

Registration number: 00873179

# Kier Integrated Services Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2024

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# Kier Integrated Services Limited

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# **Kier Integrated Services Limited**

## **Company Information**

**Directors** Andrew Bradshaw  
Giuseppe Incutti  
Paul Jackson  
Basil Mendonca

**Company secretary** Jaime Tham

**Registered office** 2nd Floor  
Optimum House  
Clippers Quay  
Salford  
M50 3XP

**Independent Auditors** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

## Kier Integrated Services Limited

### Strategic Report for the Year Ended 30 June 2024

The directors present their strategic report for Kier Integrated Services Limited (the "Company") for the year ended 30 June 2024.

#### **Fair review of the business**

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

The principal activity of the Company is to work with its long-term clients in the public and regulated sectors to design and deliver a wide range of essential front-line infrastructure services.

On 4 September 2023, the Company acquired a portion of the rail assets of the Buckingham Group. Further details are disclosed in note 25 to the financial statements.

Revenue from continuing operations for the year was £584.6m (2023: £563.9m), an increase of 3.7%. The overall increase has arisen as a result of the Buckingham acquisition and increased revenues in our Environment business which services key clients such as the Environment Agency and Canal and River Trust as well as re-securing all three Northern Ireland Gas contracts (Firmus, Phoenix & Evolve) in the year. These were previously traded through fellow Group company McNicholas Construction Services Limited.

The Company made a loss before tax of £1.3m (2023: £4.4m). The decrease in loss is largely due to increased revenue on profitable contracts (see 'Regulated Services' section below).

As a result of the loss in the year the Company's net assets have decreased from £15.8m to £15.2m.

The Company's cash balance has increased significantly from £113.3m to £147.0m due to a reduction in receivables and contract assets.

#### **Public Sector Services**

The Company continues to operate and provide services in the local authority roads maintenance market. Revenue for the year in this sector was £39.3m (2023: £83.8m) and reflects the Kier Group's strategic decision to bid all future local authority and strategic highways contracts through Kier Transportation Limited. See 'Outlook' section below for further details.

#### **Regulated Services**

The Regulated Services business delivers long-term contracts providing a range of services, including repair, maintenance and emergency response services in the water, energy and gas sectors in the United Kingdom, as well as design and construction services for the United Kingdom's waterways network and the rail sector. Customers are largely regulated by Government agencies including OFWAT for water and Ofgem for gas and power. Revenue for the year in this sector was £545.3m (2023: £480.1m), with the majority of the increase being due to the acquisition of rail assets of the Buckingham Group (see note 25 to the financial statements for further details).

The division is transitioning away from the telecoms market, replacing revenue with increases in Water and Environment businesses. With an increased spend forecast in the Water sector through regulatory period AMP8 starting in April 2025, the business is well positioned to take advantage of these opportunities having re-secured positions on frameworks with existing clients and securing places on capital frameworks with three new clients.

## Kier Integrated Services Limited

### Strategic Report for the Year Ended 30 June 2024 (continued)

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2024	2023
Revenue	£ 000	584,641	563,888
Adjusted operating profit/(loss)	£ 000	2,272	(766)
Adjusted operating margin	%	0.4	(0.1)
Adjusted profit/(loss) before tax	£ 000	2,191	(3,805)
Order book	£bn	1.3	0.7

Adjusted operating profit and adjusted profit before tax are defined in note 6 to the financial statements. Adjusted operating margin is calculated as adjusted operating profit as a proportion of revenue.

#### **Outlook**

The overall outlook for the Company is positive, despite current uncertainty within the UK economy. The Company specialises in infrastructure markets that are key focus areas for the UK Government and market regulators, where investment in maintenance is likely to continue for some time. The Company delivers essential every-day services that are required all year round, regardless of the prevailing political agenda. This means the Company can maintain operational stability and pursue growth.

The regulated utilities market provides opportunities to grow in the run-up to each new regulatory period. The directors remain confident that the Company is well positioned to take advantage of the next round of water and power regulatory review periods, having secured places on several new significant frameworks.

Since the Kier Group acquired Mouchel in 2015, the Group has been operating its highways services contracts through two separate companies; local authority highways contracts in Kier Integrated Services Limited and the legacy Mouchel strategic highways contracts in Kier Transportation Limited. In order to consolidate its highways operations into a single company, the Group has made the strategic decision to bid all future local authority and strategic highways contracts through Kier Transportation Limited. Kier Integrated Services Limited will continue to operate its existing contracts (including any extensions) until they expire. However, any re-bids will be made by the Company's fellow subsidiary, Kier Transportation Limited, and therefore, in the longer term, the Company's highways operations will, in effect, be transferred to Kier Transportation Limited.

#### **ESG**

As a member of the Kier Group, the Company is guided by the Group's Environmental, Social & Governance ('ESG') frameworks. Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. To achieve this, the Group is focused on growth that supports a just transition towards a greener, fairer, resilient and inclusive economy. As a 'strategic supplier' to the UK Government, ESG is fundamental to Kier's ability to win work and secure positions on long-term frameworks.

Kier believes that to be a responsible business and to play a leading role in our industry, the Group and Company must both address the impact of climate change and leave a positive lasting legacy in the communities in which it operates.

Last year, Kier launched its refreshed sustainability framework, Building for a Sustainable World ("BfaSW"), which covers sustainability from both an environmental and social perspective. As a member of the Kier Group, the Company is also guided by the BfaSW framework.

For details of the Group's work in this area, please see the ESG report in the Kier Group plc 2024 Annual Report (pages 36 to 57), which is available at [www.kier.co.uk](http://www.kier.co.uk).

## Kier Integrated Services Limited

### Strategic Report for the Year Ended 30 June 2024 (continued)

#### Stakeholders

At Kier, stakeholder engagement is seen as key to the delivery of the Group's purpose and strategy and therefore its long-term sustainable success. As part of the Kier Group, the Group's key stakeholders of employees, customers, shareholders, supply chain partners, the UK government, banks, lenders, sureties, insurers, pension trustees and joint venture partners are all equally as important to the Company. Kier recognises the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision-making. Read more on our engagement with key stakeholders in the Kier Group plc 2024 Annual Report on pages 65 to 67.

The Directors consider that during the year, they have acted to promote the long-term success of the Company, that has generated value for shareholders and contributed to the wider society while considering the interests of a range of stakeholders as set out in section 172(1) (a) to (f) of the Companies Act 2006.

#### Non-financial and sustainability information statement

For information on how the Group and the Company comply with non-financial performance and sustainability reporting requirements and on compliance with sections 414CA and 414CB of the Companies Act 2006, please see page 84 of the Kier Group plc 2024 Annual Report (available at [www.kier.co.uk](http://www.kier.co.uk)), which signposts where in the annual report you can find more information.

#### Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal controls and for ensuring that significant risks are identified and appropriately managed. The Kier Group has delegated the review of the effectiveness of the Group's risk management processes to the Kier Group Risk Management and Audit Committee ("RMAC"), including the systems established to identify, assess, manage and monitor risk. The risks faced by the Group are reviewed by the RMAC on a quarterly basis.

The nature of the industries and the business environment in which the Company operates are inherently risky. Although it is recognised that it is not possible to eliminate all such risks and uncertainties, the Group has well-established risk management and internal control systems to manage them.

On behalf of the Kier Group, the RMAC identifies the risks that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process. The risks as relevant to the Company are set out below, together with a summary of the actions taken to mitigate each risk.

#### *Health and safety*

Principal risk: failure to maintain a safe working environment and prevent a major incident.

The Company's operations are complex and potentially hazardous and require rigorous management of health, safety and wellbeing matters.

Potential impact:

- An increase in safety or environmental incidents on site;
- The failure to meet clients' expectations, adversely affecting the ability to bid for and win new work;
- Financial penalties arising from fines, legal action and project delays; and
- An unhealthy employee population resulting in greater levels of absence, lowered operational performance and resilience.

## Kier Integrated Services Limited

### Strategic Report for the Year Ended 30 June 2024 (continued)

#### Mitigating actions:

- Simplified Integrated Management System making it easier for our people to access and understand, freeing them up to proactively manage Health and Safety on our projects;
- Improve safety performance by sharing lessons learnt from incidents via alerts, safety bulletins and the Incident Review Board Process;
- Embed the Responsible Business Strategy, including a focus on the five Safety, Health and Environment basics, our Group wide culture and emerging behavioural safety programmes;
- Proactive HSW Leadership including senior management Visible Leadership Tours, Operational Safety and Site Safety Inspections and the sharing of best practice;
- Compliance with ISO 45001; and
- Promotion of our network of Mental Health First Aiders, Wellbeing Champions and Employee Assistance Programme.

#### *Legislation and regulation*

Principal risk: failure to comply with and manage effectively current legislation and regulation and any changes to them.

The sectors in which the Company operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements including those introduced by new legislation or regulation.

#### Potential impact:

- Penalties for failing to adhere to legislation or regulation;
- Increased operating costs of compliance;
- The loss of business; and
- Reputational damage.

#### Mitigating actions:

- Appropriate policies that are regularly reviewed and relevant training and awareness programmes to support policy implementation;
- Regular engagement with Government and Government agencies with respect to the Company's continued compliance;
- Monitoring of, and planning for, the impact of new legislation and regulations; and
- Collaborative engagement with external stakeholders.

#### *Funding*

Principal risk: failure to maintain adequate financial liquidity and/or comply with the Group's financial covenants.

Failure to maintain adequate financial liquidity and/or comply with the Group's financial covenants resulting in an inability to execute the Company's strategy effectively.

#### Potential impact:

- The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees);
- Conducting existing business becomes increasingly challenging; and
- The loss of future business.

#### Mitigating actions:

- Effective cash forecasting and working capital management in combination with continued monitoring and prudent financial planning to ensure cash generation and covenant compliance is maintained;
- Continued collaborative engagement with key stakeholders; and
- Through financial planning the Company ensures that appropriate levels of headroom under committed facilities and their financial covenants are in place to accommodate reasonable downside.

## Kier Integrated Services Limited

### Strategic Report for the Year Ended 30 June 2024 (continued)

#### *Maintaining an order book within selected markets*

Principal risk: a general market or sector downturn materially and adversely affects the Company's ability to secure work - UK Government spending, certainty and timing, including competitiveness of the current market.

The Company's strategy sets out specific sectors that it wishes to trade within. The pipeline of work could be adversely affected by a general or sector downturn or cause a delay to projects going to site.

Potential impact:

- A failure of one or more of the Company's businesses;
- Increased competition for new work; and
- A decrease in stakeholder confidence in the Company.

Mitigating actions:

- To continue to secure long-term frameworks within each of our businesses;
- Tailoring the Company's offer to meet customer needs;
- Maintaining an efficient cost base; and
- Project Lifecycle Management gateway process.

#### *Contract management*

Principal risk: failure to manage contracts effectively at each stage of a project's lifecycle.

The business suffers a significant loss as a result of failing to adequately undertake bidding, design, mobilisation, delivery and handover (including any remediation works).

Potential impact:

- A failure to manage project delivery and work in progress and, ultimately, to meet the Company's financial targets;
- The Company incurring losses on individual contracts; and
- The Company failing to win new work because of reputational impact.

Mitigating actions:

- Tender peer review through the Kier Group Tender Risk Committee;
- Kier standards for contract amendments;
- Commercial Handbook explains how we manage change;
- In-built escalation to identify unacceptable levels of unagreed change; and
- Project Lifecycle Management gateway process.

#### *People*

Principal risk: failure to attract and retain key employees.

The Company's employees are critical to its ability to deliver the business plan. The Company needs to attract, retain and develop people to ensure they have the right skills, experience and behaviours.

Potential impact:

- An adverse effect on the delivery of the Company's purpose and strategy;
- A lack of operational leadership, potentially leading to poor project performance; and
- An erosion of the Company's employer brand.

Mitigating actions:

- Embed and develop the Kier Culture (values and healthy behaviours) to drive high and balanced performance;
- Delivering the People strategy and strategic workforce planning aligned to the business plan;
- Deliver the responsible business strategy;
- Deliver award winning leadership, management and technical development offer supported by a proactive talent management process;
- Employee engagement, feedback and positive action plan (Your Voice); and
- Compelling and competitive employee value proposition.

## Kier Integrated Services Limited

### Strategic Report for the Year Ended 30 June 2024 (continued)

#### ***Supply chain***

Principal risk: failure to maintain effective working relationships with the supply chain, supply chain insolvencies, capacity, pricing and inflation volatility.

The Company relies upon its partners for the delivery of its projects. Maintaining a close working relationship is a priority for the Company.

Potential impact:

- Unavailability of appropriate resources, impacting on project delivery and cost;
- Use of suppliers from outside the preferred supplier list increases cost and decreases quality; and
- Poor relationships lead to lack of confidence in the Company and adverse publicity.

Mitigating actions:

- Continued updating of the Kier subcontracts to reflect the principles of the Construction Playbook;
- Placement of divisional Procurement Directors to deliver the supply chain management strategy;
- Continued focus to meet prompt payment reporting requirements;
- Further use of the Shared Service Centre and division resources to channel spend and reduce risk - early engagement project; and
- Continued support of security software and investigate right to work module for further risk reduction across the business.

#### ***Strategy***

Principal risk: Failure to deliver the Company's strategy.

The Company fails to deliver its long-term sustainable growth plan.

Potential impact:

- An adverse impact on the Company's net debt and liquidity;
- Failure to secure positions on national and regional frameworks; and
- Failure to meet stakeholders' expectations may lead to a decline in confidence in the Company.

Mitigating actions:

- Maintaining the balance sheet strength;
- Maintaining a well bid order book;
- Delivery of project performance;
- Delivery of Kier's Performance Excellence culture;
- Continued focus on cash management; and
- Effective communication with stakeholders.

#### ***IT security, resilience, cyber and data protection***

Principal risk: The Company is exposed to IT security, resilience, cyber and data protection incidents.

Failure to keep up to date with the modern attack landscape as well as protecting infrastructure from cyber/loss of data risks and Artificial Intelligence increasing cyber threats.

Potential impact:

- Operational impact - e.g. delivery of projects, key systems outage, failure to win work, loss of confidential and/or other data;
- Financial impact - regulatory fines/prosecutions; and
- Reputational/brand damage.

Mitigating actions:

- Staff mandatory training, awareness and phishing campaigns;
- Vulnerabilities, access and incident management;
- ISO 27001 and Cyber Essentials accreditation;
- Information security business continuity plan;
- System alerts, patching/updates and monitoring; and
- Partners and suppliers follow Kier Group minimum standards re cyber, security and data.

## Kier Integrated Services Limited

### Strategic Report for the Year Ended 30 June 2024 (continued)

#### *Sustainability*

Principal risk: Failure to identify and effectively manage sustainability risks and opportunities.

The Company's ability to win work is dependent on delivering on Kier's Environmental, Social and Governance ('ESG') commitments.

Potential impact:

- Failure to win work;
- Failure to meet Kier's 'Building for a Sustainable World' ("BfaSW") targets;
- Failure to meet client and investor expectations or regulatory requirements;
- Not attracting or retaining people; and
- Reputational damage.

Mitigating actions:

- Delivering against the BfaSW framework including monitoring key metrics and progress against targets;
- Work with our supply chain to help deliver the actions associated with our strategic pillars and further embed product innovation, including modern methods of construction and digitalisation;
- Embed the new environmental data management system (Rio);
- Maintain and improve performance through ESG certification, accreditation and benchmarks and continue proactive stakeholder reporting and disclosure;
- Undertake climate scenario analysis to mitigate risks and maximise opportunities; and
- Retain ISO 14001 certification and embed environmental best practice.

#### *Macroeconomic*

Principal risk: Changes in macroeconomic conditions negatively impact on the Company, its workforce and its clients.

Our ability to win and deliver projects is impacted by developments in the UK economy which may arise from economic slowdown, interest rate rises, unemployment, inflation or UK political and geopolitical instability, resulting in a reduction in, or pausing of, UK Government and private sector spending in our selected markets.

Potential impact:

- Reduced revenue or margins;
- Project affordability;
- Availability of labour and materials; and
- Increased supply chain insolvency risk.

Mitigating actions:

- Use of financial derivative instruments to hedge exposure to fluctuations in interest and exchange rates;
- Various market insights and intelligence relating to pricing and lead times;
- Kier risk management framework;
- Supply chain management;
- Kier Operating Framework and Performance Excellence processes; and
- Kier Commercial Standards.

Approved by the Board on ..... 19 December 2024 ..... and signed on its behalf by:



.....  
Paul Jackson  
Director

## Kier Integrated Services Limited

### Directors' Report for the Year Ended 30 June 2024

The directors of Kier Integrated Services Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2024.

#### **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:

Andrew Bradshaw

Giuseppe Incutti

Paul Jackson (appointed 1 July 2023)

Basil Mendonca

Mark Pengelly (resigned 31 December 2023)

#### **Dividends**

No dividend was paid in the year and the directors do not recommend a final dividend in respect of the year.

#### **Financial instruments**

##### *Objectives and policies*

The Board is responsible for the Company's system of risk management and internal controls and for ensuring that significant risks are identified and appropriately managed. The Board has delegated the review of the effectiveness of the Company's risk management processes to the Kier Group Risk Management and Audit Committee ("RMAC"), including the systems established to identify, assess, manage and monitor risk. The risks faced by the Company are reviewed by the RMAC on a quarterly basis.

The nature of the industries and the business environment in which the Company operates are inherently risky. Although it is recognised that it is not possible to eliminate all such risks and uncertainties, the Company has well-established risk management and internal control systems to manage them.

On behalf of the Board, the RMAC identifies the risks that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process.

##### *Price risk, credit risk, liquidity risk and cash flow risk*

The Company relies on Kier Group borrowing and bonding facilities. Cash flow is forecast regularly to provide up-to-date and accurate information on the Company's current cash position and its future requirements. The Kier Group has strong, long-term relationships with the providers of its bonding lines and has an in-house team which monitors headroom and advises on bond terms and conditions.

## **Kier Integrated Services Limited**

### **Directors' Report for the Year Ended 30 June 2024 (continued)**

#### **Corporate governance**

The Group's parent company, Kier Group plc, as a company listed on the London Stock Exchange in the Equity Shares (Commercial Companies) category, is subject to the UK Corporate Governance Code 2018 (the "Code"). Pages 86 to 134 of the 2024 Annual Report of Kier Group plc (available at [www.kier.co.uk](http://www.kier.co.uk)) explain how Kier Group plc applied the principles, and complied with the provisions, of the Code during the year.

Kier's Operating Framework (the 'OF') sets out the governance structure within which the Group operates. The OF summarises the core business processes which apply throughout the Group and contains the Group's delegated authorities. In addition, it sets out the Group's purpose and its values - trusted, collaborative and focused.

The Company, as a member of the Group, has adopted the OF as its corporate governance code. The Company, as a member of the Group, has not adopted the Code or any other corporate governance codes as the Board does not regard these as being relevant to a subsidiary company. The OF contains the governance arrangements of the Company and copies of relevant Group governance documents can be found at [www.kier.co.uk](http://www.kier.co.uk).

#### **Employee engagement**

Kier recognises the importance of receiving feedback from its people. For information on the Group's employee engagement activities, which involve the employees of the Company, please see pages 54 and 96 to 97 of the 2024 Annual Report of Kier Group plc (available at [www.kier.co.uk](http://www.kier.co.uk)).

#### **Employment of disabled persons**

At Kier, our mission is to shape a high-performing, diverse and inclusive business where everyone can belong, contribute and thrive. For information on how the Group creates an inclusive workplace, please see the 'Fostering a diverse, inclusive workplace' section on pages 51 and 52 of the 2024 Annual Report of Kier Group plc (available at [www.kier.co.uk](http://www.kier.co.uk)).

#### **Engagement with suppliers, customers and others**

Kier recognises the importance of engagement with its suppliers, customers and key stakeholders so that their views can be considered in decision-making. Information on the Group's engagement with suppliers, customers and others during the financial year can be found on pages 65 to 67 of the 2024 Annual Report of Kier Group plc (available at [www.kier.co.uk](http://www.kier.co.uk)).

#### **Future developments**

The Company's future developments are set out in the Business Review section of the Strategic Report.

#### **Going concern**

The Company is part of the Kier Group. The Company's cash, cash equivalents and bank overdrafts are subject to Group-wide cash pooling arrangements. The Kier Group has sufficient financial and liquid resources to continue to operate for a period of at least 12 months from the date these financial statements are signed.

The Directors have received confirmation that Kier Group plc intends to provide financial support to the Company for a period of at least 12 months from the date of signing of these financial statements.

As a result, the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and for this reason, they continue to adopt the going concern basis for preparing these financial statements.

## **Kier Integrated Services Limited**

### **Directors' Report for the Year Ended 30 June 2024 (continued)**

#### **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.

#### **Reappointment of independent 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.

#### **Statement of directors' responsibilities in respect of the financial statements**

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, 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

**Kier Integrated Services Limited**

**Directors' Report for the Year Ended 30 June 2024 (continued)**

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the 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.

Approved by the Board on ~~19 December 2024~~ ..... and signed on its behalf by:



.....  
Paul Jackson  
Director

# Independent auditors' report to the members of Kier Integrated Services Limited

## Report on the audit of the financial statements

### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 30 June 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2024; 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2024 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant UK taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation through manual journal postings and the use of inappropriate assumptions or management bias in determining significant accounting estimates.. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries meeting certain risk criteria, in particular any journal entries posted with unusual account combinations;
- Corroborating assumptions and judgements made by management in the estimates involved in accounting for long term contracts.
- Designing audit procedures to incorporate unpredictability into our testing; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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.

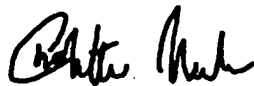
## Other required reporting

#### Companies Act 2006 exception reporting

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

- we have not obtained 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.



Charlotte Marnham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 December 2024

## Kier Integrated Services Limited

### Income Statement for the Year Ended 30 June 2024

	Note	2024 £ 000	2023 £ 000
Revenue	4	584,641	563,888
Cost of sales		<u>(552,751)</u>	<u>(535,278)</u>
Gross profit		31,890	28,610
Administrative expenses		<u>(33,125)</u>	<u>(29,940)</u>
Operating loss	5	<u>(1,235)</u>	<u>(1,330)</u>
Finance and investment income	7	8,296	5,783
Finance costs	8	<u>(8,377)</u>	<u>(8,822)</u>
Net finance cost		<u>(81)</u>	<u>(3,039)</u>
Loss before taxation		(1,316)	(4,369)
Income tax (expense)/credit	12	<u>(414)</u>	<u>307</u>
Loss for the financial year		<u><u>(1,730)</u></u>	<u><u>(4,062)</u></u>
<b>Supplementary information</b>			
Adjusted <sup>1</sup> operating profit/(loss)	6	2,272	(766)
Adjusted <sup>1</sup> profit/(loss) before tax	6	2,191	(3,805)

The above results were derived from continuing operations.

<sup>1</sup> Reference to 'adjusted' excludes adjusting items, see notes 2 and 6.

**Kier Integrated Services Limited**

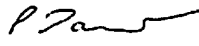
**Statement of Comprehensive Income for the Year Ended 30 June 2024**

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Loss for the financial year	<u>(1,730)</u>	<u>(4,062)</u>
Total comprehensive loss for the year	<u><u>(1,730)</u></u>	<u><u>(4,062)</u></u>

**Kier Integrated Services Limited**  
**(Registration number: 00873179)**  
**Statement of Financial Position as at 30 June 2024**

	Note	2024 £ 000	2023 <sup>1</sup> £ 000
<b>Fixed assets</b>			
Intangible assets	13	25,052	19,235
Property, plant and equipment	14	4,314	3,935
Right of use assets	15	8,311	7,380
Investments	16	12,158	14,646
Trade and other receivables	18	3,513	2,834
Deferred tax assets	12	19,564	19,391
		<u>72,912</u>	<u>67,421</u>
<b>Current assets</b>			
Inventories	17	9,667	8,658
Contract assets	4	62,697	91,220
Trade and other receivables	18	103,823	99,149
Income tax asset		-	5,472
Cash and cash equivalents	19	147,024	113,349
		<u>323,211</u>	<u>317,848</u>
<b>Total assets</b>		<u>396,123</u>	<u>385,269</u>
<b>Current liabilities</b>			
Trade and other payables	20	(178,062)	(173,306)
Contract liabilities	4	(1,401)	(16,401)
Loans and borrowings	21	(186,231)	(99,787)
Lease liabilities	22	(3,922)	(3,875)
Income tax liability		(353)	-
Provisions	23	(2,420)	-
		<u>(372,389)</u>	<u>(293,369)</u>
<b>Non-current liabilities</b>			
Trade and other payables	20	(3,889)	(4,995)
Loans and borrowings	21	-	(67,492)
Lease liabilities	22	(4,650)	(3,588)
		<u>(8,539)</u>	<u>(76,075)</u>
<b>Total liabilities</b>		<u>(380,928)</u>	<u>(369,444)</u>
<b>Net assets</b>		<u>15,195</u>	<u>15,825</u>
<b>Equity</b>			
Called up share capital	24	36,500	36,500
Accumulated losses		(21,305)	(20,675)
<b>Total equity</b>		<u>15,195</u>	<u>15,825</u>

<sup>1</sup> £2,834,000 has been re-presented in the comparative information from capitalised mobilisation costs to trade and other receivables in non-current assets.  
The financial statements on pages 17 to 49 were approved by the Board of Directors on 19 December 2024 and signed on its behalf by:

  
.....  
Paul Jackson  
Director

The notes on pages 21 to 49 form an integral part of these financial statements.  
Page 19

## Kier Integrated Services Limited

### Statement of Changes in Equity for the Year Ended 30 June 2024

	<b>Called up share capital £ 000</b>	<b>Accumulated losses £ 000</b>	<b>Total £ 000</b>
At 1 July 2022	36,500	(17,397)	19,103
Loss for the year	<u>-</u>	<u>(4,062)</u>	<u>(4,062)</u>
Total comprehensive loss	-	(4,062)	(4,062)
Share based payment transactions	<u>-</u>	<u>784</u>	<u>784</u>
At 30 June 2023	<u>36,500</u>	<u>(20,675)</u>	<u>15,825</u>
	<b>Called up share capital £ 000</b>	<b>Accumulated losses £ 000</b>	<b>Total £ 000</b>
At 1 July 2023	36,500	(20,675)	15,825
Loss for the year	<u>-</u>	<u>(1,730)</u>	<u>(1,730)</u>
Total comprehensive loss	-	(1,730)	(1,730)
Share based payment transactions	<u>-</u>	<u>1,100</u>	<u>1,100</u>
At 30 June 2024	<u>36,500</u>	<u>(21,305)</u>	<u>15,195</u>

# Kier Integrated Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2024

### 1 General information

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

The address of its registered office is:

2nd Floor  
Optimum House  
Clippers Quay  
Salford  
M50 3XP

### 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 ("FRS 101") Reduced Disclosure Framework and with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements have been prepared on the historical cost basis.

The functional and presentational currency used is GB Pound Sterling and figures are quoted to the nearest £1,000.

#### Change of accounting policy

The Directors have reviewed the presentation of bank overdrafts and cash balances and have concluded that separate presentation of bank overdrafts and cash balances would be preferable. The Company has therefore chosen to change its accounting policy in respect of offsetting of bank overdrafts and has presented cash held in bank accounts separately from overdrawn amounts in the Statement of Financial Position. The prior year comparative balances have not been re-presented as the prior year overdraft balance is immaterial to these financial statements.

#### Summary of disclosure exemptions

In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 - 'Share-based payments' (how the fair value of goods/services received or equity instruments granted was determined and details of the number and weighted average exercise prices of share options).
- IFRS 7 - 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 - 'Revenue from Contracts with Customers' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15).
- The requirements of paragraph 52 of IFRS 16 - 'Leases' (lessee disclosures).
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
  - paragraph 79(a)(iv) of IAS 1  
(reconciliation of number of shares at the beginning and end of the period)
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'  
(reconciliations between the carrying amount at the beginning and end of the period)
  - paragraph 118(e) of IAS 38, 'Intangible assets'  
(reconciliations between the carrying amount at the beginning and end of the period)
- IAS 7 - 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more members of a group).
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'.
- The requirements of paragraphs 88(c) and 88(d) of IAS 12, 'Income Taxes'.

#### Going concern

The Company is part of the Kier Group. The Company's cash, cash equivalents and bank overdrafts are subject to Group-wide cash pooling arrangements. The Kier Group has sufficient financial and liquid resources to continue to operate for a period of at least 12 months from the date these financial statements are signed.

The Directors have received confirmation that Kier Group plc intends to provide financial support to the Company for a period of at least 12 months from the date of signing of these financial statements.

As a result, the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and for this reason, they continue to adopt the going concern basis for preparing these financial statements.

#### Exemption from preparing group financial statements

The financial statements contain information about Kier Integrated Services Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Kier Group plc, a company incorporated in England and Wales.

# Kier Integrated Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

### 2 Accounting policies (continued)

#### Changes in accounting policy

The following new standards and amendments to standards are effective for the financial year ended 30 June 2024 onwards:

- IFRS 17 'Insurance Contracts';
- Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8 (published February 2021);
- Amendments to IAS 12 'Income Taxes': International Tax Reform - Pillar Two Model Rules;
- Amendments to IAS 12 'Income Taxes' on deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IAS 12 'Income Taxes' for deferred tax arising from international tax reform; and
- Amendments to IAS 101 in relation to adoption of IFRS 17 and international tax reform.

None of the above new standards or amendments to standards have had a material effect on the financial statements.

#### Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. It also includes the Company's proportion of work carried out under jointly controlled operations.

The general principles for revenue and profit recognition across the Company are as follows:

- Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent;
- Additional consideration for contract modifications (variations) is only included in revenue (or the forecast contract out-turn) if the scope of the modification has been approved by the customer. If the scope of the modification has been approved but the parties have not yet determined the corresponding change in the contract price, an estimate of the change to the transaction price is made and included in calculating revenue to the extent that any increase in price is highly probable not to reverse;
- Contract modifications are treated as separate contracts if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract;
- Variable consideration amounts (gain-share amounts, KPI bonuses, milestone bonuses, compensation event claims, etc.) are included in revenue (or forecasts to completion) only to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;
- Refund liabilities (liquidated damages, pain-share amounts, KPI penalties, etc.) are accounted for as a reduction in revenue (or in forecasting contract out-turns) as soon as it is expected that the Company will be required to refund some or all of the consideration it has received from the customer;
- Claims against third-parties (such as insurance recoveries and claims for cost reimbursements) outside of normal supplier price adjustments are recognised only when the realisation of income is virtually certain. The associated income is accounted for as reduction in costs rather than revenue; and
- Contract mobilisation is not considered to be a separate performance obligation in most situations, as the customer receives little or no benefit from mobilisation activities. Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.
- Where revenue that has been recognised is subsequently determined not to be recoverable due to the inability of a customer to meet its obligations, these amounts are charged to administrative expenses as a credit loss;

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

If the timing of payments agreed with the customer provides the Company or the customer with a significant benefit of financing the transfer of goods or services, the amount of consideration is adjusted for the effects of the time value of money. The Company does not make an adjustment for the time value of money in the following circumstances:

- When the Company expects, at contract inception, that the period between the entity transferring a good or service and the customer paying for it will be one year or less; or
- Where the timing of the payments is for commercial rather than financing reasons, e.g. construction contract retentions.

Revenue and profit recognition policies applied to specific contract types are as follows:

##### (a) Construction contracts

Revenue is recognised on construction services over time as the benefit is transferred to the customer. The Company uses an input method to measure progress. The percentage of completion is measured using cost incurred to date as a proportion of the estimated full costs of completing the contract and is applied to the total expected contract revenue to determine the revenue to be recognised to date.

The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

##### (b) Services

Revenue and profit from services rendered, which include facilities management, highways maintenance, utilities maintenance, street cleaning and recycling, is recognised over time as the service is performed.

Where the contract includes bundled services, the transaction price is allocated to each performance obligation identified in the contract based on the relative stand-alone selling prices of each of the performance obligations. Revenue is then recognised independently when each of the performance obligations is satisfied.

Any variable consideration (e.g. performance bonus) attributable to a single performance obligation is allocated entirely to that performance obligation. Where variable consideration is attributable to the entire contract and is not specific to part of the contract, the consideration is allocated based on the stand-alone selling prices of each of the performance obligations within the contract.

Service contracts are reviewed monthly to assess their future operational performance and profitability.

##### Adjusting items

IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance. The Directors have considered the requirements of applicable accounting standards, along with additional guidance around alternative performance measures (APMs) and believe it is appropriate to inform users regarding various items and disclose those items which are deemed one-off, material or non-recurring in size or nature, in alignment with the Kier Group's internal management reporting. As such, the Company is disclosing as supplementary information an 'Adjusted Profit' APM which is reconciled to statutory profit in the notes to the financial statements.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Company in the particular year under review and the extent to which results are influenced by material unusual and/or non-recurring items.

The directors exercise judgement in determining the classification of certain items as adjusting using quantitative and qualitative factors. In assessing whether an item is an adjusting item, the directors give consideration, both individually and collectively, as to an item's size, the specific circumstances which have led to the item arising and if the item is likely to recur, or whether the matter forms part of a group of similar items.

A full reconciliation from statutory numbers to adjusted profit measures has been presented in note 6 on page 33.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

##### Finance income and costs policy

Interest receivable and payable on bank balances, intercompany loans and other borrowings is credited or charged to the income statement as incurred using the effective interest rate method.

##### Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

##### Tax

The tax expense for the year 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.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### Joint operations

The Company undertakes contracts jointly with other parties. These fall under the category of joint operations as defined by IFRS 11. In accordance with IFRS 11, the Company accounts for its own share of sales, profits, assets, liabilities and cash flows measured according to the terms of the agreements.

##### Investments

Investments in subsidiaries are measured at cost less accumulated impairment. The Company tests annually whether its investments have suffered any impairment. Any impairment identified is recognised as a loss on the income statement. Investment in subsidiaries that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Dividends on equity investments are recognised in income when receivable.

##### 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.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

##### 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
Land and buildings	10% straight line or life of lease if shorter
Other property, plant and equipment	Between 10% and 25% straight line

##### Intangible assets

Goodwill arising on the acquisition of a business 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 business 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 not subject to amortisation but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Other intangible assets which comprises intangible contract rights and internally generated software development costs are stated at cost less accumulated amortisation and impairment losses.

Internally generated intangible assets developed by the Company are recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Other expenditure is written off in the period in which it is incurred.

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Computer software development	5 years straight line
Intangible contract rights	Over the remaining contract life

##### Contract assets and liabilities

When the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, the amount of revenue associated with the transfer of goods or services is accrued and presented as a contract asset in the balance sheet (excluding any amounts presented as a receivable). A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Company transfers a good or service to the customer, the amount is presented as a contract liability on the balance sheet. A contract liability represents the Company's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

##### Inventories

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

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

##### 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 Company 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.

##### Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company doesn't have any recent independent third-party financing to use as a starting point for the incremental borrowing rate. Therefore, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, lease term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Any restoration costs.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company has elected to use the following recognition exemptions, as permitted by the standard:

- Leases of low-value items - The Company has defined low value items as assets that have a value when new of less than £5,000. Low value items comprise IT equipment and small items of plant.
- Short-term leases - Leases with a lease term of less than 12 months at inception.

For leases in the above categories, a lease liability or right-of-use asset is not recognised. Instead, the Company recognises the related lease payments as an expense on a straight-line basis over the lease term.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leased properties that meet the definition of investment properties are presented within 'investment properties' rather than 'right-of-use assets' on the balance sheet.

#### 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.

#### Defined benefit pension obligation

The Company makes contributions to local government defined benefit pension schemes in respect of certain employees who have transferred to the Group under TUPE transfer arrangements. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and consequently the pension costs for these schemes are treated as if they were defined contribution schemes.

#### Share based payments

Employees of the Company participate in Kier Group equity-settled, share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options) of Kier Group plc. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair values of the options granted are calculated using the Black Scholes option pricing model, with the exception of the total shareholder return element of the long term incentive plan which is calculated based on a stochastic model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The amount expensed is funded by means of a capital contribution from Kier Group plc which is credited directly to equity.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

##### Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. An assessment of whether a financial asset is impaired is made at least at each reporting date.

The principal financial assets and liabilities of the Company are as follows:

##### (a) Trade and other receivables and trade and other payables

The Company has allocated receivables and payables due within 12 months of the balance sheet date to current with the remainder included in non-current.

Trade and other receivables are recognised when the Company has a right to consideration that is unconditional (subject only to the passage of time before payment is due). Trade and other receivables do not carry interest and are stated at their initial cost reduced by appropriate allowances for expected credit losses.

Trade and other payables on normal terms are not interest bearing and are stated at their nominal value. Trade and other payables on extended terms, particularly in respect of land purchases, are discounted and recorded at their present value.

##### (b) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set off exists. Bank overdrafts are included within financial liabilities in current liabilities in the statement of financial position.

##### (c) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

##### (d) Loans to related parties

Loans to related parties are initially measured at fair value. Subsequent to initial measurement, loans to related parties are measured at amortised cost.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 2 Accounting policies (continued)

##### Impairment of financial assets

###### *Measurement of Expected Credit Losses*

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at amortised cost, namely:

- Trade and other receivables;
- Contract assets; and
- Loans to related parties.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

#### 3 Other accounting judgements and key sources of estimation uncertainty

To be able to prepare financial statements according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and various other assumptions that management and the Board of directors believe are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas requiring critical judgement that may significantly impact on the Company's earnings and financial position are as follows:

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 3 Other accounting judgements and key sources of estimation uncertainty (continued)

##### Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates. However, considerable headroom exists when comparing the carrying value of goodwill to the recoverable amount of the cash-generating units. Therefore, any reasonably possible change to the key assumptions is unlikely to give rise to a material impairment of goodwill.

##### Revenue recognition

On certain contracts the Company uses the percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the statement of financial position date as a percentage of total estimated costs for each contract. The Company also assesses whether work in progress is impaired, in doing so estimates are made of future sales revenue, timing and build costs. The Company has controls in place to ensure that estimates of sales revenue are consistent, and external valuations are used where appropriate.

The Company considers that any individual contract judgement or estimate would not have a material effect on the financial statements.

##### Deferred tax assets

Deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised. The key judgements in assessing the recoverability of the deferred tax asset relate to the taxable profit forecasts. These forecasts are based on the same Board-approved information used to support the going concern and goodwill impairment assessments. Having reviewed detailed profit forecasts, the directors consider that there is sufficient certainty of future profits to enable the recoverability of the deferred tax asset in full and therefore the deferred tax asset has been recognised in the financial statements. The deferred tax asset at the reporting date is disclosed in note 12.

#### 4 Revenue

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

	2024	2023
	£ 000	£ 000
Sale of goods	6,699	5,694
Rendering of services	577,942	558,194
	584,641	563,888

The analysis of the Company's revenue for the year by class of business is as follows:

	2024	2023
	£ 000	£ 000
Public Sector Services	39,315	83,828
Regulated Services	545,326	480,060
	584,641	563,888

Revenue is derived from activities carried out entirely within the United Kingdom.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 4 Revenue (continued)

When the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, the amount of revenue associated with the transfer of goods or services is accrued and presented as a contract asset in the balance sheet (excluding any amounts presented as a receivable). A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Company transfers a good or service to the customer, the amount is presented as a contract liability on the balance sheet. A contract liability represents the Company's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

#### Current assets and liabilities

	2024	2023
	£ 000	£ 000
Contract assets	62,697	91,220
Contract liabilities	<u>(1,401)</u>	<u>(16,401)</u>
Net unbilled contract assets	<u>61,296</u>	<u>74,819</u>

Contract assets have decreased by £28,523,000 in the year, which is mainly due to networks and telecoms contracts being exited.

#### Revenue recognised in the period from:

	2024	2023
	£ 000	£ 000
Amounts included in contract liability at the beginning of the period	<u>16,401</u>	<u>6,714</u>

#### 5 Operating loss

Arrived at after charging

	2024	2023
	£ 000	£ 000
Depreciation expense - property, plant and equipment	567	664
Depreciation on right of use assets - land and buildings	679	1,000
Depreciation on right of use assets - motor vehicles	2,011	2,930
Depreciation on right of use assets - plant and equipment	1,492	2,426
Amortisation expense - intangible assets	3,581	556
Amortisation charge - capitalised mobilisation costs	1,274	1,702
Expense on short-term leases and leases of low-value assets	<u>37,337</u>	<u>33,967</u>

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 6 Adjusting items

	Operating profit/(loss)		(Loss)/profit before tax	
	2024	2023	2024	2023
	£ 000	£ 000	£ 000	£ 000
Reported loss	(1,235)	(1,330)	(1,316)	(4,369)
Amortisation of acquired intangible assets	2,990	-	2,990	-
Costs associated with acquisitions	517	-	517	-
Restructuring and related charges	-	564	-	564
Adjusted profit/(loss)	<u>2,272</u>	<u>(766)</u>	<u>2,191</u>	<u>(3,805)</u>

During the year the Company incurred both amortisation of £2,990,000 (2023: £Nil) in respect of acquired intangible contract rights and £517,000 legal fees (2023: £Nil) relating to the Buckingham acquisition. During the prior year the Company incurred £2,033,000 of restructuring costs in relation to its Utilities business, offset by a credit of £1,469,000 in relation to restructuring in its Environmental business.

#### 7 Finance and investment income

	2024	2023
	£ 000	£ 000
Interest income on bank deposits	2,963	3,076
Dividend income	2,488	-
Interest received from group undertakings	<u>2,845</u>	<u>2,707</u>
	<u>8,296</u>	<u>5,783</u>

#### 8 Finance costs

	2024	2023
	£ 000	£ 000
Interest on bank overdrafts and borrowings	565	560
Interest paid to group undertakings	7,217	7,056
Interest expense on leases	463	469
Discount unwind	<u>132</u>	<u>737</u>
	<u>8,377</u>	<u>8,822</u>

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 9 Staff costs

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

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	108,768	108,163
Social security costs	10,990	10,932
Other pension costs	4,382	4,329
Share-based payment expenses	1,100	784
	125,240	124,208

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

	<b>2024</b>	<b>2023</b>
	<b>No.</b>	<b>No.</b>
Public sector services	278	504
Regulated sector services	1,852	1,890
	2,130	2,394

#### 10 Directors' remuneration

The directors' remuneration for the year was as follows:

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	888	474
Contributions paid to money purchase schemes	72	40
	960	514

Two directors (2023: one) were employed directly by the Company during the year. The other directors were remunerated through other Kier Group companies and any apportionment of their remuneration by time, in respect of performing their duties as directors of the Company, would be immaterial.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	<b>2024</b>	<b>2023</b>
	<b>No.</b>	<b>No.</b>
Exercised share options	2	1

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 10 Directors' remuneration (continued)

In respect of the highest paid director:

	2024 £ 000	2023 £ 000
Remuneration	590	474
Company contributions to money purchase pension schemes	45	40
	635	514

#### 11 Auditors' remuneration

The auditors' remuneration for the Company for the year was settled on its behalf by Kier Limited (a member of the Kier Group) and was not recharged to the Company.

#### 12 Income tax expense/(credit)

Tax expense/(credit) in the income statement

	2024 £ 000	2023 £ 000
<b>Current taxation</b>		
UK corporation tax	2,717	(224)
UK corporation tax adjustment to prior periods	(2,130)	(82)
	587	(306)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(2,025)	(226)
Arising from changes in tax rates and laws	-	214
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	1,852	11
Total deferred taxation	(173)	(1)
Tax expense/(credit) in the income statement	414	(307)

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 12 Income tax expense/(credit) (continued)

The tax expense for the year is higher than the standard rate of corporation tax in the UK (2023 - higher than the standard rate of corporation tax in the UK) of 25% (2023 - 20.5%).

The differences are reconciled below:

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Loss before tax	<u>(1,316)</u>	<u>(4,369)</u>
Corporation tax at standard rate	(329)	(896)
Decrease in current tax from adjustment for prior periods	(2,130)	(82)
Increase from effect of revenues exempt from taxation	(622)	(307)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	1,643	753
Deferred tax expense from unrecognised temporary difference from a prior period	1,852	11
Deferred tax expense relating to changes in tax rates or laws	<u>-</u>	<u>214</u>
Total tax charge/(credit)	<u>414</u>	<u>(307)</u>

The deferred tax balance as at the year end has been recognised at 25% (2023: 25%), which is the enacted corporation tax rate effective from 1 April 2023.

#### Deferred tax

##### Deferred tax assets

	<b>Asset</b>	<b>Liability</b>	<b>Net deferred tax</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>2024</b>			
Accelerated tax depreciation	2,963	-	2,963
Tax credits	3,940	-	3,940
Tax losses carry-forwards	<u>12,661</u>	<u>-</u>	<u>12,661</u>
	<u>19,564</u>	<u>-</u>	<u>19,564</u>

	<b>Asset</b>	<b>Liability</b>	<b>Net deferred tax</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>2023</b>			
Accelerated tax depreciation	3,888	-	3,888
Tax credits	2,842	-	2,842
Tax losses carry-forwards	<u>12,661</u>	<u>-</u>	<u>12,661</u>
	<u>19,391</u>	<u>-</u>	<u>19,391</u>

**Kier Integrated Services Limited**

**Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)**

**12 Income tax expense/(credit) (continued)**

Deferred tax movement during the year:

	At 1 July 2023 £ 000	Recognised in income £ 000	At 30 June 2024 £ 000
Accelerated tax depreciation	3,888	(925)	2,963
Tax credits	2,842	1,098	3,940
Tax losses carry-forwards	12,661	-	12,661
	<u>19,391</u>	<u>173</u>	<u>19,564</u>

Deferred tax movement during the prior year:

	At 1 July 2022 £ 000	Recognised in income £ 000	At 30 June 2023 £ 000
Accelerated tax depreciation	5,088	(1,200)	3,888
Tax credits	1,641	1,201	2,842
Tax losses carry-forwards	12,661	-	12,661
	<u>19,390</u>	<u>1</u>	<u>19,391</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Having reviewed detailed profit forecasts, the directors consider that there is sufficient certainty of future profits to enable the recoverability of the deferred tax asset in full and therefore the deferred tax asset has been recognised in the financial statements.

**Pillar Two legislation**

The Company has applied the temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as detailed in amendments to IAS 12 issued by the IASB in May 2023.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 13 Intangible assets

	Goodwill £ 000	Intangible contract rights £ 000	Internally generated software development costs £ 000	Total £ 000
<b>Cost</b>				
At 1 July 2023	44,863	-	4,540	49,403
Additions	-	-	1,598	1,598
Acquired through business combinations	3,388	4,412	-	7,800
Disposals	(8,454)	-	(55)	(8,509)
At 30 June 2024	<u>39,797</u>	<u>4,412</u>	<u>6,083</u>	<u>50,292</u>
<b>Accumulated amortisation and impairment</b>				
At 1 July 2023	27,392	-	2,776	30,168
Amortisation charge	-	2,990	591	3,581
Amortisation and impairment eliminated on disposals	(8,454)	-	(55)	(8,509)
At 30 June 2024	<u>18,938</u>	<u>2,990</u>	<u>3,312</u>	<u>25,240</u>
<b>Carrying amount</b>				
At 30 June 2024	<u>20,859</u>	<u>1,422</u>	<u>2,771</u>	<u>25,052</u>
At 30 June 2023	<u>17,471</u>	<u>-</u>	<u>1,764</u>	<u>19,235</u>

Amortisation of intangible assets is included within administrative expenses on the income statement.

Intangible assets acquired through business combinations were acquired as part of the acquisition of rail assets of the Buckingham Group. See note 25 for further details.

Goodwill disposals relate to fully impaired goodwill with a nil carrying amount in respect of dormant entities which are no longer trading.

#### **Impairment**

##### **Goodwill**

The annual impairment review carried out as at the balance sheet date indicated that none of the carrying values of goodwill required any further impairment.

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 14 Property, plant and equipment

	Land and buildings £ 000	Other property, plant and equipment £ 000	Total £ 000
<b>Cost</b>			
At 1 July 2023	751	6,375	7,126
Additions	-	946	946
Disposals	-	(7)	(7)
At 30 June 2024	<u>751</u>	<u>7,314</u>	<u>8,065</u>
<b>Accumulated depreciation</b>			
At 1 July 2023	126	3,065	3,191
Charge for the year	40	527	567
Eliminated on disposal	-	(7)	(7)
At 30 June 2024	<u>166</u>	<u>3,585</u>	<u>3,751</u>
<b>Carrying amount</b>			
At 30 June 2024	<u>585</u>	<u>3,729</u>	<u>4,314</u>
At 30 June 2023	<u>625</u>	<u>3,310</u>	<u>3,935</u>

#### 15 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Plant and equipment £ 000	Total £ 000
<b>Carrying amount</b>				
At 1 July 2022	1,730	4,477	573	6,780
Additions	940	3,055	6,139	10,134
Disposals	(15)	(697)	(2,062)	(2,774)
Depreciation charge for the year	(1,000)	(2,930)	(2,426)	(6,356)
Transfers to owned assets	-	-	(404)	(404)
At 30 June 2023	<u>1,655</u>	<u>3,905</u>	<u>1,820</u>	<u>7,380</u>
Additions	1,403	2,668	2,361	6,432
Disposals	(25)	(547)	(747)	(1,319)
Depreciation charge for the year	(679)	(2,011)	(1,492)	(4,182)
At 30 June 2024	<u>2,354</u>	<u>4,015</u>	<u>1,942</u>	<u>8,311</u>

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 16 Investments

Subsidiaries	£ 000
<b>Cost</b>	
At 1 July 2022	46,413
At 30 June 2023	<u>46,413</u>
At 30 June 2024	<u>46,413</u>
<b>Impairment</b>	
At 1 July 2022	30,928
Impairment	845
At 30 June 2023	<u>31,773</u>
Impairment	2,488
At 30 June 2024	<u>34,261</u>
<b>Carrying amount</b>	
At 30 June 2024	<u>12,152</u>
At 30 June 2023	<u>14,640</u>

During the year the Company reviewed the carrying value of its investments compared with their trading position and net assets and concluded that an impairment of the Company's investment in T Cartledge Limited of £2,488,000 was required (2023: impairment of the Company's investment in Kier Recycling CIC of £845,000 was required).

Details of the subsidiaries as at 30 June 2024 are as follows:

Name of subsidiary	Principal activity	Registered office <sup>1</sup>	Proportion of ownership interest and voting rights held	
			2024	2023
A C Chesters & Son Limited*	Dormant	2	100%	100%
FDT (Holdings) Ltd*	Dormant	2	100%	100%
FDT Associates Ltd	Dormant	2	100%	100%
Kier Recycling CIC*	Collection and sale of recyclable materials	2	100%	100%
T Cartledge Limited*	Dormant	2	100%	100%
T J Brent Limited*	Dormant	2	100%	100%

**Kier Integrated Services Limited**

**Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)**

**16 Investments (continued)**

Name of subsidiary	Principal activity	Registered office <sup>1</sup>	Proportion of ownership interest and voting rights held	
			2024	2023
TOR2 Limited*	Waste, recycling collections and highways maintenance	2	80.01%	80.01%
Turriff Contractors Limited	Dormant	1	100%	100%
Turriff Group Limited*	Dormant	1	100%	100%

\* indicates direct investment of the Company

<sup>1</sup> See list of registered office details below.

**Number Registered office address**

1 Campsie House, Buchanan Business Park, Cumbernauld Road, Stepps, Glasgow, Scotland, G33 6HZ, United Kingdom

2 2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP, United Kingdom

**Associates**

	£ 000
<b>Cost or valuation</b>	
At 1 July 2022	6
At 1 July 2023	6
At 30 June 2024	6
<b>Carrying amount</b>	
At 30 June 2024	6
At 30 June 2023	6

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 16 Investments (continued)

Details of the associates as at 30 June 2024 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2024	2023
Team Van Oord Limited *	Maintenance services in the utilities sector	Bankside House, Henfield Road, Small Dole, Henfield, West Sussex, BN5 9XQ United Kingdom	25%	25%

\* indicates direct investment of the Company

#### Joint operations

##### Kier BAM JV

The Company has a material joint operation, Kier BAM JV, in which it holds a 50% share in the ownership (2023 - 50%). The activities undertaken by this operation are maintenance services in the utilities sector. Its trading address is 2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP, United Kingdom.

##### Kier Clancy Docwra (KCD)

The Company has a material joint operation, Kier Clancy Docwra (KCD), in which it holds a 50% share in the ownership (2023 - 50%). The activities undertaken by this operation are maintenance services in the utilities sector. Its trading address is Thames Water Offices, Clear Water Court, Vastern Road, Reading, RG1 8DB, United Kingdom.

#### 17 Inventories

	2024	2023
	£ 000	£ 000
Raw materials, consumables, finished goods and goods for resale	<u>9,667</u>	<u>8,658</u>

The cost of inventories recognised as an expense in the year amounted to £66,719,000 (2023 - £49,509,000). This is included within cost of sales.

The carrying value of inventories is measured as the lower of cost and net realisable value and there has been no write down of inventory or provision recognised during the current or prior year.

**Kier Integrated Services Limited**

**Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)**

**18 Trade and other receivables**

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current</b>		
Trade receivables	12,205	20,771
Receivables from related parties	80,634	78,067
Prepayments	1,298	300
Other receivables	9,686	11
	<u>103,823</u>	<u>99,149</u>
<b>Non-current</b>	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Capitalised mobilisation costs	3,513	2,834
	<u>3,513</u>	<u>2,834</u>

Receivables from related parties are unsecured, repayable on demand and attract interest at a rate of between 0% and 4% per annum in both the current and prior year.

**19 Cash and cash equivalents**

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Cash at bank	<u>147,024</u>	<u>113,349</u>

Cash and cash equivalents include £6,207,000 (2023 - £1,133,000) being the Company's share of cash and cash equivalents held by joint operations.

**20 Trade and other payables**

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current</b>		
Trade payables	82,748	95,523
Accrued expenses	40,626	21,274
Amounts due to related parties	34,747	41,179
Social security and other taxes	16,876	13,917
Other payables	3,065	1,413
Total current trade and other payables	<u>178,062</u>	<u>173,306</u>
<b>Non-current</b>	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade payables	<u>3,889</u>	<u>4,995</u>

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 20 Trade and other payables (continued)

The following amounts are included within amounts due to related parties:

- loans from dormant or non-trading subsidiary companies totalling £13,818,000 (2023 - £16,306,000), which are unsecured, interest-free and repayable on demand.
- loans from other group companies totalling £12,679,000 (2023 - £12,247,000), which are unsecured, repayable on demand and attract interest at a rate varied by the group from time to time (4% for the current and preceding accounting periods).
- trading balances with fellow group companies totalling £8,250,000 (2023 - £11,240,000), which are unsecured, interest-free and repayable on demand.

#### 21 Loans and borrowings

	2024 £ 000	2023 £ 000
<b>Non-current loans and borrowings</b>		
Loans from related parties	-	67,492
	<u>          </u>	<u>          </u>
	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current loans and borrowings</b>		
Bank overdrafts	12,261	-
Loans from related parties	173,970	99,787
	<u>          </u>	<u>          </u>
	<u>186,231</u>	<u>99,787</u>

Current loans from related parties includes a loan of £103,778,000 (2023 - £99,787,000) from Kier Limited which was repayable on 30 June 2024. This loan was extended after the reporting date to 31 August 2029. Current loans from related parties also includes a loan of £70,192,000 (2023 - £67,492,000) from Kier Group plc which is repayable on 30 June 2025. This loan was presented in non-current loans from related parties in the prior year based on its repayment date. Both loans are unsecured and interest is fixed at 4% per annum.

#### 22 Lease liabilities

##### Leases included in liabilities

	2024 £ 000	2023 £ 000
Current	3,922	3,875
Non-current	4,650	3,588
	<u>          </u>	<u>          </u>
Total lease liability	<u>8,572</u>	<u>7,463</u>

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 22 Lease liabilities (continued)

##### Lease liabilities maturity analysis

Future minimum lease payments as at 30 June 2024 are as follows:

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Less than one year	4,360	4,170
One to two years	2,739	2,065
Two to three years	1,311	1,157
Three to four years	430	507
Four to five years	207	86
Over five years	<u>897</u>	<u>-</u>
Total gross payments	<u>9,444</u>	<u>7,985</u>
Impact of finance expenses	<u>(872)</u>	<u>(522)</u>
Carrying amount of liability	<u>8,572</u>	<u>7,463</u>
<b>Total cash outflows related to leases</b>		
	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Principal elements of lease payments	3,968	6,219
Interest	463	469
Short-term leases and leases of low-value assets	<u>37,337</u>	<u>33,967</u>
Total cash outflow	<u>41,768</u>	<u>40,655</u>

#### 23 Provisions

	<b>Warranties</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>
Increase through business combinations	3,248	3,248
Provisions used	<u>(828)</u>	<u>(828)</u>
At 30 June 2024	<u>2,420</u>	<u>2,420</u>
Non-current liabilities	<u>2,420</u>	<u>2,420</u>

#### 24 Called up share capital

##### Allotted, called up and fully paid shares

	<b>No.</b>	<b>2024</b>	<b>No.</b>	<b>2023</b>
		<b>£ 000</b>		<b>£ 000</b>
Ordinary shares of £1 each	<u>36,500,000</u>	<u>36,500</u>	<u>36,500,000</u>	<u>36,500</u>

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 25 Trade and assets acquisitions

On 4 September 2023, the Company acquired a portion of the rail assets of the Buckingham Group, primarily consisting of 135 employees and a number of customer contracts. The purchase has been accounted for as a business combination in accordance with IFRS 3. The final fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	2024 £ 000
<b>Assets and liabilities acquired</b>	
Intangible assets	4,412
Trade and other receivables	2,600
Trade and other payables	(1,600)
Provisions	<u>(3,248)</u>
Total identifiable assets and liabilities	<u>2,164</u>
Goodwill	<u>3,388</u>
Total consideration	<u>5,552</u>
<b>Satisfied by:</b>	
Cash	<u>5,552</u>
<b>Cash flow analysis:</b>	
Cash consideration	<u>5,552</u>

Adjustments to the acquired balance sheet primarily relate to intangible assets in relation to the contract along with the recognition of the necessary provisions.

The goodwill recognised includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business and the skills and experience of the assembled workforce. Goodwill also represents the opportunity for the Company to grow its business within the rail market.

The Buckingham acquisition contributed c.£71m to the Company's revenue for the period 5 September 2023 to 30 June 2024.

## **Kier Integrated Services Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)**

#### **26 Share-based payments**

##### **The Kier Group Savings Related Share Option Scheme ('Sharesave')**

###### **Scheme description**

Participation in the Kier Group plc 2006 Sharesave scheme is offered to all employees of the Company who have been employed for a continuous period determined by the Kier Group plc board of directors. Under the Sharesave contract participating employees save a regular sum each month for three years of not less than £5 and not more than £500 per month. Options to acquire ordinary shares in the capital of Kier Group plc were granted to eligible employees who entered into a Sharesave contract. The number of options granted were that number of shares which had an aggregate option price not exceeding the projected proceeds of the Sharesave contract. Options granted under the Sharesave scheme will normally lapse in the event an option holder ceases to remain an employee or officer of the Kier Group.

1,103,417 Sharesave options (2023 - 10,312) were exercised in the year by participants employed by the Company, with a weighted average share price at the date of exercise of 129.2p (2023 - 62.9p).

The options outstanding at 30 June 2024, held by employees of the Company, had exercise prices (adjusted for share issues) ranging from 55.0p to 96.0p (2023 - from 55.0p to 96.0p) and a weighted average remaining contractual life of 1.5 years (2023 - 1.6 years).

##### **The Kier Group Long Term Incentive Plan ('LTIP')**

###### **Scheme description**

The Group has a Long-Term Incentive Plan (LTIP) in which senior employees of the Company participate. Awards made under the LTIP scheme are normally able to vest following the third anniversary of the date of the grant. Vesting may be in full or in part (with the balance of the award lapsing) and is subject to the Group achieving specific performance targets. Awards under the LTIP are all equity settled by way of shares in Kier Group plc.

900,473 options (2023 - 675,918) were exercised under the LTIP during the year by participants employed by the Company, with a weighted average share price at date of exercise of 105.0p (2023 - 62.2p).

The options outstanding at 30 June 2024, held by employees of the Company, had exercise price of £Nil (2023 - £Nil) and a weighted average remaining contractual life of 1.4 years (2023 - 1.4 years).

#### **27 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 £4,382,000 (2023 - £4,329,000).

## Kier Integrated Services Limited

### Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)

#### 28 Contingent liabilities

The Company has given an unlimited guarantee, secured by fixed and floating charges over the Company's assets in respect of the borrowings from Bank of Scotland, of Kier Integrated Services (Holdings) Limited and that company's subsidiaries. At 30 June 2024 the net indebtedness of these companies for borrowings repayable on demand amounted to £Nil (2023 - £Nil).

The Company has given guarantees and indemnities in respect of performance bonds. At 30 June 2024, indemnities outstanding amounted to £45,000 (2023 - £45,000).

#### 29 Related party transactions

##### Loans to related parties

	<b>Subsidiary</b>
<b>2024</b>	<b>£ 000</b>
At start of year	2,800
Expenses recognised as bad debt	<u>(2,800)</u>
At end of year	<u>-</u>
	<b>Subsidiary</b>
<b>2023</b>	<b>£ 000</b>
At start of year	2,850
Repaid	<u>(50)</u>
At end of year	<u>2,800</u>

##### Terms of loans to related parties

Kier Integrated Services Limited made available a working capital loan facility to TOR2 Limited until 8th July 2020. TOR2 Limited had previously been able to draw down and repay loans at any time while the facility was available. The loan balance has been settled as part of the winding up process of TOR2 Limited.

The Company is applying FRS 101 and is therefore taking advantage of the exemption from the requirements within IAS 24 to disclose related party transactions entered into between two or more members of a group, where any subsidiary which is party to the transaction is wholly owned by such a member.

#### 30 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Integrated Services Group Limited.

The ultimate parent is Kier Group plc.

The most senior parent entity producing publicly available financial statements is Kier Group plc. These financial statements are available upon request from Companies House and [www.kier.co.uk](http://www.kier.co.uk).

The ultimate controlling party is Kier Group plc.

## **Kier Integrated Services Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2024 (continued)**

#### **30 Parent and ultimate parent undertaking (continued)**

##### **Relationship between entity and parents**

The parent of the largest and smallest group in which these financial statements are consolidated is Kier Group plc, incorporated in England and Wales.

The address of Kier Group plc is:

2nd Floor  
Optimum House  
Clippers Quay  
Salford  
M50 3XP

Further information on Kier Group plc can be obtained from [www.kier.co.uk](http://www.kier.co.uk).