Registration number: 02624887

Kier Facilities Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2016

Kier Facilities Services Limited

Contents

Kier Facilities Services Limited

Company Information

Directors	Iain Richard Bray Stephen John Davies Jeremy Mark Williams
Company secretary	Bethan Melges
Registered office	Tempsford Hall Sandy Bedfordshire SG19 2BD
Independent Auditors	PricewaterhouseCoopers LLP St Albans

Strategic Report for the Year Ended 30 June 2016

The strategic report for Kier Facilities Services Limited (the "Company") for the year ended 30 June 2016.

Fair review of the business and future developments
The company has delivered a solid performance over the past 12 months under continuing difficult market conditions. The diverse portfolio of facilities management, building services maintenance and PFI contracts has remained balanced, contributing similar revenue proportions as prior years. Annual revenues grew 21.4% year on year to £140.6m while the company continued to pursue business development opportunities and in year added new contract wins estimated to deliver additional annual revenues of £36.3m and increased orderbook by future revenues of £124m.

The trading results for the year are set out in the Income Statement on page 9.

The Company's turnover has increased by 21.4% during the year to £140.6m, with gross profit decreasing 22.1% to £11.6m and operating profit decreasing 107% to a loss of -£242k. The significant decrease in gross and operating profit is primarily attributable to the recognition of profit generated from PFI Lifecycle fund surpluses accrued to date on the contract portfolio in the prior year.
The balance sheet on page 10 of the financial statements shows the Company's financial position at 30 June 2016 with total assets increasing to £54.6m compared to £46.4m a year earlier.
Overdraft charge was £508k, compared to £30k interest received in the prior year.

The tax charge is higher (2015: lower) than the standard rate of corporation tax in the UK for the year ended 30 June 2016 of 20.00% (2015: standard rate of 20.75%). The reasons for the variance are set out in Note 7.

As at the end of the year work contracted for the year ending 30 June 2017 represented 88% of the turnover for the year ended 30 June 2016 which means the Company is in a position to perform satisfactorily in what continues to be a competitive market.

The Company, as a member of the Kier Group Plc group of companies (the "Kier Group" and the "Group") and operating within the Group's Services division, with the Services division and Group, uses key performance indicators across all of its contracts and the wider business to manage performance including operating margins, debt and cash management. The performance of the Services division is discussed in detail in the Kier Group plc annual report and accounts which can be found at www.kier.co.uk

Principal risks and uncertainties

The Company is party to the Kier Group plc Risk Management and Internal Control systems. This requires each company within the group to:

• identify risks and record them in a risk register;

• diagnose and qualify the risks as to their likelihood and impact, record the controls established and monitor their effectiveness;

• develop a plan to mitigate the likelihood and impact of the identified risks;

• regularly review the risk registers and action plans; and

• report key issues upwards to Kier Group plc.

These systems and procedures are in place to identify, assess and mitigate material business risks that could impact the Company and the monitoring of any exposure to risk and uncertainty is a key component of the Company's management processes.

The key risks identified for the Company, and the mitigating actions taken, are:

Risk description	**Mitigation**
The current, general economic environment	Awareness of pressures on customers and willingness to work in partnership to develop relationships and encourage contract retention, aligned to a continuous focus on business development to secure new work across a variety of markets and sectors.
Competition & contract pricing	Developed strategies and processes for bidding to fix parameters based on strategic importance of opportunities
Operational risk	Detailed systems of work and continuous focus on technical excellence and Health and Safety
Bad debt	Continuous review of debt issues to highlight risk and escalate as appropriate
High levels of work in progress	Key focus on outstanding and aged WIP reported on weekly and monthly basis
Employee recruitment and retention	Group processes for employee feedback
Maintenance of reputation	Key policies in place outlining expectations of employees in terms of Health & Safety, working environments, technical excellence and ethics
Strong sub-contractor, supplier and customer relationships	Regular payment of suppliers, strong processes and systems of work and good communication with all parties to resolve issues as they arise

Approved by the Board on 15.12.16 and signed on its behalf by:

....

Stephen John Davies

Director

Kier Facilities Services Limited

Director's Report for the Year Ended 30 June 2016

The report and the financial statements for the year ended 30 June 2016.

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

Iain Richard Bray (appointed 14 December 2015)

Stephen John Davies

Jeremy Mark Williams (appointed 11 January 2016)

Mark Ian Crookall (resigned 30 June 2016)

Ian Eric Howarth (resigned 14 December 2015)

Employment of disabled persons
The companies in the Kier Group of which the Company is a member, 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 disabled people and the retention of, and appropriate training for, those who become disabled during their employment.

Employee involvement
Key to sustainable growth for the Company will be attracting and retaining the best talent. A balanced business, which makes the most of the diversity of talent and experience available, will ensure we have the agility and resilience to deliver sustainable growth.

The Kier Group provides information to employees through newsletters, video addresses, the Group's intranet, social media and formal and informal meetings with various groups of employees and management. The Group operates the Kier Group plc 2006 Sharesave Scheme for eligible employees and a Share Incentive Plan for all employees, which includes a share-matching element. The Group also makes available a dealing service to enable employees to buy and sell its shares.

Corporate responsibility
The Kier Group attaches great importance to its corporate responsibility, as evidenced by the Resources and Relationships section in the Kier Group plc 2016 Annual Report and its full Corporate Responsibility Report for 2016, which is available on www.kier.co.uk. As a member of the Kier Group, the Company abides by the same principles.

Kier Facilities Services Limited

Director's Report for the Year Ended 30 June 2016 (continued)

Environmental matters

The health and safety of all those who visit and work at the Group's sites, together with the protection of the environment are key priorities for the Kier Group. Accordingly, the Group has a well-established and robust governance structure, led by the Kier Group Safety, Health and Environment ('SHE') Committee, to ensure that safety, health and environment matters are appropriately managed.

The role of the SHE Committee includes:

* Assisting the Kier board to review the Kier Group's strategy with respect to SHE matters;
* Encouraging management accountability with respect to managing the Kier Group's SHE risks;
* Reviewing and, as necessary, approving material group-wide SHE initiatives, policies and procedures;
* Receiving reports on any major SHE incidents; and
* Monitoring the Kier Group's performance against SHE targets.

For further information on Kier Group's activities with regards to Safety, Health and Environment, please see the Kier Group plc 2016 Annual Report (available at www.kier.co.uk).

Director's liabilities

The articles of association of the Company entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, Kier maintains insurance for the directors and officers of companies within the Kier Group to cover certain losses or liabilities to which they may be exposed due to their office.

Disclosure of information to the auditors

The director has taken steps that ought to have taken as a director in order to make aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The director confirms that there is no relevant information that of and of which the auditors are unaware.

Reappointment of 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.

Approved by the Board on 15:12:16 and signed on its behalf by:

.........S J Davies...........

Stephen John Davies
Director

Kier Facilities Services Limited

Statement of Director's Responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the director must not approve the financial statements unless 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 director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 director is 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 to ensure that the financial statements comply with the Companies Act 2006. 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.

Kier Facilities Services Limited

Independent Auditors' Report to the members of Kier Facilities Services Limited

Report on the financial statements

Our opinion

In our opinion, Kier Facilities Services Limited's financial statements (the "financial statements"):
• give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:
• the statement of financial position as at 30 June 2016;
• the income statement for the year then ended;
• the statement of changes in equity for the year then ended;
• the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.
The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).
In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:
• we have not received all the information and explanations we require for our audit; or
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns.
We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Independent Auditors' Report to the members of Kier Facilities Services Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.
In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
12 December 2016

Kier Facilities Services Limited

Income Statement for the Year Ended 30 June 2016

	Note	2016 £ 000	2015 £ 000
Revenue	3	140,590	115,793
Cost of sales		(128,982)	(100,893)
Gross profit		11,608	14,900
Administrative expenses		(11,850)	(11,503)
Operating (loss)/profit	4	(242)	3,397
Finance costs	5	(508)	30
(Loss)/profit before tax		(750)	3,427
Income tax expense	7	(73)	(529)
(Loss)/profit for the year		(823)	2,898

The above results were derived from continuing operations.

Kier Facilities Services Limited

(Registration number: 02624887)
Statement of Financial Position as at 30 June 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Non-current assets			
Property, plant and equipment	8	151	196
Intangible assets	9	190	200
Deferred tax assets		355	482
		696	878
Current assets			
Inventories	10	6,876	9,271
Trade and other receivables	11	37,152	33,266
Income tax asset		287	-
Cash and cash equivalents		9,620	2,974
		53,935	45,511
Total assets		54,631	46,389
Equity and liabilities			
Current liabilities			
Trade and other payables	15	33,335	29,271
Loans and borrowings	13	13,834	9,689
Income tax liability		-	145
Provisions	14	1,687	1,750
		48,856	40,855
Non-current liabilities			
Other non-current financial liabilities		147	177
Total liabilities		49,003	41,032
Equity			
Called up share capital	12	2,500	2,500
Other reserves		1,094	-
Total shareholders' funds		2,034	2,857
		5,628	5,357
Total equity and liabilities		54,631	46,389

Approved by the director on 15.12.16

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Stephen John Davies

Director

The notes on pages 13 to 24 form an integral part of these financial statements.

Kier Facilities Services Limited

Statement of Changes in Equity for the Year Ended 30 June 2016

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 July 2015	2,500	-	2,857	5,357
Loss for the year	-	-	(823)	(823)
Total comprehensive income	-	-	(823)	(823)
Capital contribution for pensions payment	-	1,012	-	1,012
Share based payment transactions	-	82	-	82
At 30 June 2016	2,500	1,094	2,034	5,628

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 July 2014	2,500	12,063	14,563
Profit for the year	-	2,898	2,898
Total comprehensive income	-	2,898	2,898
Dividends	-	(12,104)	(12,104)
At 30 June 2015	2,500	2,857	5,357

The notes on pages 13 to 24 form an integral part of these financial statements.

Capital Contribution - Long Term Incentive Plan and pensions recharge
There was a capital contribution in the year of £1,093,675.48, arising as a result of the following items:

· Kier Ltd has paid deficit pension contributions to the Kier Group defined benefit pension scheme in respect of employees of the Company, and these contributions have been funded by a capital contribution of £1,012,168.83.

· Certain employees of the Company are beneficiaries of the group's Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes, which are equity settled instruments under IFRS2. The Company's share of this share based payment charge is funded by a capital contribution of £81,506.65.

1 General information

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

The address of its registered office is:
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

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 Reduced Disclosure Framework.
('FRS101') and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Summary of disclosure exemptions
The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101.
• The requirements of IFRS 7 'Financial Instruments: Disclosures'
• The requirements of paragraphs 91 to 99 of IFRS13 'Fair Value Measurement'
• The requirement in paragraph 38 of IAS1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS1
• The requirement of paragraphs 10(d), 10a(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS1 'Presentation of Financial Statements'
• The requirements of paragraphs 134 to 136 of IAS1 'Presentation of Financial Statements'
• The requirements of IAS7 'Statement of Cash Flows'
• The requirements of paragraphs 30 and 31 of IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'
• The requirement of paragraphs 17 and 18A of IAS24 'Related Party Disclosures'
• The requirements in IAS24 'Related party disclosures' to disclose related party transaction entered into between two or more members of a group
• The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS36 'Impairment of Assets'

Adoption of new and revised standards
As explained above, the Company has adopted FRS101 for the first time in the current year. The impact of the adoption is shown in note 18.

Changes in accounting policy
None of the standards, interpretations and amendments effective for the first time from 1 July 2015 have had a material effect on the financial statements.

2 Accounting policies (continued)

Revenue recognition
Revenue arises from the increase in valuations on contracts and the provision of goods sold and services provided 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.

The general principles for profit recognition are:

• Profit in respect of short term contracts is recognised when the contract is complete.

• Profit in respect of long term contracts is recognised on a percentage of completion basis when the contracts ultimate outcome can be foreseen with reasonable certainty.

• Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.

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.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2 Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.
Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant, vehicles and equipment	10% to 50% per annum

Intangible assets
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.
Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

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

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

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

2 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Trade payables

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

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

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2016 (continued)

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Rendering of services	140,590	115,793

4 Operating profit

Arrived at after charging

	2016 £ 000
Depreciation expense	44
Amortisation expense	10

5 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest on bank overdrafts and borrowings	508	(30)

6 Director remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Remuneration	630	853
Contributions paid to money purchase schemes	93	103
	723	956

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Remuneration	322	287
Company contributions to money purchase pension schemes	46	26

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

7 Income tax

Tax charged in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	87	635
UK corporation tax adjustment to prior periods	(140)	(310)
	(53)	325
Deferred taxation		
Arising from origination and reversal of temporary differences	27	78
Arising from adjustments for prior years	99	126
Total deferred taxation	126	204
Tax expense in the income statement	73	529

The tax figures disclosed above exclude any debt capitalisation and transfer pricing adjustments.
Any unmatched differences arising from the debt capitalisation and transfer pricing adjustments will be borne by Kier Ltd.

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) of 20% (2015 - 20.75%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
(Loss)/profit before tax	(750)	3,427
Corporation tax at standard rate	(150)	711
Over provision in respect of prior years	(40)	(184)
Increase from effect of expenses not deductible in determining taxable profit	224	5
Increase relating to change in future tax rate	39	(3)
Total tax charge	73	529

7 Income tax (continued)

Factors that may affect future tax changes
A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020.

Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

The overall effect of these changes if they had applied to the deferred tax balance at the balance sheet date would be to reduce the deferred tax asset by an additional £19.7k.

The deferred tax balance as at the year end has been recognised at 18%.

7 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 July 2015 £ 000	Recognised in income £ 000	At 30 June 2016 £ 000
Accelerated tax depreciation	13	50	63
Provisions	469	(177)	292
Net tax assets/(liabilities)	482	(127)	355

8 Property, plant and equipment

	Total £ 000
Cost or valuation	
At 1 July 2015	294
Additions	52
Disposals	(53)
At 30 June 2016	293
Accumulated depreciation	
At 1 July 2015	98
Charge for the year	44
At 30 June 2016	142
Carrying amount	
At 30 June 2016	151
At 30 June 2015	196

9 Intangible assets

	Total £ 000
Cost or valuation	
At 1 July 2015	250
At 30 June 2016	250
Accumulated amortisation	
At 1 July 2015	50
Amortisation charge	10
At 30 June 2016	60
Carrying amount	
At 30 June 2016	190
At 30 June 2015	200

On 7 September 2009, 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 Limited's 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.

10 Inventories

	2016 £ 000	2015 £ 000
Raw materials and consumables	1	3
Work in progress	6,875	9,268
	6,876	9,271

11 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables	15,817	14,155
Receivables from related parties	3,843	2,431
Prepayments	1,518	1,121
Other receivables	15,974	15,559
Total current trade and other receivables	37,152	33,266

12 Called up share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary Shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000

13 Loans and borrowings

	2016 £ 000	2015 £ 000
Current loans and borrowings		
Bank overdrafts	13,834	9,689

14 Other provisions

	Other provisions £ 000	Total £ 000
At 1 July 2015	1,750	1,750
Increase in existing provisions	52	52
Provisions used	(115)	(115)
At 30 June 2016	1,687	1,687
Current liabilities	1,687	1,687

15 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	12,152	10,051
Accrued expenses	12,111	10,044
Amounts due to related parties	4,864	4,477
Social security and other taxes	97	797
Other payables	4,111	3,902
	33,335	29,271

Deferred Grant

Other creditors include a grant from Sheffield City Council in relation to the Westfield Sports Centre. The grant balance was £170,759 as at 30 June 2016 (2015: £215,071). 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 2016 was £Nil (2015: £Nil).

16 Dividends

	2016 £ 000	2015 £ 000
Final dividend of £Nil (2015 - £4.8416) per ordinary share	-	12,104

17 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Kier Group plc.

These financial statements are available upon request from Companies House and at www.kier.co.uk.

18 Transition to FRS 101

Balance sheet at 30 June 2015

	Note	As originally reported £ 000	Remeasurement £ 000	As restated £ 000
Non-current assets				
Deferred tax assets		522	(40)	482
Equity				
Profit and loss account		(2,897)	40	(2,857)

Profit and loss account for the financial year ended 30 June 2015

	Note	As originally reported £ 000	Remeasurement £ 000	As restated £ 000
Tax on profit on ordinary activities		531	(2)	529

The adjustment relates to a deferred tax asset recognised due to the difference between capital allowances claimed by the company and depreciation reported on property, plant and equipment.

The total of £40k is the cumulative difference between the GAAP and IFRS treatment of the asset, of which £2k related to the year ending June 2015.