Registration number: 01006026

McNicholas Construction (Holdings) Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2021

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McNicholas Construction (Holdings) Limited

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McNicholas Construction (Holdings) Limited

Company Information

Directors	B S McNicholas
	L Woodall
	B C Mendonca
Company secretary	J 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

McNicholas Construction (Holdings) Limited

Strategic Report for the Year Ended 30 June 2021

The directors present their strategic report for McNicholas Construction (Holdings) Limited (the "Company") for the year ended 30 June 2021.

Fair review of the business and future developments

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

The principal activity of the Company is that of a holding company for an infrastructure services provider which designs, builds and renews utilities for infrastructure owners, utility providers and developers.

The Company made a loss before tax in the year of £118,000 (2020: £142,000). The Company's net liabilities have decreased to £3.4m from £4.2m due to a net comprehensive income including an actuarial gain on the Company's defined benefit scheme in the year.

The Company is expected to continue as a non-trading holding company for the foreseeable future. Therefore, the directors do not use any specific KPIs to measure the performance of the Company.

Corporate responsibility

Please see the Environmental, Social and Governance report in the Kier Group plc 2021 Annual Report (pages 50 - 68 inclusive), which is available at www.kier.co.uk, for details of the Group's corporate responsibility activities. As a member of the Group, the Company has participated in these activities.

Stakeholders

Kier is committed to engaging with our people, our stakeholders and the communities in which we operate, and creating a healthy and sustainable culture. The Directors of the Company have had regard for the matters set out in section 172(1) (a) to (f) of the Companies Act when performing their duty under s172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business. The Company is a member of the Kier Group; engagement with its or the Group's key stakeholders, including employees, shareholders, Government, the supply chain, lenders, the environment and the communities in which the Group or the Company operates continues to be an integral part of the Board's decision-making.

The 2021 Annual Report of Kier Group plc (page 69) provides examples of how the Directors of Kier Group plc had regard to the matters set out in s172(1) (a) to (f) of the Companies Act 2006 during the year when performing their duty under section 172.

Principal risks and uncertainties

As a holding company of McNicholas Construction Services Limited, the principal risks and uncertainties of the Company, including financial risk and management, are consistent with the principal risks of McNicholas Construction Services Limited and are not managed separately.

The principal risks and uncertainties of McNicholas Construction Services Limited are disclosed on pages 3 to 7 of McNicholas Construction Services Limited's financial statements for the year ended 30 June 2021

Pension scheme risk

There is a risk that significant changes in financial market conditions could lead to volatility in the defined benefit obligation from year to year. In addition, the scheme's asset position may also be volatile as it will be influenced by changes in market conditions.

The scheme deficit is measured by the trustees for funding purposes on a triennial basis. An increase in the measured deficit can lead to an increase in the pension payments made by the Company as part of the deficit recovery plans agreed with the trustees. The future pension risk has also been significantly reduced by closing the defined benefit scheme to future accrual.

Approved by the Board on 17 December 2021 and signed on its behalf by:

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L Woodall
Director

McNicholas Construction (Holdings) Limited

Directors' Report for the Year Ended 30 June 2021

The directors of McNicholas Construction (Holdings) Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2021.

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:

B S McNicholas

T L Foreman (resigned 31 August 2020)

L Woodall (appointed 17 September 2020)

B C Mendonca (appointed 12 August 2021)

Financial Risk Management

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 objectives and financial risk management policies of the Company, are consistent with the Kier Group and are not managed separately. 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.

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. Without these, profit would reduce.

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.

The Company is not subject to material price or credit risks.

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

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 qualifying third party indemnity 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.

Dividends
No dividend was paid in the year (2020: none) and the directors do not recommend a final dividend in respect of the year.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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.

Directors' confirmations

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

- so far as the directors are 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.

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.

Going concern

These financial statements have been prepared on a going concern basis as the Company has received a letter of support from the directors of its ultimate parent undertaking, Kier Group plc, pledging the necessary support to enable the company to meet its liabilities and obligations as and when they fall due for a period of at least 12 months from the date of signing the financial statements.

Approved by the Board on 17 December 2021 and signed on its behalf by:

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L Woodall

Director

Independent Auditors' Report to the Members of McNicholas Construction (Holdings) Limited

Report on the audit of the financial statements

Opinion

In our opinion, McNicholas Construction (Holdings) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2021; the Income Statement, the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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

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

Based on 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 2021 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, 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.

Independent Auditors' Report to the Members of McNicholas Construction (Holdings) Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and UK data protection laws such as the Data Protection Act 2018, 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. 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 the posting of inappropriate journal entries and management bias in accounting estimates and judgemental areas. Audit procedures performed by the engagement team included:

- Discussions with management, over their consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Enquiry of entity staff in tax compliance functions to identify any instances of non-compliance with laws and regulations;
- Understanding and evaluating management's controls designed to prevent and detect irregularities;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Reviewing legal expenses and invoices for potential instances of non-compliance or litigation and claims;
- Identifying and testing journal entries meeting certain risk criteria, in particular any journal entries posted with unusual account combinations and journal entries containing unusual words;
- Challenging assumptions made by management in relation to areas of judgment and significant accounting estimates; 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. 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.

Independent Auditors' Report to the Members of McNicholas Construction (Holdings) Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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.

Diane Walmsley

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Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 December 2021

McNicholas Construction (Holdings) Limited

Income Statement for the Year Ended 30 June 2021

	Note	Year ended 30 June 2021 £ 000	Year ended 30 June 2020 £ 000
Administrative expenses		(4)	-
Operating loss		(4)	-
Finance costs	4	(114)	(142)
Loss before taxation		(118)	(142)
Tax credit on loss	8	418	123
Profit/(loss) for the financial year		300	(19)

The above results were derived from continuing operations.

McNicholas Construction (Holdings) Limited

Statement of Comprehensive Income for the Year Ended 30 June 2021

	Note	Year ended 30 June 2021 £ 000	Year ended 30 June 2020 £ 000
Profit/(loss) for the financial year		300	(19)
Items that will not be reclassified subsequently to profit or loss			
Receipts/(payments) for group relief		223	-
Actuarial gains/(losses) on defined benefit pension scheme	15	77	(2,022)
Deferred tax credit on actuarial losses	8	151	422
Other Comprehensive Income		451	(1,600)
Total comprehensive income/(expense) for the year		751	(1,619)

The notes on pages 14 to 27 form an integral part of these financial statements.

McNicholas Construction (Holdings) Limited

(Registration number: 01006026)
Statement of Financial Position as at 30 June 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Investments	9	36,000	36,000
Deferred tax assets	8	2,628	1,925
		38,628	37,925
Current assets			
Trade and other receivables	10	626	663
Cash and cash equivalents	11	-	2
		626	665
Total assets		39,254	38,590
Current liabilities			
Loans and borrowings	13	(1,048)	-
Non-current liabilities			
Trade and other payables	12	(35,000)	(35,000)
Retirement benefit obligations	15	(6,603)	(7,738)
Total liabilities		(42,651)	(42,738)
Net liabilities		(3,397)	(4,148)
Equity			
Called up share capital	14	359	359
Capital redemption reserve		233	233
Accumulated losses		(3,989)	(4,740)
Total equity		(3,397)	(4,148)

The financial statements on pages 10 to 27 were approved by the Board of Directors on 17 December 2021 and signed on its behalf by:

....

L Woodall
Director

McNicholas Construction (Holdings) Limited

Statement of Changes in Equity for the Year Ended 30 June 2021

	Called up share capital £ 000	Capital redemption reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2019	359	233	(3,121)	(2,529)
Loss for the financial year	-	-	(19)	(19)
Other comprehensive expense	-	-	(1,600)	(1,600)
Total comprehensive expense for the year	-	-	(1,619)	(1,619)
At 30 June 2020	359	233	(4,740)	(4,148)

	Called up share capital £ 000	Capital redemption reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2020	359	233	(4,740)	(4,148)
Profit for the financial year	-	-	300	300
Other comprehensive income	-	-	451	451
Total comprehensive income for the year	-	-	751	751
At 30 June 2021	359	233	(3,989)	(3,397)

1 General information

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

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 Reduced Disclosure Framework and with the Companies Act 2006, applicable to companies using FRS 101.
The financial statements have been prepared on the historical cost basis except for defined benefit pension plans which are stated at their fair value.

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

Summary of disclosure exemptions
In these financial statements, the company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payment, business combinations, non-current assets held for sale, financial instruments, fair value measurements, capital management, revenue from contracts with customers, presentation of comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment property, presentation of a cash-flow statement, the effects of new standards not yet effective, impairment of assets and disclosures in respect of the compensation of key management personnel and of transactions with a management entity that provides key management personnel services to the company.

Going concern
These financial statements have been prepared on a going concern basis as the Company has received a letter of support from the directors of its ultimate parent undertaking, Kier Group plc, pledging the necessary support to enable the company to meet its liabilities and obligations as and when they fall due for a period of at least 12 months from the date of signing the financial statements.

2 Accounting policies (continued)

Changes in accounting policy

The following new amendments to standards are effective for the financial year ended 30 June 2021 onwards:

• Amendments to IFRS 3 'Business Combinations' on the definition of a business

• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies' on the definition of material

• Amendments to IFRS 9, IAS 39 and IFRS 7 (financial instruments standards) on interest rate benchmark reform

• Amendments to IFRS 16 'Leases' for COVID-19 related rent concessions

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

Tax

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

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

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

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

Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment in the individual financial statements.

Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Cash and cash equivalents

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

2 Accounting policies (continued)

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

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

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

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

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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 benefit pension obligation
The company operates a defined benefit pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2020.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. Deferred tax on the net surplus or deficit is included as a non-current asset in the balance sheet. A net surplus is recognised only to the extent that it is recoverable.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

2 Accounting policies (continued)

Finance costs
Finance costs arise on the defined benefit pension scheme and represents the interest charged on the scheme liabilities less the interest earned on the scheme assets.

Exemption from preparing group financial statements
The financial statements contain information about McNicholas Construction (Holdings) 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 ultimate parent, Kier Group plc, a company incorporated in England and Wales.

3 Critical 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 judgements and estimations that may significantly impact on the Company's earnings and financial position area as follows:

Deferred tax
The deferred tax balance as at the year end has been recognised at 25% which is the enacted corporation tax rate that will be effective from 1 April 2023. Judgement is required in determining the overall provision for income taxes. Deferred tax liabilities are generally provided for in full and 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. In particular, the Company has exercised judgement in recognising a deferred tax asset of £2.6m in respect of tax losses. Based on the Kier Group's forecasts, it is considered probable that this will be utilised over a reasonable time frame.

Defined benefit pension obligation
The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Details of the assumptions used and sensitivity to changes in these assumptions are included in note 15.

4 Finance costs

	Year ended 30 June 2021 £ 000	Year ended 30 June 2020 £ 000
Net interest payable on pension scheme	114	142

5 Staff costs

The Company had no employees during the current or prior year.

6 Directors' remuneration

None of the directors are employed directly by the Company (2020; None). The directors are remunerated through other Kier Group companies. Any apportionment of their remuneration by time, in respect of performing their duties as directors of the company, would be immaterial.

7 Auditors' remuneration

The audit fees in the current year were paid on the Company's behalf by Kier Limited. The amount attributable to the Company is approximately £25,000 (2020: £5,000).

8 Tax on loss

Tax credit in the income statement

	Year ended 30 June 2021 £ 000	Year ended 30 June 2020 £ 000
Current taxation		
UK corporation tax	133	233
Deferred taxation		
Arising from origination and reversal of temporary differences	(22)	(27)
Arising from changes in tax rates and laws	(242)	(122)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(287)	(207)
Total deferred taxation	(551)	(356)
Tax credit in the income statement	(418)	(123)

8 Tax on loss (continued)

The tax credit on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2020 higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	Year ended 30 June 2021 £ 000	Year ended 30 June 2020 £ 000
Loss before taxation	(118)	(142)
Corporation tax at standard rate (19%)	(22)	(27)
Increase in current tax from adjustment for prior periods	133	233
Deferred tax credit from unrecognised temporary difference from a prior period	(287)	(207)
Deferred tax credit relating to changes in tax rates or laws	(242)	(122)
Total tax credit	(418)	(123)

The deferred tax balance as at the year end has been recognised at 25% (2020: 19%) which is the enacted corporation tax rate effective from 1 April 2021.

Changes to the UK corporation tax rate were substantively enacted as part of Finance Bill 2021 where it was announced that the tax rates for 1 April 2023 would increase to 25%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Amounts recognised in other comprehensive income/(expenses)

		2021	
	Before tax £ 000	Tax benefit £ 000	Net of tax £ 000
Payments/(receipts) of group relief	-	223	223
Remeasurements of post employment benefit obligations	77	151	228
	77	374	451

		2020	
	Before tax £ 000	Tax (expense) £ 000	Net of tax £ 000
Payments/(receipts) of group relief	-	-	-
Remeasurements of post employment benefit obligations	(2,022)	422	(1,600)
	(2,022)	422	(1,600)

8 Tax on loss (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 July 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2021 £ 000
Pension benefit obligations	1,470	30	151	1,651
Tax losses carry-forwards	455	522	-	977
Net tax assets/(liabilities)	1,925	551	151	2,628

Deferred tax movement during the prior year:

	At 1 July 2019 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2020 £ 000
Pension benefit obligations	1,147	(99)	422	1,470
Tax losses carry-forwards	-	455	-	455
Net tax assets/(liabilities)	1,147	356	422	1,925

The Directors consider that there is sufficient certainty of future profits within the Kier Group to enable the recoverability of the deferred tax asset in full and therefore the asset has been recognised in the financial statements.

9 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 July 2020	36,030
At 30 June 2021	36,030
Provision	
At 1 July 2020	30
At 30 June 2021	30
Carrying amount	
At 30 June 2021	36,000
At 30 June 2020	36,000

Details of the subsidiaries as at 30 June 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
McNicholas Construction Services Limited	Utility & Civils Contractor	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP England and Wales	100%	100%
Leyden Transport Limited	Dissolved	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP England and Wales	0%	100%

Leyden Transport Limited was dissolved on 19 August 2020.

10 Trade and other receivables

	2021 £ 000	2020 £ 000
Receivables from related parties	536	662
Other receivables	90	1
Total current trade and other receivables	626	663

Receivables from related parties of £536,000 (2020: £662,000) are on call, non interest bearing and there are no specific securities held in relation to these balances.

11 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Cash at bank	-	2
Bank overdrafts	(1,048)	-
Cash and cash equivalents in statement of cash flows	(1,048)	2

12 Trade and other payables

	2021 £ 000	2020 £ 000
Non-current		
Amounts due to related parties	35,000	35,000

Non-current amounts due to related parties consists of a loan from McNicholas Construction Services Limited. The loan is unsecured, interest free and repayable on demand.

13 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Bank overdrafts	1,048	-

14 Share capital

Authorised, issued and fully paid ordinary shares

	2021 No.	2021 £ 000	2020 No.	2020 £ 000
Authorised, issued and fully paid ordinary shares of £1 each	359,009	359	359,009	359

15 Retirement benefit obligations

Defined benefit pension schemes

McNicholas Construction (Holdings) Limited Pension Scheme

The Company operates a final salary defined benefit pension scheme. The assets of the scheme are held in trust separate from the assets of the Company.

The scheme was established under UK trust law and has a corporate trustee that is required to run the schemes in accordance with the schemes' Trust Deed and Rules and to comply with all relevant legislation. Responsibility for the governance of the schemes lies with the trustees.

15 Retirement benefit obligations (continued)

The trustees are responsible for decisions and holding the assets, and delegate day-to-day decisions to independent professional investment managers.

The scheme is closed to new members and was closed to future accrual for existing members on 30 April 2012. Hence, there are no active members of the scheme and therefore no contributions were required for future service benefit accrual.

The scheme was most recently valued on 31 March 2020. At the valuation date, the assets the pension scheme were less than the respective technical provisions and therefore the scheme was in deficit.

In June 2021 the Company agreed a revised deficit recovery plan with the trustees of the scheme. Under the agreed payment plan the Company will pay contributions of £1,176,000 per annum, ending in September 2025 when the funding shortfall is expected to be eliminated. All expenses of the scheme, including the PPF levies, are payable by the Company.

The expected contributions to the plan for the next reporting period are £1,176,000.

The assets, liabilities and net pension liabilities for the defined benefit arrangements are shown below. The assets are invested with professional investment managers and are measured based on quoted market valuations at the balance sheet date.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	26,267	27,477
Present value of scheme liabilities	(32,870)	(35,215)
Defined benefit pension scheme deficit	(6,603)	(7,738)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Fair value at start of year	27,477	26,049
Return on plan assets, excluding amounts included in interest income	426	583
Actuarial gains and losses arising from changes in demographic assumptions	28	2,266
Employer contributions	1,176	1,176
Benefits paid	(2,840)	(2,597)
Fair value at end of year	26,267	27,477

Analysis of assets

The major categories of scheme assets are as follows:

15 Retirement benefit obligations (continued)

	2021 £ 000	2020 £ 000
Corporate bonds	5,818	19,846
Cash and cash equivalents	237	398
Property	121	115
Multi-asset	20,091	7,118
	26,267	27,477

Actual return on scheme's assets

	2021 £ 000	2020 £ 000
Actual return on scheme assets	454	2,849

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2021 £ 000	2020 £ 000
Present value at start of year	35,215	32,799
Past service cost	4	-
Actuarial losses arising from changes in demographic assumptions	980	586
Actuarial (gains)/losses arising from changes in financial assumptions	(871)	3,766
Actuarial gains arising from experience adjustments	(158)	(64)
Interest cost	540	725
Benefits paid	(2,840)	(2,597)
Present value at end of year	32,870	35,215

Risk Exposure

There is a risk that significant changes in financial market conditions could lead to volatility in the defined benefit obligation from year to year. In addition, the scheme's asset position may also be volatile as it will be influenced by changes in market conditions.

The scheme deficit is measured by the trustees for funding purposes on a triennial basis. An increase in the measured deficit can lead to an increase in the pension payments made by the Company as part of the deficit recovery plans agreed with the trustees.

The future pension risk has been significantly reduced by closing the defined benefit scheme to future accrual in April 2012.

15 Retirement benefit obligations (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2021 %	2020 %
Discount rate	1.90	1.60
Pension increases in deferment	2.60	1.95
Inflation (RPI)	3.15	2.85
Rate of increase in pensions payments liable for limited price indexation - RPI (min 3%, max 5%)	3.60	3.50

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	26.80	26.50
Current UK pensioners at retirement age - female	29.40	28.60
Future UK pensioners at retirement age - male	28.30	28.00
Future UK pensioners at retirement age - female	30.80	30.20

The mortality assumptions above assume a retirement age of 60 years (2020: 60 years).

Amounts recognised in the income statement

	Year ended 30 June 2021 £ 000	Year ended 30 June 2020 £ 000
Amounts recognised in operating loss		
Administrative expenses paid	(4)	-
Amounts recognised in finance income or costs		
Interest on obligations	(540)	(725)
Interest income on plan assets	426	583
Recognised in finance cost	(114)	(142)
Total recognised in the income statement	(118)	(142)

15 Retirement benefit obligations (continued)

Amounts taken to the Statement of Comprehensive Income

	2021 £ 000	2020 £ 000
Actuarial (losses)/gains arising from changes in demographic assumptions	(980)	(586)
Actuarial gains/(losses) arising from changes in financial assumptions	871	(3,766)
Actuarial gains arising from experience adjustments	158	64
Return on plan assets, excluding amounts included in interest income	28	2,266
Amounts recognised in the Statement of Comprehensive Income	77	(2,022)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2021		2020	
Adjustment to discount rate	**+ 0.25% £ 000**	**- 0.25% £ 000**	**+ 0.25% £ 000**	**- 0.25% £ 000**
Decrease/(increase) in present value of total obligation	1,400	(1,500)	1,500	(1,600)

	2021		2020	
Adjustment to rate of inflation	**+ 0.25% £ 000**	**- 0.25% £ 000**	**+ 0.25% £ 000**	**- 0.25% £ 000**
(Increase)/decrease in present value of total obligation	(440)	420	(540)	580

	2021		2020	
Members assumed to be one year older/younger in age	**+ 1 Year £ 000**	**- 1 Year £ 000**	**+ 1 Year £ 000**	**- 1 Year £ 000**
Decrease/(increase) in present value of total obligation	1,600	(1,600)	1,500	(1,500)

16 Parent and ultimate parent undertaking

The Company's immediate parent is Kier Limited.

The ultimate parent and controlling party 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 or www.kier.co.uk

16 Parent and ultimate parent undertaking (continued)

Relationship between entity and parents

The parent of the largest 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

The parent of the 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