031
	Net book value at 30 June 2009	<hr/> -	<hr/> 1,403	<hr/> 1,403
	Net book value at 30 June 2008	<hr/> -	<hr/> 1,796	<hr/> 1,796

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 *(Continued)*

7	Stock	2009	2008
		£000	£000
	Raw materials and consumables	77	123
	Work in progress	4,357	-
		<u>4,434</u>	<u>123</u>
8	Debtors: <u>Amounts falling due within one year</u>	2009	2008
		£000	£000
	Trade debtors	8,886	9,086
	Construction contract retentions	131	-
	Accrued interest	231	136
	Amount due from other group undertakings	1,035	94
	Other taxation and social security costs	3	-
	Other debtors	565	342
	Prepayments & accrued income	1,461	444
	Deferred taxation	657	460
		<u>12,969</u>	<u>10,562</u>
	Deferred taxation movement		
	At beginning of the year	460	322
	Transferred to profit and loss account	197	138
	At 30 June	<u>657</u>	<u>460</u>
	Amounts fully provided for deferred taxation		
	Accelerated depreciation	168	62
	Other timing differences	489	398
		<u>657</u>	<u>460</u>

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

9	Creditors	2009 £000	2008 £000		
	<u>Amounts falling due within one year</u>				
	Obligations under finance leases and hire purchase contracts	115	113		
	Trade creditors	9,354	4,919		
	Other creditors	1,242	1,004		
	Construction contract balances	6,556	-		
	Amount due to other group undertakings	4,327	1,236		
	Other tax and social security	721	1,167		
	Accruals and deferred income	9,521	9,557		
	Corporation tax	649	839		
		<hr/>	<hr/>		
		32,485	18,835		
		<hr/>	<hr/>		
10	Creditors	2009 £000	2008 £000		
	<u>Amounts falling due after one year</u>				
	Obligations under finance leases and hire purchase contracts	58	242		
	Accruals and deferred income	528	-		
		<hr/>	<hr/>		
		586	242		
		<hr/>	<hr/>		
11	Obligations under operating leases				
	The annual commitments under non-cancellable operating leases entered into by the Company are as follows				
		2009 Land & buildings £000	2009 Plant & machinery £000	2008 Land & buildings £000	2008 Plant & machinery £000
	Expiring in less than one year	-	210	2	21
	Expiring between two and five years	-	1,143	-	187
	Expiring in more than five years	400	-	123	-
		<hr/>	<hr/>	<hr/>	<hr/>
12	Called up share capital	2009 £000	2008 £000		
	<i>Authorised</i>				
	Ordinary shares of £1 each	2,500	2,500		
		<hr/>	<hr/>		
	<i>Allotted, issued and fully paid</i>				
	Ordinary shares of £1 each	2,500	2,500		

KIER FACILITIES SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 *(Continued)*

13	Profit and loss account	2009 £000	2008 £000
	At beginning of the year	466	(908)
	Profit for the financial year	2,213	1,374
	Dividends	(1,089)	-
		<hr/>	<hr/>
	At 30 June	1,590	466
		<hr/>	<hr/>
14	Reconciliation of movements in shareholders' funds	2009 £000	2008 £000
	Opening shareholders' funds	2,966	1,592
	Profit for the financial year	2,213	1,374
	Dividends	(1,089)	-
	Capital contributions	-	-
		<hr/>	<hr/>
	Closing shareholders' funds	4,090	2,966
		<hr/>	<hr/>

The adoption of FRS 20 "Share-based payments" is required to recognise the fair value of the share options. The effect of adopting this standard has led to a decrease in profit for the year, and an increase in the capital contribution, with no impact on net assets, for both the current year and the prior year.

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.

15 Related party transactions

The ultimate holding company is Kier Group plc. In accordance with paragraph 3(c) of Financial Reporting Standard no 8 "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the group.

16 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.