

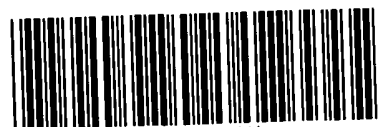
Registration number: 02624887

Kier Facilities Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2017

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Kier Facilities Services Limited

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

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2017

The directors present their strategic report for Kier Facilities Services Limited (the "Company") for the year ended 30 June 2017.

Fair review of the business and future developments

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

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% year on year to £170.1m while the company continued to pursue business development opportunities and in year added new contract wins estimated to deliver additional annual revenues of £21.7m and increased orderbook by future revenues of £114m.

The trading results for the year are set out in the Income Statement on page 11.

The Company's revenue has increased by 21% during the year to £170.1m, with gross profit increasing 33.7% to £15.5m and operating profit increasing to £3.4m from a loss of £0.2m.

The balance sheet on page 12 of the financial statements shows the Company's financial position at 30 June 2017 with total assets increasing to £60m compared to £54.6m a year earlier. Net assets increased to £7.8m (2016 £5.6m).

The overdraft charge was £0.7m, compared to £0.6m paid in the prior year.

The tax on profit before taxation for the year is the same as the standard rate of corporation tax in the UK of 19.75% (2016: the same as the standard rate of corporation tax in the UK of 20%). The details can be found in Note 7.

As at the end of the financial year work already contracted for the year ending 30 June 2018 represented 78% of the turnover achieved in the year ended 30 June 2017 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 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

Corporate responsibility

The Kier Group attaches great importance to its corporate responsibility, as evidenced by the Responsible Business, Positive Outcomes section in the Kier Group plc 2017 Annual Report and in its Corporate Responsibility Report for 2017, which is available at www.kier.co.uk. As a member of the Kier Group, the Company abides by the same principles.

Kier Facilities Services Limited

Strategic Report for the Year Ended 30 June 2017 (continued)

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:

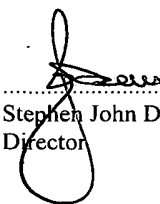
- identify risks and record them in a risk register;
- diagnose and qualify the risks as to their likelihood and impact, record the controls established and monitor their effectiveness;
- develop a plan to mitigate the likelihood and impact of the identified risks;
- regularly review the risk registers 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 14/12/17 and signed on its behalf by:


Stephen John Davies
Director

Kier Facilities Services Limited

Directors' Report for the Year Ended 30 June 2017

The directors present their report and the audited financial statements for the year ended 30 June 2017.

Directors of the Company

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

Iain Richard Bray

Stephen John Davies

Jeremy Mark Williams

Employees

As a Group, Kier is committed to ensuring that the Group is free from discrimination on the basis of gender, colour, ethnic or national origin, disability, age, marital or civil partner status, sexual orientation or religion. Diversity of talent and experience is essential for the continued growth of Kier. Goals have been set to improve the diversity mix of graduates, apprentices and trainees into the Group.

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.

Further information on the Group's people and communities policy is set out in the Corporate Responsibility Report for 2017 which is available at www.kier.co.uk.

Employee involvement

The 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 also conducts engagement surveys to obtain feedback on matters of importance to employees. The Group operates Sharesave Schemes for eligible employees and a Share Incentive Plan for all employees, which includes a share-matching element.

Safety, health and environment

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 2017 Annual Report (available at www.kier.co.uk).

Kier Facilities Services Limited

Directors' Report for the Year Ended 30 June 2017 (continued)

Going concern

The financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements.

Directors' liability insurance

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

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know 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 14/12/17 and signed on its behalf by:


.....
Stephen John Davies
Director

Kier Facilities Services Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Kier Facilities Services Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Kier Facilities Services Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2017, the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Kier Facilities Services Limited

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Kier Facilities Services Limited

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

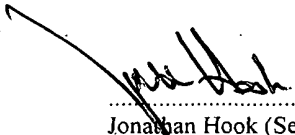
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.


Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Date: 14/12/17

Kier Facilities Services Limited

Income Statement for the Year Ended 30 June 2017

	Note	2017 £ 000	2016 £ 000
Revenue	3	170,078	140,590
Cost of sales		<u>(154,556)</u>	<u>(128,982)</u>
Gross profit		15,522	11,608
Administrative expenses		<u>(12,129)</u>	<u>(11,850)</u>
Operating profit/(loss)	4	3,393	(242)
Finance costs	5	<u>(696)</u>	<u>(508)</u>
Profit/(loss) before tax		2,697	(750)
Income tax expense	9	<u>(490)</u>	<u>(73)</u>
Profit/(loss) for the year		<u><u>2,207</u></u>	<u><u>(823)</u></u>

The above results were derived from continuing operations.

Kier Facilities Services Limited

Statement of Comprehensive Income for the Year Ended 30 June 2017

	2017	2016
	£ 000	£ 000
Profit/(loss) for the financial year	<u>2,207</u>	<u>(823)</u>
Total comprehensive income/(expense) for the year	<u>2,207</u>	<u>(823)</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

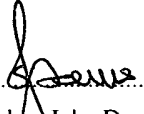
Kier Facilities Services Limited

(Registration number: 02624887)

Statement of Financial Position as at 30 June 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	164	151
Intangible assets	11	180	190
Deferred tax assets	9	595	355
		<u>939</u>	<u>696</u>
Current assets			
Inventories	12	-	1
Trade and other receivables	13	58,094	44,026
Income tax asset		-	287
Cash and cash equivalents	14	6,157	9,620
		<u>64,251</u>	<u>53,934</u>
Total assets		<u>65,190</u>	<u>54,630</u>
Current liabilities			
Trade and other payables	19	(49,466)	(33,334)
Loans and borrowings	16	(5,523)	(13,834)
Income tax liability		(385)	-
Provisions	18	(1,719)	(1,687)
		<u>(57,093)</u>	<u>(48,855)</u>
Non-current liabilities			
Other non-current financial liabilities		<u>(262)</u>	<u>(147)</u>
Total liabilities		<u>(57,355)</u>	<u>(49,002)</u>
Net assets		<u>7,835</u>	<u>5,628</u>
Equity			
Called up share capital	15	2,500	2,500
Other reserves		1,094	1,094
Retained earnings		<u>4,241</u>	<u>2,034</u>
Total equity		<u>7,835</u>	<u>5,628</u>

Approved by the Board on 14/7/17 and signed on its behalf by:



 Stephen John Davies
 Director

The notes on pages 14 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 2017

	Called up share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 July 2016	2,500	1,094	2,034	5,628
Profit for the year and total comprehensive income				
Profit for the year	-	-	2,207	2,207
At 30 June 2017	<u>2,500</u>	<u>1,094</u>	<u>4,241</u>	<u>7,835</u>

	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 and total comprehensive expense				
Loss for the year	-	-	(823)	(823)
Other capital redemption reserve movements	-	1,012	-	1,012
Share based payment transactions	-	82	-	82
At 30 June 2016	<u>2,500</u>	<u>1,094</u>	<u>2,034</u>	<u>5,628</u>

Capital Contribution - Long Term Incentive Plan and pensions recharge

There was a capital contribution during 2016 of £1,093,675.48, arising as a result of the following items:

- Kier Ltd 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.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017

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:

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

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

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

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

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

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

Going concern

The financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

2 Accounting policies (continued)

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 July 2016 have had a material effect on the financial statements.

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.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

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.

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 cost at the acquisition date.

They 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.

Inventories

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

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

2 Accounting policies (continued)

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.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

3 Turnover

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Rendering of services	<u>170,078</u>	<u>140,590</u>

4 Operating profit

Arrived at after charging

	2017 £ 000	2016 £ 000
Depreciation expense	42	44
Amortisation expense	<u>10</u>	<u>10</u>

5 Finance costs

	2017 £ 000	2016 £ 000
Interest on bank overdrafts and borrowings	<u>696</u>	<u>508</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	45,562	42,033
Social security costs	3,531	3,265
Pension costs	<u>2,897</u>	<u>3,192</u>
	<u>51,990</u>	<u>48,490</u>

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
	<u>1,753</u>	<u>1,829</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

7 Directors' remuneration (continued)

	2017	2016
	£ 000	£ 000
Remuneration	433	630
Contributions paid to money purchase schemes	40	93
	<u>473</u>	<u>723</u>

In respect of the highest paid director:

	2017	2016
	£ 000	£ 000
Remuneration	433	322
Company contributions to money purchase pension schemes	40	46

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

8 Auditors' remuneration

	2017	2016
	£ 000	£ 000
Audit of the financial statements	<u>28</u>	<u>21</u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

9 Income tax

Tax charged in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	742	87
UK corporation tax adjustment to prior periods	(13)	(140)
	<u>729</u>	<u>(53)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(37)	27
Arising from adjustments for prior years	(202)	99
Total deferred taxation	(239)	126
Tax expense in the income statement	<u>490</u>	<u>73</u>

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 lower than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.75% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit/(loss) before tax	<u>2,697</u>	<u>(750)</u>
Corporation tax at standard rate	533	(150)
Over provision in respect of prior years	(215)	(40)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	130	224
Increase relating to changes in future tax rates or laws	42	39
Total tax charge	<u>490</u>	<u>73</u>

Factors that may affect future tax changes

The deferred tax balance as at the year end has been recognised at 17% (2016 18%) which is the enacted corporation tax rate that will be effective from 1 April 2020.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

9 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 July 2016 £ 000	Recognised in income £ 000	At 30 June 2017 £ 000
Provisions	292	1	293
Accelerated tax depreciation	63	238	301
Net tax assets/(liabilities)	<u>355</u>	<u>240</u>	<u>595</u>

10 Property, plant and equipment

	Total £ 000
Cost or valuation	
At 1 July 2016	293
Additions	56
Disposals	<u>(48)</u>
At 30 June 2017	<u>301</u>
Accumulated depreciation	
At 1 July 2016	142
Charge for the year	43
Eliminated on disposal	<u>(48)</u>
At 30 June 2017	<u>137</u>
Carrying amount	
At 30 June 2017	<u>164</u>
At 30 June 2016	<u>151</u>

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

11 Intangible assets

	Total £ 000
Cost or valuation	
At 1 July 2016	250
At 30 June 2017	250
Accumulated amortisation	
At 1 July 2016	60
Amortisation charge	10
At 30 June 2017	70
Carrying amount	
At 30 June 2017	180
At 30 June 2016	190

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.

12 Inventories

	2017 £ 000	2016 £ 000
Raw materials and consumables	-	1

The cost of inventories recognised as an expense in the year amounted to £100 (2016 - £100). This is included within cost of sales.

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

13 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	21,798	15,817
Receivables from related parties	2,426	3,843
Prepayments	2,595	1,517
Work in progress	10,201	6,875
Other receivables	21,074	15,974
Total current trade and other receivables	<u>58,094</u>	<u>44,026</u>

14 Cash and cash equivalents

	2017 £ 000	2016 £ 000
Cash at bank	6,157	9,620
Bank overdrafts	(5,523)	(13,834)
Cash and cash equivalents in statement of cash flows	<u>634</u>	<u>(4,214)</u>

15 Called up share capital

Allotted, called up and fully paid shares

	No.	2017 £ 000	No.	2016 £ 000
Ordinary Shares of £1 each	<u>2,500,000</u>	<u>2,500</u>	<u>2,500,000</u>	<u>2,500</u>

16 Loans and borrowings

	2017 £ 000	2016 £ 000
Current loans and borrowings		
Bank overdrafts	<u>5,523</u>	<u>13,834</u>

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £2,897,000 (2016 - £3,192,000).

Kier Facilities Services Limited

Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

18 Provisions

	Other provisions £ 000	Total £ 000
At 1 July 2016	1,687	1,687
Additional provisions	42	42
Provisions used	(10)	(10)
At 30 June 2017	<u>1,719</u>	<u>1,719</u>

19 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	16,980	12,152
Accrued expenses	18,438	12,111
Amounts due to related parties	6,223	4,864
Social security and other taxes	2,572	97
Other payables	<u>5,253</u>	<u>4,110</u>
Total current trade and other payables	<u>49,466</u>	<u>33,334</u>

Deferred Grant

Other creditors include a grant from Sheffield City Council in relation to the Westfield Sports Centre. The grant balance was £169,198 as at 30 June 2017 (2016: £170,759). No funds have been received in the year and the balance is recorded as a creditor on the balance sheet. This balance reduces in line with expenditure incurred and agreed with the Council. The effect on profit during the year to 30 June 2017 was £Nil (2016: £Nil).

20 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.