

**Kier North Tyneside Limited**

**Directors' report and financial  
statements**

**Registered number**

**06927150**

**30 June 2015**

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## Strategic report

### Principal activities

The principal activities of the company are housing and building maintenance, gas servicing and repair and construction.

### Business model

The company carries out a wide range of work for their key customer, North Tyneside Council ("the Council"). A large part of this work relates to housing where both responsive and planned works are delivered by the company. The company also provides construction and repairs services to the Education and Public Buildings teams within the Council, as well as delivering capital projects on behalf of the Council.

A key element of providing value is the ability of the company to generate revenue, profits and absorb overhead costs on 3<sup>rd</sup> party contracts.

The company also benefits from a close working relationship with the Kier Services Maintenance North business unit and this also allows a further recovery of overhead for the Council.

### Business review and results

The majority of the activities are performed on behalf of North Tyneside Council under a nine year and 7 month partnering contract which commenced on 7 September 2009. The company has enjoyed a successful trading year and the directors are satisfied with the results. The company intends to develop its existing activities with the Council and to expand its customer base.

The company measures performance via a range of measures, including contract performance, customer satisfaction, quality reviews, debt reviews and regular re-forecasting and monitoring reviews. The company's aim is to provide a quality cost effective client facing service whilst delivering positive financial returns to its shareholders.

There has been strong performance across most areas of the business with the highlight being the performance in housing responsive. In addition to delivering over £14m of housing planned maintenance works other significant capital projects have been at Tynemouth Crematorium and Northumberland Parks. There were also three large affordable housing schemes and refurbishment works at Swan Hunters on the ground at year end.

In addition to delivering value for money and strong performance the company places a big emphasis on supporting the local community. Examples in this financial year are:

- Sponsoring the Mouth of the Tyne Festival and North Tyneside Business Forum
- Supporting the nominated charity – Key Enterprises
- Mobilising the local supply chain to landscape a garden to make it fit for purpose for a severely disabled child
- Refurbishing a local cricket club pavilion

## Strategic report (continued)

### Key performance indicators

The table of Key Performance Indicators ('KPIs') include financial measures and a selection of the operational KPIs:

KPI	2014/15	2013/14	2012/13	Commentary
Gross Profit %	18.2%	16.4%	15.4%	Improved profits from KPI performance and gain share on capital projects
Operating Profit %	3.0%	2.0%	2.6%	Control on overhead spend and additional profit as noted in the comment above
Customer Satisfaction (repairs/gas/voids)	8.6	8.2	8.2	Continued to improve across all areas over the past 12 months
LGSR certification	99.99%	100%	99.8%	1 <sup>st</sup> failure in over 18 months in July 2015 with 1 property missed by 1 day
% Waste recycled	98.1%	97.6%	97.1%	Worked with staff and suppliers to improve performance

KPIs have continued to improve over the last 12 months with strong performance both at the end of the Council year (March 2015) and in the June 2015 data.

### 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 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.

The Company also manages risks through a Company Board risk register and the Council's risk management system. The key risks identified for the Company and the mitigating actions taken are:

Risk Description	Mitigation
Business systems and processes not being sufficient to adequately support current business and business growth.	Kier Group is investing in new information technology and capability from which the company will benefit in the near future. The implementation of this will be combined with the development of more consistent processes.
Quality and cost of operational delivery not meeting contractual or expected requirements.	Regular and structured contract review meetings chaired by senior management that monitor progress against clear action plans with defined timescales.
Financial pressures within the Council may impact the Company with a reduced volume of works	Company is engaged with the Council over the review of key services and there are also regular meetings to discuss current and future work levels. The impact of the recent government announcements is still being quantified.

## Strategic report (continued)

### Future developments

The recent government announcements on Right to Buy and rent increases will create significant challenges for the Council and the company. This will put pressure on the housing budgets and could impact the Council's Affordable house building programme.

The Council have also recently carried out a detailed review of the joint venture with their Overview and Scrutiny group to consider the priorities for the company over the remainder of the contract. This report was issued in late July and addressing the recommendations will be a key target for the company in the next 12 months.

The Council are currently carrying out a strategic review of their premises and the outcome of this may well impact the future location of the company.

The operational teams continue work on improving the service offered to the Council and their end users, ensuring that value for money is delivered, work is done right first time and improving customer satisfaction.

Signed on behalf of the Board



*MI Furze*

Director

8 September 2015

Tempsford Hall  
Sandy  
Bedfordshire  
England  
SG19 2BD

#### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 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.

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2015.

### Results and dividends

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
The profit for the year after taxation dealt with in the financial statements is	998	533

The directors do not recommend the payment of a dividend (2014: £nil).

### Directors and directors' interests

The directors who held office during the year and subsequent to the year end were as follows:

S M Bullen	(resigned 6 November 2014 )
N J Chidgey	(appointed 6 November 2014 and resigned 11 May 2015)
P J Leadbitter	
P F Hanson	
A P Sleigh	(resigned 6 November 2014)
M I Furze	
P Oades	(appointed 11 May 2015)
D S Maher	(resigned 11 May 2015)
D Mawson	(appointed 6 November 2014)

No rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Policy and practice on payment of creditors

The Company agrees payments with its suppliers and subcontractors on an individual contract basis. It has been agreed with North Tyneside Council that payment terms for subcontractors will be reduced to 30 days. Supplier payments will be based on the specific terms agreed as part of each supplier contract. The Company's policy is to abide by these agreed terms once it is satisfied that the suppliers or subcontractors have provided the goods or services in accordance with the contract terms and conditions. The aggregate amount owed to trade creditors by the Company at 30 June 2015 was £3,785,000 (2014: £5,862,000).

### Employees

The Company is an equal opportunity employer. The Company gives consideration to applications for employment made by 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 the course of their employment and who can be employed in a safe working environment.

The Company provides relevant information on matters of concern to employees through newsletters, video addresses, the Kier Group's intranet, social media and formal and informal meetings with various groups of employees and management. These arrangements also aim at achieving a common awareness on the part of employees of matters affecting the performance of the Company and the wider Kier Group. The Company also consults with employees so as to ascertain their views in relation to decisions which are likely to affect their interests.

## **Directors' report (*continued*)**

### **Political & charitable contributions**

The company made a charitable contribution of £Nil (2014: £Nil) and no political donations during the year (2014: £nil).

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditor is unaware; and all directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Independent Auditor**

PricewaterhouseCoopers LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

On behalf of the board



**M I Furze**  
*Director*

Tempsford Hall  
Sandy  
Bedfordshire  
England  
SG19 2BD

8 September 2015

## ***Independent auditors' report to the members of Kier North Tyneside Limited***

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Kier North Tyneside 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 2015 and of its profit and cash flows 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 comprise:

- the balance sheet as at 30 June 2015;
- the profit and loss account for the year then ended;
- the cash flow statement for the year then ended; and
- 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 applicable law and United Kingdom Accounting Standards (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 matters 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.



## **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 on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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**

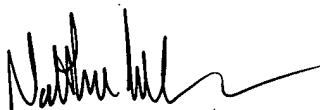
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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 Directors report and financial statements 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  
29 January 2016

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

	<i>Note</i>	<b>Year ended 30 June 2015 £000</b>	<b>Year ended 30 June 2014 £000</b>
<b>Turnover</b>	<b>2</b>	<b>43,170</b>	<b>38,016</b>
Cost of sales		<b>(35,320)</b>	<b>(31,781)</b>
<b>Gross profit</b>		<b>7,850</b>	<b>6,235</b>
Administrative expenses		<b>(6,573)</b>	<b>(5,456)</b>
<b>Operating profit</b>		<b>1,277</b>	<b>779</b>
Interest receivable and similar income	<i>6</i>	<b>2</b>	<b>4</b>
Interest payable and similar charges	<i>7</i>	<b>(21)</b>	<b>(87)</b>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>1,258</b>	<b>696</b>
Tax on profit on ordinary activities	<b>8</b>	<b>(260)</b>	<b>(163)</b>
<b>Profit for the financial year</b>	<b>15</b>	<b>998</b>	<b>533</b>

The company had no recognised gains or losses other than the profit for the financial year. The results of the company arose entirely from continuing operations.

There is no difference between the historical cost result and the result shown above.

The notes on pages 12 to 21 form part of these financial statements.

**Balance sheet**  
**at 30 June 2015**

	<i>Note</i>	<b>30 June 2015</b>		<b>30 June 2014</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>				
Intangible assets	9	2,760		3,496
Tangible assets	10	3		7
		<hr/>		<hr/>
		2,763		3,503
<b>Current assets</b>				
Stock	11	2,383		3,528
Debtors	12	5,839		5,413
Cash at bank and in hand		3,703		1,457
		<hr/>		<hr/>
		11,925		10,398
<b>Creditors: amounts falling due within one year</b>	13	<b>(11,261)</b>		<b>(11,472)</b>
		<hr/>		<hr/>
<b>Net current assets/(liabilities)</b>		<b>664</b>		<b>(1,074)</b>
		<hr/>		<hr/>
<b>Total assets less current liabilities</b>		<b>3,427</b>		<b>2,429</b>
		<hr/>		<hr/>
<b>Net assets</b>		<b>3,427</b>		<b>2,429</b>
		<hr/>		<hr/>
<b>Capital and reserves</b>				
Called up Share capital	20	1		1
Profit and loss account	15	3,426		2,428
		<hr/>		<hr/>
<b>Total Shareholders' funds</b>	19	<b>3,427</b>		<b>2,429</b>
		<hr/>		<hr/>

The notes on pages 12 to 21 form part of these financial statements.

These financial statements on pages 9 to 21 were approved by the Board of directors on 8 September 2015 and were signed on its behalf by:



**M I Furze**  
*Director*

Company registered number: 06927150

**Cash flow statement**  
*for the year ended 30 June 2014*

	<i>Note</i>	<b>Year ended 30 June 2015 £000      £000</b>	<b>Year ended 30 June 2014 £000      £000</b>
<b>Net cash inflow from operating activities</b>	<i>16</i>	<b>2,426</b>	<b>408</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>2</b>	<b>4</b>
Interest paid		<b>(21)</b>	<b>(87)</b>
		<hr/>	<hr/>
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(19)</b>	<b>(83)</b>
<b>Taxation</b>		<b>(161)</b>	<b>(228)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		<b>-</b>	<b>(923)</b>
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>-</b>	<b>(923)</b>
<b>Net cash (outflow)/inflow before financing</b>		<b><u>2,246</u></b>	<b><u>(826)</u></b>
<b>Financing</b>		<b>-</b>	<b>-</b>
<b>Net cash (outflow)/inflow from financing</b>		<b>-</b>	<b>-</b>
<b>Increase/(decrease) in cash in the year</b>	<i>17</i>	<b><u>2,246</u></b>	<b><u>(826)</u></b>

The notes on pages 12 to 21 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

#### ***Basis of preparation***

The financial statements are prepared on a going concern basis under historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

#### ***Turnover***

Turnover arises from the value of work completed for housing and building maintenance, gas servicing and repair, and increases in valuations on contracts, and excludes value added tax.

Accrued income is recognised on the basis of completed items on Schedule of Rates (SOR) per work stream adjusted for actual costs incurred in accordance with the detailed contract.

Profits in respect of housing and building maintenance and gas servicing and repair is recognised as each element of work is completed.

#### ***Long term contracts***

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### ***Intangible fixed assets and depreciation***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Any impairment charge is included within operating profits of the company.

#### ***Tangible fixed assets and depreciation***

In accordance with FRS 15 'Tangible Fixed Assets' depreciation is provided in order to write off the cost less residual value over their estimated lives of the assets. The rates of depreciation are as follows:

Office furniture, fittings and equipment	20% - 33%
Computer and communications equipment	20% - 33%

#### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the year of the lease.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Stock*

Stock and work in progress are stated at the lower of cost, which includes attributable overheads, and net realisable value.

#### *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.

#### *Pensions*

The company contributes to a defined benefit Local Government Pension Scheme. The company is not exposed to the risk of surplus or deficit in the pension scheme for the term of the contract with North Tyneside Council ("the Council"). The contributions to this scheme have therefore been treated as money purchase contributions and the deficit/surplus in the scheme has not been recognised in the balance sheet.

The company also participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the financial year.

### 2 Turnover and profit before taxation

Turnover and profit before taxation is wholly attributable to the company's principal activity and takes place wholly in the UK.

### 3 Profit on ordinary activities before taxation

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Hire of other assets - operating leases		
Plant and machinery	1,256	1,125
Land and buildings	356	356
Fees payable to the company's auditor for the audit of the company financial statements	13	13
Depreciation and other amounts written off tangible assets	4	7
Amortisation and amounts written off intangible assets	736	735
	<u>          </u>	<u>          </u>

## Notes (continued)

### 4 Remuneration of directors

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Directors emoluments as executives		
Emoluments	272	240
Pension contributions	38	54
	<u>310</u>	<u>294</u>

Only two directors (2014: two) obtain remuneration from the company. All other remuneration is provided by other Group undertakings or in the case of the Council Appointed Director no remuneration is received in their capacity as director.

	Number of directors	
	2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined Contribution	<u>1</u>	<u>1</u>

The aggregate remuneration of the highest paid director was £172,000 (2014: £152,000) and there were pension contributions of £22,000 (2014: £22,000).

### 5 Staff numbers and costs

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

	Number of employees	
	2015	2014
Operatives	236	230
Administration	164	163
	<u>400</u>	<u>393</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Wages and salaries	11,277	10,887
Social security costs	915	896
Other pension costs (see note 22)	92	809
	<u>12,284</u>	<u>12,592</u>

### 6 Interest receivable and similar income

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Bank interest	2	4
	<u>2</u>	<u>4</u>

## Notes (continued)

### 7 Interest payable and similar charges

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Intercompany loan interest	21	10
Interest payable on deferred consideration	-	77
	<u>21</u>	<u>87</u>

### 8 Taxation

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
<b>a. Analysis of charge in year</b>		
<b>Current tax expense</b>		
UK corporation tax	261	158
Adjustments in respect of prior years	(11)	4
	<u>250</u>	<u>162</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	-	(1)
Adjustments in respect of prior years	10	-
Effect of change in tax rate	-	2
	<u>10</u>	<u>1</u>
Total deferred tax charge	<u>10</u>	<u>1</u>
Total tax charge on ordinary activities	<u>260</u>	<u>163</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.

#### b. Factors affecting the current tax charge

The tax charge is lower (2014: *higher*) than the standard effective rate of corporation tax in the UK for the year ended 30 June 2015 of 20.75% (2014: *standard rate of 22.50%*). The differences are explained below:

Profit on ordinary activities before taxation	1,258	696
	<u>261</u>	<u>157</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.75% (2014: 22.50%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	-
Depreciation in excess of capital allowances	(1)	1
Other short term timing differences	-	-
Adjustments in respect of prior years	(11)	4
	<u>250</u>	<u>162</u>
Current tax charge for the year	<u>250</u>	<u>162</u>



## Notes(continued)

### 8 Taxation (continued)

#### c. Factors that may affect future tax charges

Changes to the UK Corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had been applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £Nil.

The deferred tax balance as at the year-end has been recognised at 20%.

### 9 Intangible fixed assets

	<b>Goodwill £000</b>
<i>Cost</i>	
At 1 July 2014 and 30 June 2015	7,030
<i>Accumulated Amortisation</i>	
At 1 July 2014	(3,534)
Charge for year	(736)
At 30 June 2015	(4,270)
<i>Net book value</i>	
At 30 June 2015	<b>2,760</b>
At 30 June 2014	3,496

To date the company has paid £6 million in cash consideration to North Tyneside Council for a 9 year and 7 month contract to provide maintenance services on properties owned or managed by the Council. The final contracted payment of £1 million was made on 31 October 2014. No separable net assets were acquired.

Consequently goodwill has been recognised in respect of the consideration paid and payable to the Council and directly attributable costs. Goodwill is amortised over the 9 year and 7 month life of the contract.

## Notes (continued)

### 10 Tangible fixed assets

	Equipment, fixtures and fittings £000
<i>Cost</i>	
At 1 July 2014 and 30 June 2015	42
	<hr/>
<i>Accumulated Depreciation</i>	
At 1 July 2014	(35)
Charge for year	(4)
	<hr/>
At 30 June 2015	(39)
	<hr/>
<i>Net book value</i>	
At 30 June 2015	3
	<hr/>
At 30 June 2014	7
	<hr/>

### 11 Stocks

	30 June 2015 £000	30 June 2014 £000
Raw materials and consumables	317	295
Work in progress	2,066	3,233
	<hr/>	<hr/>
	2,383	3,528
	<hr/>	<hr/>

### 12 Debtors

	30 June 2015 £000	30 June 2014 £000
Trade debtors	2,174	1,279
Amounts owed by Group undertakings	821	294
Other Debtors	346	433
Deferred tax (see note 14)	2	12
Prepayments and accrued income	2,496	3,395
	<hr/>	<hr/>
	5,839	5,413
	<hr/>	<hr/>

Prepayments and accrued income includes an amount of £1.4m (2014: £2.1m) being costs recoverable from North Tyneside Council after more than one year. The amount is due in two equal instalments of £700,000 due on the 1<sup>st</sup> April 2017 and 1<sup>st</sup> April 2018.

## Notes (continued)

### 13 Creditors: amounts falling due within one year

	30 June 2015 £000	30 June 2014 £000
Trade creditors	3,785	5,862
Amounts owed to Group undertakings	272	94
Other taxation and social security	857	28
Corporation tax	151	62
Deferred Consideration	-	1,000
Accruals and deferred income	6,196	4,426
	<u>11,261</u>	<u>11,472</u>

Loans from Group undertakings bears interest at 2.55% above bank base rate and interest is payable quarterly. The facility limit at 30th June 2015 is £1.4 million. The facility limit reduces to £0.7m from 1st April 2016 and £Nil from 1st April 2017.

### 14 Deferred taxation

	30 June 2015 £000	30 June 2014 £000
<i>Deferred tax movement</i>		
At the start of the year	12	13
Effect of rate change	-	(2)
Transferred to profit and loss account	(10)	1
	<u>2</u>	<u>12</u>
<i>Amounts fully provided for deferred taxation</i>		
Accelerated depreciation	2	2
Other timing differences	-	10
	<u>2</u>	<u>12</u>

## Notes (continued)

### 15 Profit and loss account

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
At beginning of year	2,428	1,895
Profit for the year	998	533
At end of year	<u>3,426</u>	<u>2,428</u>

### 16 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Operating profit	1,277	779
Amortisation of intangible fixed assets	736	735
Depreciation of tangible fixed assets	4	7
Decrease/(increase) in stocks	1,145	(320)
(Increase)/decrease in debtors	(436)	(615)
(Decrease)/increase in creditors	(300)	(178)
Net cash inflow from operating activities	<u>2,426</u>	<u>408</u>

### 17 Analysis of changes in net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash at bank and in hand	1,457	2,246	3,703
	<u>1,457</u>	<u>2,246</u>	<u>3,703</u>

### 18 Reconciliation of net cash flow to movement in net debt

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Increase/(decrease) in cash in year	2,246	(826)
Movement in net debt in the year	<u>2,246</u>	<u>(826)</u>
Net funds at 30 June 2014	1,457	2,283
Net funds at end of year	<u>3,703</u>	<u>1,457</u>

## Notes (continued)

### 19 Reconciliation of movements in shareholders' funds

	Year ended 30 June 2015 £000	Year ended 30 June 2014 £000
Profit for the financial year	998	533
Net increase in shareholders' funds	998	533
Opening shareholders' funds	2,429	1,896
Closing shareholders' funds	3,427	2,429

### 20 Called up share capital

	30 June 2015 £000	30 June 2014 £000
<i>Allotted, issued and fully paid</i>		
200 (2014: 200) - "A" Ordinary shares of £1 each	-	-
800 (2014: 800) - "B" Ordinary shares of £1 each	1	1
	1	1

The A and B shares rank pari passu with respect to voting rights and rights in the event of a winding up. Dividends are allocated to A and B shareholders on the basis agreed between the Company's two shareholders, North Tyneside Council and Kier Services Limited (formerly known as Kier Support Services Ltd) in the partnering agreement.

Ordinary A shares are held by North Tyneside Council

Ordinary B shares are held by Kier Services Limited (formerly known as Kier Support Services Ltd)

### 21 Obligations under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	30 June 2015		30 June 2014	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	180
In the second to fifth years inclusive	-	17	-	17
Over five years	356	-	356	-
	356	17	356	197

## Notes (continued)

### 22 Pension scheme

The company contributes to a defined benefit Local Government Pension Scheme. The company is not exposed to the risk of surplus or deficit in the pension scheme for the term of the contract with North Tyneside Council ("the Council"). The contributions to this scheme have therefore been treated as money purchase contributions and the deficit/surplus in the scheme has not been recognised in the balance sheet.

The company also participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the financial year. The total pension cost included within operating costs for the company is £92,000 (2014: £809,000).

### 23 Related party transactions

The Company has sale and purchase transactions with its members in the ordinary course of its business. Turnover for the year includes £42.0m (2014: £37.8m) for goods and services supplied to North Tyneside Council and cost of sales and administrative expenses includes £2.2m (2014: £1.9m) for goods and services purchased from North Tyneside Council. An amount of £2.2m (2014: £3.8m) was included in debtors at 30 June 2015 and £0.2m (2014: £2.2m) included in creditors at 30 June 2015 relating to North Tyneside Council.

The Company also accounted for goods and services purchased from/by its members and their group entities as follows:

	2015 Transaction Values £000	2015 Creditor/ (Debtor) £000	2014 Transaction Values £000	2014 Creditor/ (Debtor) £000
Kier Facilities Services Ltd	9	-	11	(5)
Kier Fleet Services Ltd	800	120	129	19
Kier Ltd*	16,436	88	13,568	58
Kier Construction Limited	29	(12)	15	(12)
Kier Services Ltd (formerly known as Kier Support Services Ltd)*	5,252	(745)	1,849	(260)
Kier Stoke Ltd	1	-	1	-
Kier Sheffield LLP	-	-	14	-
Kier Professional Services Ltd	-	-	13	-
Kier Scotland Ltd	4	-	-	-
Kier Asset Partnership Services Ltd	4	-	-	-
Kier MG Ltd	-	-	24	-
	<u>22,535</u>	<u>(549)</u>	<u>15,624</u>	<u>(200)</u>

\* Includes invoices relating to monthly payroll costs

During the year, the company benefited from a revolving credit facility provided by Kier Services Limited (formerly known as Kier Support Services Limited). The terms of the loan are described in note 13.

### 24 Ultimate parent company

The Company is a subsidiary of Kier Services Ltd (formerly known as Kier Support Services Ltd). The ultimate parent company is Kier Group plc. The parent of the largest group for which group financial statements have been drawn up is Kier Group plc. Both these parent companies are registered in England and Wales and copies of their financial statements are available to the public and can be obtained from Tempsford Hall, Sandy, Bedfordshire, SG19 2BD.