

**Kier North Tyneside Limited**

**Directors' report and financial  
statements**

**Registered number**

**06927150**

**30 June 2014**

THURSDAY



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## Strategic report (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 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 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.

### Future developments

The company is entering the 5<sup>th</sup> year of the contract with the Council and will play a key role in helping the Council drive their 'Creating a Brighter Future' programme. This is a fundamental service review aimed at both reducing costs and improving the customer service.

One of the key challenges from this work will be for the company to work more closely with Capita and Cofely who have both recently entered into partnership with the Council.

The operational teams are focused in improving the service offered to the Council and their end users and ensuring that value for money is delivered and customer satisfaction remains high.

Signed on behalf of the Board



M I Furze

11 September 2014

Tempsford Hall  
Sandy  
Bedfordshire  
England  
SG19 2BD

## **Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Directors' report

The directors present their annual report and the financial statements for the year ended 30 June 2014.

### Results and dividends

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
The profit for the year after taxation dealt with in the financial statements is	533	712

The directors do not recommend the payment of a dividend (2013: £nil).

### Directors and directors' interests

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

D S Maher	
S M Bullen	
N J Chidgey	(resigned 29 April 2014)
P J Leadbitter	
P F Hanson	
A P Sleigh	(appointed 29 April 2014)
M I Furze	

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 rather than following a code or standard on payment practice. 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 2014 was £5,862,000 (2013: £2,993,000).

### 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 (2013: £Nil) and no political donations during the year (2013: £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.

### Auditor

KPMG Audit Plc resigned as auditor on 10 April 2014 pursuant to section 516 of the Companies Act 2006. On 23 July 2014, the Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485 (3) of the Companies Act 2006.

By order of the board



**M I Furze**  
Director

Tempsford Hall  
Sandy  
Bedfordshire  
England  
SG19 2BD

11 September 2014



## **KPMG LLP**

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

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

We have audited the financial statements of Kier North Tyneside Limited for the year ended 30 June 2014 set out on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

*(continued)*

### **Matters on which we are required to report by exception**

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

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



**Andrew Sills (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

12 September 2014

**Profit and loss account**  
*for the year ended 30 June 2014*

	<i>Note</i>	<b>Year ended 30 June 2014 £000</b>	<b>Year ended 30 June 2013 £000</b>
<b>Turnover</b>	2	38,016	42,344
Cost of sales		(31,781)	(35,803)
<b>Gross profit</b>		6,235	6,541
Administrative expenses		(5,456)	(5,442)
<b>Operating profit</b>		779	1,099
Interest receivable and similar income	6	4	2
Interest payable and similar charges	7	(87)	(163)
<b>Profit on ordinary activities before taxation</b>	3	696	938
Tax on profit on ordinary activities	8	(163)	(226)
<b>Profit for the financial year</b>	15	533	712

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 results and the result shown above.

The notes on pages 11 to 20 form part of these financial statements.



**Balance sheet**  
*at 30 June 2014*

	<i>Note</i>	<b>30 June 2014</b>	<b>As restated 30 June 2013</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>				
Intangible assets	9	3,496		4,231
Tangible assets	10	7		14
		<u>3,503</u>		<u>4,245</u>
<b>Current assets</b>				
Stock	11	3,528	3,208	
Debtors	12	5,413	4,799	
Cash at bank and in hand		1,457	2,283	
		<u>10,398</u>	<u>10,290</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(11,472)</u>	<u>(12,639)</u>	
<b>Net current liabilities</b>			<u>(1,074)</u>	<u>(2,349)</u>
<b>Total assets less current liabilities</b>			<u>2,429</u>	<u>1,896</u>
<b>Net assets</b>			<u>2,429</u>	<u>1,896</u>
<b>Capital and reserves</b>				
Share capital	20	1		1
Profit and loss account	15	2,428		1,895
<b>Shareholders' funds</b>	19	<u>2,429</u>		<u>1,896</u>

The notes on pages 11 to 20 form part of these financial statements.

These financial statements were approved by the Board of directors on 11 September 2014 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 2014 £000</b>	<b>Year ended 30 June 2013 £000</b>
<b>Net cash inflow from operating activities</b>	<i>16</i>	<b>408</b>	<b>8,403</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>4</b>	<b>-</b>
Interest paid		<b>(87)</b>	<b>(58)</b>
		<hr/>	<hr/>
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(83)</b>	<b>(58)</b>
<b>Taxation</b>		<b>(228)</b>	<b>(197)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		<b>(923)</b>	<b>-</b>
Purchase of tangible fixed assets		<b>-</b>	<b>(2)</b>
		<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(923)</b>	<b>(2)</b>
		<hr/>	<hr/>
<b>Net cash (outflow)/inflow before financing</b>		<b>(826)</b>	<b>8,146</b>
<b>Financing</b>			
Repayment of loans		<b>-</b>	<b>(3,025)</b>
		<hr/>	<hr/>
<b>Net cash (outflow)/inflow from financing</b>		<b>-</b>	<b>(3,025)</b>
		<hr/>	<hr/>
<b>(Decrease)/increase in cash in the year</b>	<i>17</i>	<b>(826)</b>	<b>5,121</b>
		<hr/>	<hr/>

The notes on pages 11 to 20 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 under historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £1,074,000 (2013: £2,349,000). The directors believe the going concern basis to be appropriate following a review of working capital requirements of the company and in light of the provision of committed loan facilities to the company by a subsidiary of its ultimate parent entity (see note 12 for further details).

#### ***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.

The 2013 comparative figures have been restated to reflect the reclassification of unbilled works from trade debtors to stocks and work in progress. This is to match the accounting disclosure applied in 2014, which the directors consider to more accurately reflect the underlying nature of balances. In the comparative amounts for 2013 this has reduced trade debtors and increased stock by £2,709,000.

#### ***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%

## Notes(continued)

### 1 Accounting policies (continued)

#### *Leases*

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

#### *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 2014 £000	Year ended 30 June 2013 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Hire of other assets - operating leases		
Plant and machinery	1,125	836
Land and buildings	356	356
Fees payable to the company's auditor for the audit of the company accounts	13	14
Depreciation and other amounts written off tangible fixed assets	7	8
Amortisation and amounts written off intangible fixed assets	735	736
	<hr/>	<hr/>

The 2013 auditor's remuneration for statutory audit services and non-audit services relate solely to amounts paid to KPMG Audit Plc. The 2014 amounts relate solely to amounts paid to KPMG LLP.

## Notes(continued)

### 4 Remuneration of directors

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Directors emoluments as executives		
Emoluments	240	134
Pension contributions	54	23
	<u>294</u>	<u>157</u>

Only two directors 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	
	2014	2013
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined Contribution	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

### 5 Staff numbers and costs

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

	Number of employees	
	2014	2013
Operatives	230	246
Administration	163	149
	<u>393</u>	<u>395</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Wages and salaries	10,887	11,024
Social security costs	896	856
Other pension costs (see note 22)	809	1,163
	<u>12,592</u>	<u>13,043</u>

### 6 Interest receivable and similar income

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Bank interest	4	2
	<u>4</u>	<u>2</u>

## Notes(continued)

### 7 Interest payable and similar expenses

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Intercompany loan interest	10	51
Interest payable on deferred consideration	77	112
	<u>87</u>	<u>163</u>

### 8 Taxation

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
<b>a. Analysis of charge in period</b>		
<b>Current tax expense</b>		
UK corporation tax	158	228
Adjustments for prior years	4	2
	<u>162</u>	<u>230</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1)	(4)
Adjustments for prior years	-	(1)
Effect of change in tax rate	2	1
	<u>1</u>	<u>(4)</u>
Total deferred tax charge/(credit)		
	<u>163</u>	<u>226</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 higher (2013: *higher*) than the standard effective rate of corporation tax in the UK for the year ended 30 June 2014 of 22.50% (2013: *standard rate of 23.75%*). The differences are explained below:

Profit on ordinary activities before tax	696	938
	<u>157</u>	<u>223</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	1
Depreciation in excess of capital allowances	1	1
Other short term timing differences	-	3
Under provision in respect of prior years	4	2
	<u>162</u>	<u>230</u>

## Notes(continued)

### 8 Taxation (continued)

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

The Chancellor has so far cut the main rate of corporation tax from 24% to 21% since 2012, and announced it will reduce further by an additional 1% in April 2015, so it will reach 20%. The corporate tax reduction from 23% to 21% became effective from 1 April 2014, and a further reduction to 20% became effective from 1 April 2015 were both substantively enacted on 2 July 2013.

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

### 9 Intangible fixed assets

	<b>Goodwill</b>
	<b>£000</b>
<i>Cost</i>	
At 1 July 2013 and 30 June 2014	7,030
<i>Amortisation</i>	
At 1 July 2013	(2,799)
Charge for year	(735)
At 30 June 2014	(3,534)
<i>Net book value</i>	
At 30 June 2014	3,496
At 30 June 2013	4,231

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 is due 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 2013 and 30 June 2014	42
<i>Depreciation</i>	
At 1 July 2013	(28)
Charge for year	(7)
At 30 June 2014	(35)
<i>Net book value</i>	
At 30 June 2014	7
At 30 June 2013	14

### 11 Stock

	30 June 2014 £000	As restated 30 June 2013 £000
Raw materials and consumables	295	499
Work in progress	3,233	2,709
	<u>3,528</u>	<u>3,208</u>

### 12 Debtors

	30 June 2014 £000	As restated 30 June 2013 £000
Trade debtors	1,279	897
Amounts owed by Group undertakings	294	85
Other Debtors	433	190
Prepayments and accrued income	3,395	3,614
Deferred tax (see note 14)	12	13
	<u>5,413</u>	<u>4,799</u>

Prepayments and accrued income includes an amount of £2.1m (2013: £2.8m) being costs recoverable from North Tyneside Council after more than one year. The amount is due in three equal instalments of £700,000 due on the 1<sup>st</sup> April 2015, 1<sup>st</sup> April 2016 and 1<sup>st</sup> April 2017 and bears interest at 2.55% above the bank base rate.



**Notes**(continued)

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

	30 June 2014 £000	30 June 2013 £000
Trade creditors	5,862	2,993
Other amounts owed to Group undertakings	94	317
Other taxation and social security	28	152
Corporation tax	62	128
Accruals and deferred income	4,426	7,126
Deferred Consideration (see note 13)	1,000	1,923
	<u>11,472</u>	<u>12,639</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 2014 is £2.1 million. The facility limit reduces to £1.4m from 1<sup>st</sup> April 2015, £0.7m from 1<sup>st</sup> April 2016 and £Nil from 1<sup>st</sup> April 2017.

**14 Deferred taxation**

	30 June 2014 £000	30 June 2013 £000
<i>Deferred tax movement</i>		
At the start of the year	13	9
Effect of rate change	(2)	(1)
Transferred to profit and loss account	1	5
	<u>12</u>	<u>13</u>
<i>Amounts fully provided for deferred taxation</i>		
Accelerated depreciation	2	1
Other timing differences	10	12
	<u>12</u>	<u>13</u>

## Notes(continued)

### 15 Profit and loss account

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
At beginning of year	1,895	1,183
Profit for the year	533	712
	<hr/>	<hr/>
At end of year	2,428	1,895
	<hr/>	<hr/>

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

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Operating profit	779	1,099
Amortisation of intangible fixed assets	735	736
Depreciation of tangible fixed assets	7	8
(Increase)/decrease in stocks	(320)	136
(Increase)/decrease in debtors	(615)	680
(Decrease)/increase in creditors	(178)	5,744
	<hr/>	<hr/>
Net cash inflow from operating activities	408	8,403
	<hr/>	<hr/>

### 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	2,283	(826)	1,457
	<hr/>	<hr/>	<hr/>
	2,283	(826)	1,457
	<hr/>	<hr/>	<hr/>

### 18 Reconciliation of net cashflow to movement in net debt

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
(Decrease)/increase in cash in year	(826)	2,096
Net cash outflow/(inflow) from loans	-	3,025
	<hr/>	<hr/>
Movement in net debt in the year	(826)	5,121
Net funds/(debt) at 30 June 2013	2,283	(2,838)
	<hr/>	<hr/>
Net funds/(debt) at end of year	1,457	2,283
	<hr/>	<hr/>

## Notes(continued)

### 19 Reconciliation of movements in shareholders' funds

	Year ended 30 June 2014 £000	Year ended 30 June 2013 £000
Profit for the financial year	533	712
Net increase in shareholders' funds	533	712
Opening shareholders' funds	1,896	1,184
Closing shareholders' funds	2,429	1,896

### 20 Called up share capital

	30 June 2014 £000	30 June 2013 £000
<i>Allotted, issued and fully paid</i>		
200 - "A" Ordinary shares of £1 each	-	-
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 2014		30 June 2013	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	180	-	3
In the second to fifth years inclusive	-	17	-	616
Over five years	356	-	356	-
	356	197	356	619

## 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 £809,000(2013: £1,163,000).

### 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 £37.8m (2013: £41.6m) for goods and services supplied to North Tyneside Council and cost of sales and administrative expenses includes £1.9m (2013: £1.5m) for goods and services purchased from North Tyneside Council. An amount of £3.8m (2013: £6.1m) was included in debtors at 30 June 2014 and £2.2m (2013: £2.1m) included in creditors at 30 June 2014 relating to North Tyneside Council.

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

	2014 Transaction Values £000	2014 Creditor/ (Debtor) £000	2013 Transaction Values £000	2013 Creditor/ (Debtor) £000
Kier Facilities Services Ltd	11	(5)	6	-
Kier Fleet Services Ltd	129	19	75	16
Kier Ltd	311	58	894	36
Kier Construction Limited	15	(12)	-	-
Kier Regional Ltd	-	-	(13)	-
Kier Services Ltd (formerly known as Kier Support Services Ltd)	1,242	(260)	1,012	161
Kier Stoke Ltd	1	-	-	-
Kier Sheffield LLP	14	-	74	19
Kier Professional Services Ltd	13	-	-	-
Kier MG Ltd	24	-	-	-
	<u>1,760</u>	<u>(200)</u>	<u>2,048</u>	<u>232</u>

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 12.

### 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.