Registration number: 01006026

McNicholas Construction (Holdings) Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2023

McNicholas Construction (Holdings) Limited

Contents

McNicholas Construction (Holdings) Limited

Company Information

Directors	B Mendonca
	A Bradshaw
	P Jackson
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

Strategic Report for the Year Ended 30 June 2023

The directors present their strategic report for McNicholas Construction (Holdings) Limited (the "Company") for the year ended 30 June 2023.

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 £307,000 (2022: profit of £264,000). The Company's net liabilities have increased to £1,566,000 from £1,204,000 due to a net loss 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 ('ESG') report 'Building for a sustainable world' in the Kier Group plc 2023 Annual Report (pages 42 to 61 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
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.

Employees, customers, shareholders, supply chain partners, banks, lenders, sureties and insurers, pension trustees, joint venture partners and the UK government are all key stakeholders for the Group. As part of the decision-making process, Kier looks at how it will potentially impact its stakeholders. Engagement with stakeholders is seen as key to the delivery of Kier's purpose and strategy and therefore its long-term sustainable success. Read more on our engagement with key stakeholders in the Kier Group plc 2023 Annual Report on pages 70 to 73.

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 2023

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 18 December 2023 and signed on its behalf by:

Paul Jackson
....
P Jackson
Director

McNicholas Construction (Holdings) Limited

Directors' Report for the Year Ended 30 June 2023

The directors of McNicholas Construction (Holdings) Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2023.

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 Mendonca

A Bradshaw

C Thomas (resigned 31 March 2023)

P Jackson (appointed 1 April 2023)

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 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 (2022: none) and the directors do not recommend a final dividend in respect of the year.

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.

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.

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 18 December 2023 and signed on its behalf by:

Paul Jackson
....
P Jackson
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 2023 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 2023; 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.

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 2023 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 data protection legislation and anti-bribery and corruption legislation, 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 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 the manipulation of financial statement line items through manual journal postings and the use of inappropriate assumptions or management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, Internal Audit and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or journals posted containing unusual words in the account descriptions;
- Reviewing board minutes and details of legal expenses incurred in the year;
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation; and
- Challenging assumptions and judgements made by management in relation to areas of judgement and significant accounting estimates.

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.

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

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 December 2023

McNicholas Construction (Holdings) Limited

Income Statement for the Year Ended 30 June 2023

	Note	2023 £ 000	2022 £ 000
Other operating income		-	460
Operating profit		-	460
Finance costs	4	(307)	(196)
(Loss)/profit before taxation		(307)	264
Income tax credit/(expense)	8	66	(70)
(Loss)/profit for the financial year		(241)	194

The above results were derived from continuing operations.

McNicholas Construction (Holdings) Limited

Statement of Comprehensive Income for the Year Ended 30 June 2023

	Note	2023 £ 000	2022 £ 000
(Loss)/profit for the financial year		(241)	194
Items that will not be reclassified subsequently to profit or loss			
Corporation Tax Credit on Pension Contributions		241	223
Actuarial (losses)/gains on defined benefit pension scheme	14	(91)	2,760
Deferred tax expense on actuarial (losses)/gains	8	(271)	(984)
Other comprehensive (expense)/income		(121)	1,999
Total comprehensive (expense)/income for the year		(362)	2,193

The notes on pages 14 to 28 form an integral part of these financial statements.

McNicholas Construction (Holdings) Limited

(Registration number: 01006026)
Statement of Financial Position as at 30 June 2023

	Note	2023 £ 000	2022 £ 000
Non-current assets			
Deferred tax assets	8	1,303	1,557
Investments	9	36,000	36,000
		37,303	37,557
Current assets			
Trade and other receivables	10	9,725	2,777
Income tax asset		753	463
		10,478	3,240
Total assets		47,781	40,797
Current liabilities			
Trade and other payables		-	(322)
Loans and borrowings	12	(13,043)	(4,358)
		(13,043)	(4,680)
Non-current liabilities			
Trade and other payables	11	(35,000)	(35,000)
Retirement benefit obligations	14	(1,304)	(2,321)
		(36,304)	(37,321)
Total liabilities		(49,347)	(42,001)
Net liabilities		(1,566)	(1,204)
Equity			
Called up share capital	13	359	359
Capital redemption reserve		233	233
Accumulated losses		(2,158)	(1,796)
Total equity		(1,566)	(1,204)

The financial statements on pages 10 to 28 were approved by the Board of Directors on 18 December 2023 and signed on its behalf by:

Paul Jackson
....
P Jackson
Director

McNicholas Construction (Holdings) Limited

Statement of Changes in Equity for the Year Ended 30 June 2023

	Called up share capital £ 000	Capital redemption reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2021	359	233	(3,989)	(3,397)
Profit for the financial year	-	-	194	194
Other comprehensive income	-	-	1,999	1,999
Total comprehensive income for the year	-	-	2,193	2,193
At 30 June 2022	359	233	(1,796)	(1,204)

	Called up share capital £ 000	Capital redemption reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2022	359	233	(1,796)	(1,204)
Loss for the financial year	-	-	(241)	(241)
Other comprehensive expense	-	-	(121)	(121)
Total comprehensive expense for the year	-	-	(362)	(362)
At 30 June 2023	359	233	(2,158)	(1,566)

The notes on pages 14 to 28 form an integral part of these financial statements.

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, 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, 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
The financial statements have been prepared on a going concern basis. The Company's ability to continue as a going concern is reliant on the Kier Group. The Directors have received written confirmation that Kier Group plc will provide continuous financial support to the Company for a period of not less than one year 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 in preparing these financial statements.

Changes in accounting policy
The following amendments to standards are effective for the financial year ended 30 June 2023 onwards:
• Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (published May 2020).

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

2 Accounting policies (continued)

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. The Company tests annually whether its investments have suffered any impairment.

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.

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.

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 receivables and trade 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.

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

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

Amounts owing under supply chain finance arrangements are included within trade payables rather than bank debt. The purpose of supply chain finance is purely to grant subcontractors and suppliers access to credit and improve their cashflows. There have been no changes to the underlying terms of the supply chain finance arrangements.

2 Accounting policies (continued)

The designation in trade payables is due to the assignment of invoice rather than a novation, the Company acting as an agent with fees related to supply chain finance being borne by the supplier and the final payment date to the bank being set by the Company with interest accrued for any late payments.

(b) Cash and cash equivalents
Cash and cash equivalents 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 balance sheet.

(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.

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.

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 £1.3m (2022: £1.6m) 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. Any changes in these assumptions will impact the carrying amount of pension obligations.

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Company:
– expected return on plan assets;
– inflation rate;
– mortality; and
– discount rate;

Details of the assumptions used and sensitivity to changes in these assumptions are included in note 14.

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

Valuation of investments

The Company tests annually whether its investments have suffered any impairment. The recoverable amounts of subsidiaries are determined based on value in use calculations. These calculations require the use of estimates.

A key judgement in assessing the recoverability of the investment is whether management take a strategic decision in the future to bid for new contracts and renew existing contracts in Other Group Companies. The decision to bid for new contracts and renew existing contracts may result in a material impairment in the investment value.

The investment valuation in McNicholas Construction Services Limited is also sensitive to the discount rate. A discount rate of 13.1% has been used (2022: 9.0%). An increase in the discount rate of 1.0% would reduce the value in use by £0.3m.

The Directors have determined that the investment value is not particularly sensitive to any other changes in the assumptions used in the value in use calculations. Any reasonable adjustment to any of the other assumptions, would not result in an impairment of the investments.

When comparing the book value of the investments with their recoverable amounts, the Directors have determined that the investment value would not result in an impairment.

4 Finance costs

	Year ended 30 June 2023 £ 000	Year ended 30 June 2022 £ 000
Interest on bank overdrafts and borrowings	239	82
Net interest payable on pension scheme	68	114
	307	196

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 (2022: 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 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.

8 Income tax (credit)/expense

Tax (credit)/expense in the income statement

	Year ended 30 June 2023 £ 000	Year ended 30 June 2022 £ 000
Current taxation		
UK corporation tax	(49)	(16)
UK corporation tax adjustment to prior periods	-	(1)
	(49)	(17)
Deferred taxation		
Arising from origination and reversal of temporary differences	(14)	66
Arising from changes in tax rates and laws	(3)	21
Total deferred taxation	(17)	87
Tax (credit)/expense in the income statement	(66)	70

8 Income tax (credit)/expense (continued)

The tax credit on (loss)/profit before tax for the year is higher than the standard rate of corporation tax in the UK (2022: tax expense higher than the standard rate of corporation tax in the UK) of 20.5% (2022: 19%).

The differences are reconciled below:

	Year ended 30 June 2023 £ 000	Year ended 30 June 2022 £ 000
(Loss)/profit before tax	(307)	264
Corporation tax at standard rate	(63)	50
Decrease in current tax from adjustment for prior periods	-	(1)
Deferred tax (credit)/expense relating to changes in tax rates or laws	(3)	21
Total tax (credit)/expense	(66)	70

The deferred tax balance as at the year-end has been recognised at 25% (2022: 25%) which is the enacted corporation tax rate effective from 1 April 2023.

Amounts recognised in other comprehensive (expense)/income

2023	Before tax £ 000	Tax credit/(expense) £ 000	Net of tax £ 000
Corporation Tax Credit on Pension Contributions	-	241	241
Remeasurements of post employment benefit obligations	(91)	(271)	(362)
	(91)	(30)	(121)

2022	Before tax £ 000	Tax credit/(expense) £ 000	Net of tax £ 000
Corporation Tax Credit on Pension Contributions	-	223	223
Remeasurements of post employment benefit obligations	2,760	(984)	1,776
	2,760	(761)	1,999

8 Income tax (credit)/expense (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 July 2022 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2023 £ 000
Pension benefit obligations	580	17	(271)	326
Tax losses carry-forwards	977	-	-	977
	1,557	17	(271)	1,303

Deferred tax movement during the prior year:

	At 1 July 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2022 £ 000
Pension benefit obligations	1,651	(86)	(984)	580
Tax losses carry-forwards	977	-	-	977
	2,628	(86)	(984)	1,557

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 2021	36,000
At 30 June 2022	36,000
At 30 June 2023	36,000
Carrying amount	
At 30 June 2023	36,000
At 30 June 2022	36,000

Details of the subsidiaries as at 30 June 2023 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2023	2022
McNicholas Construction Services Limited	Utility & Civils Contractor	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP England and Wales	100%	100%

10 Trade and other receivables

	2023 £ 000	2022 £ 000
Receivables from related parties	9,725	2,777

Receivables from related parties of £9,725,000 (2022: £2,777,000) are on call, non interest bearing and there are no specific securities held in relation to these balances.

11 Trade and other payables

	2023 £ 000	2022 £ 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.

12 Loans and borrowings

	2023 £ 000	2022 £ 000
Current loans and borrowings		
Bank overdrafts	(13,043)	(4,358)

13 Called up share capital

Authorised, issued and fully paid ordinary shares

	No.	2023 £ 000	No.	2022 £ 000
Authorised, issued and fully paid ordinary shares of £1 each	359,009	359	359,009	359

14 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 scheme in accordance with the scheme's Trust Deed and Rules and to comply with all relevant legislation. Responsibility for the governance of the schemes lies with the trustee.

The trustee is 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 most recent triennial valuation of the McNicholas scheme was carried out by the Trustees' independent actuaries as at 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. Consequently, a deficit recovery plan has been agreed with the Trustee. The triennial valuation as at 31 March 2023 has not yet been finalised.

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 Kier Group.

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

14 Retirement benefit obligations (continued)

During the prior year, the Group launched a member options exercise, offering a Pension Increase Exchange ('PIE') to members of the McNicholas pension scheme, in order to provide more flexibility and choice for members, reduce risk, and reduce cost in the Group's defined benefit pension schemes. The offering included a bulk PIE exercise, offering members who are already drawing a pension a one-off increase in pension in lieu of future annual increases on part of their pension and the introduction of a PIE option at the point of retirement. The terms are such that the IAS 19 pension liabilities are reduced if pensioners take up the PIE option. A combined gain, based on an assumed rate of take-up for both the bulk PIE exercise and the introduction of the at retirement option, of £460,000 was recognised as a past service gain in the year to 30 June 2022.

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:

	2023 £ 000	2022 £ 000
Fair value of scheme assets	18,636	21,171
PresentValue	(19,940)	(23,492)
Defined benefit pension scheme deficit	(1,304)	(2,321)

Scheme assets

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

	2023 £ 000	2022 £ 000
Fair value at start of year	21,171	26,267
Interest income	832	503
Return on plan assets, excluding amounts included in interest expense	(3,773)	(6,129)
Employer contributions	1,176	1,176
Benefits paid	(770)	(646)
Fair value at end of year	18,636	21,171

Analysis of assets

The major categories of scheme assets are as follows:

	2023 £ 000	2022 £ 000
Corporate bonds	15,474	17,255
Cash and cash equivalents	397	124
Property	93	105
Multi-asset	2,672	3,687
	18,636	21,171

14 Retirement benefit obligations (continued)

Actual return on scheme's assets

	2023 £ 000	2022 £ 000
Actual return on scheme assets	(2,941)	(5,626)

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:

	2023 £ 000	2022 £ 000
Present value at start of year	23,492	32,870
Past service (gain)/loss	-	(460)
Actuarial gains arising from changes in demographic assumptions	(359)	(33)
Actuarial gains arising from changes in financial assumptions	(4,656)	(8,989)
Actuarial losses arising from experience adjustments	1,333	133
Interest cost	900	617
Benefits paid	(770)	(646)
Present value at end of year	19,940	23,492

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 trustee 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 trustee.

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

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:

14 Retirement benefit obligations (continued)

	2023 %	2022 %
Discount rate	5.30	3.90
Pension increases in deferment	2.30	2.65
Inflation (RPI)	3.20	3.15
Rate of increase in pensions payments liable for limited price indexation - RPI (min 3%, max 5%)	3.80	3.60

Post retirement mortality assumptions

	2023 Years	2022 Years
Current UK pensioners at retirement age - male	26.40	26.80
Current UK pensioners at retirement age - female	29.20	29.40
Future UK pensioners at retirement age - male	27.90	28.30
Future UK pensioners at retirement age - female	30.70	30.90

The mortality assumptions above assume a retirement age of 60 years (2022: 60 years).

Amounts recognised in the income statement

	2023 £ 000	2022 £ 000
Amounts recognised in operating profit		
Past service gain	-	460
Amounts recognised in finance costs		
Interest on obligations	(900)	(617)
Interest income on plan assets	832	503
Recognised in finance cost	(68)	(114)
Total recognised in the income statement	(68)	346

14 Retirement benefit obligations (continued)

Amounts taken to the Statement of Comprehensive Income

	2023 £ 000	2022 £ 000
Actuarial gains arising from changes in demographic assumptions	359	33
Actuarial gains arising from changes in financial assumptions	4,656	8,989
Actuarial losses arising from experience adjustments	(1,333)	(133)
Return on plan assets, excluding amounts included in interest expense	(3,773)	(6,129)
Amounts recognised in the Statement of Comprehensive Income	(91)	2,760

Sensitivity analysis

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

	2023		2022	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to discount rate	£ 000	£ 000	£ 000	£ 000
Decrease/(increase) in present value of total obligation	600	(700)	870	(920)

	2023		2022	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to rate of inflation	£ 000	£ 000	£ 000	£ 000
(Increase)/decrease in present value of total obligation	(200)	200	(260)	270

	2023		2022	
	+ 1 Year	- 1 Year	+ 1 Year	- 1 Year
Mortality	£ 000	£ 000	£ 000	£ 000
Decrease/(increase) in present value of total obligation	700	(700)	920	(930)

15 Parent and ultimate parent undertaking

The Company's immediate parent is Kier 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 or www.kier.co.uk

The ultimate controlling party is Kier Group plc.

15 Parent and ultimate parent undertaking (continued)

Relationship between parent entities

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