

Registered number: 05887843

**KAJIMA NEWCASTLE LIBRARIES
HOLDING LIMITED**

**ANNUAL REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2020**



KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

COMPANY INFORMATION

Directors	N Poupard S E Knowles (resigned 11 August 2020) G Doctor G Martina (appointed 16 October 2020) L Murphy (resigned 16 October 2020) D J Moss (appointed 11 August 2020)
Company secretary	J A Cheadle
Registered number	05887843
Registered office	10 St. Giles Square London United Kingdom WC2H 8AP
Independent auditor	Deloitte LLP Statutory Auditor London United Kingdom
Bankers	Bank of Scotland

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

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KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors of Kajima Newcastle Libraries Holding Limited ("the company") present their annual report and the financial statements for the year ended 31 December 2020. This Directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006. No Strategic report has been prepared, in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Business review and principal activities

The company is a wholly-owned subsidiary of Redwood Partnership Ventures Limited ("RPVL").

The company acts as the holding company of a single subsidiary, Kajima Newcastle Libraries Limited ("KNLL"), together referred to as "the group". KNLL's principal activity is to develop and operate two public libraries for Newcastle Upon Tyne Council under the UK Government's Private Finance Initiative. The company is now fully operational.

Results

As shown in the company's Income statement account on page 9, the company's income and expenditure consists of dividends and interest received on its subordinated loan notes from KNLL and the same amount of interest paid on its loan notes due to Kajima Partnerships Limited ("KPL") and Infrastructure General Partner Limited (for and on behalf of Infrastructure Investments Limited Partnership ("IILP")).

Financial risk management

In view of the fact that the company has no trade and owes, and is owed, equal amounts of loans on identical terms, the directors do not consider that it is exposed to any financial risks. However, KNLL is exposed to credit risk, interest rate risk, cash flow risk, inflation risk and liquidity risk.

Credit risk

KNLL's credit risk is attributable to its unitary charge income from its sole customer, Newcastle Upon Tyne City Council. As this is a quasi-governmental organisation, the credit risk and associated cash flow risk are not considered significant.

Interest rate risk

KNLL's bank loan bears interest at a rate that fluctuates with the money market. KNLL mitigates the risk of an increased interest rate by the use of swap agreements to convert the floating interest rate to a fixed rate.

Cash flow risk

KNLL's activities expose it primarily to the financial risks of changes in interest rates. KNLL uses interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Inflation risk

KNLL is exposed to inflation risk due to contractual obligations to its suppliers. KNLL mitigates this by an element of the unitary charge being linked to inflation.

Liquidity risk

KNLL maintains a rolling cash flow forecast based on the bank-approved financial model, which is regularly updated to reflect actual cash movements and any projected changes. This forecast is used to monitor KNLL's ability to meet its future cash commitments and ensure compliance with the bank covenants.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

The directors have assessed the liquidity and forecast covenant compliances for a period of at least twelve months from date of approval of the financial statements. These forecasts include the ability of the group to meet all loan and interest repayments and other liabilities as they fall due.

The Directors have considered the impact of the ongoing Covid-19 virus pandemic on the Company, both retrospectively and for a period of 12 months from the date of approval of the financial statements. To date, the Covid-19 virus pandemic has not resulted in any adverse impact on the services provided or the wider industry. The Directors do not consider this to be a material risk.

The company meets its day to day working capital requirements through cash generated through KNLL, which in turn meets its own working capital requirements through unitary charge receipts from Newcastle Upon Tyne City Council. The directors do not consider the ability of government authorities to pay unitary fees to be a material risk.

The directors have further assessed the ability of key sub-contractors to continue to meet their contractual commitments including the unlikely event of a sub-contractor failure. In making their assessment, the Directors have tested various stress scenarios which show that, even in the unlikely event of a sub-contractor failure, the Company can continue to meet loan covenants and other liabilities as they fall due (including covenant compliance and the funding of reserves) in the next twelve months. The principal loan covenants are historic and forecast financial ratios.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Share capital

Issued share capital at the year-end was £120,000 (2019: £120,000).

Directors

The directors who served during the year were:

N Poupard
S E Knowles (resigned 11 August 2020)
G Doctor
G Martina (appointed 16 October 2020)
L Murphy (resigned 16 October 2020)
D J Moss (appointed 11 August 2020)

Qualifying third party indemnity provisions are currently in force for the benefit of certain directors.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Auditor

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 18 June 2021

and signed on its behalf.

A handwritten signature in black ink, appearing to read 'J A Cheadle', with a stylized flourish at the end.

J A Cheadle
Secretary

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kajima Newcastle Libraries Holding Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 17

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 auditor's 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.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED (CONTINUED)

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

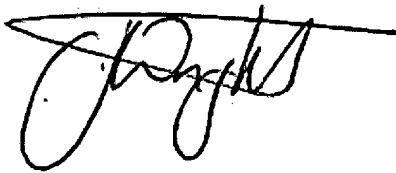
We have nothing to report in respect of these matters.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA NEWCASTLE LIBRARIES
HOLDING LIMITED (CONTINUED)**

Use of this report

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

A handwritten signature in black ink, appearing to read 'J Wright', with a long horizontal line extending to the right.

James Wright FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 18 June 2021

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Income from other fixed asset investments		75,000	100,000
Interest receivable and similar income	5	351,965	351,004
Interest payable and similar expenses	6	(351,965)	(351,004)
Profit before tax		<u>75,000</u>	<u>100,000</u>
Profit for the financial year	15	<u><u>75,000</u></u>	<u><u>100,000</u></u>

All results are derived from continuing operations.

There were no recognised gains and losses for 2020 or 2019 other than those included in the income statement. Accordingly, no statement of total comprehensive income is required.

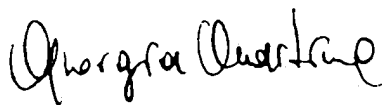
The notes on pages 12 to 19 form part of these financial statements.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED
REGISTERED NUMBER: 05887843

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	8	120,000	120,000
Loans to subsidiaries	9	2,925,032	2,925,032
		<u>3,045,032</u>	<u>3,045,032</u>
Current assets			
Debtors: amounts falling due within one year	10	117,322	117,322
		<u>117,322</u>	<u>117,322</u>
Creditors: amounts falling due within one year	11	(117,322)	(117,322)
		<u>-</u>	<u>-</u>
Net current assets			
Total assets less current liabilities		<u>3,045,032</u>	<u>3,045,032</u>
Creditors: amounts falling due after more than one year	12	(2,925,032)	(2,925,032)
		<u>120,000</u>	<u>120,000</u>
Net assets			
Capital and reserves			
Called up share capital	13	120,000	120,000
		<u>120,000</u>	<u>120,000</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



G Martina
Director

Date: 18 June 2021

The notes on page 12 to 20 form part of these financial statements.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2019	120,000	-	120,000
Comprehensive income for the year			
Profit for the year	-	100,000	100,000
Total comprehensive income for the year	-	100,000	100,000
Dividends: Equity capital	-	(100,000)	(100,000)
At 31 December 2019	120,000	-	120,000
Comprehensive income for the year			
Profit for the year	-	75,000	75,000
Total comprehensive income for the year	-	75,000	75,000
Dividends: Equity capital	-	(75,000)	(75,000)
At 31 December 2020	120,000	-	120,000

The notes on pages 12 to 19 form part of these financial statements.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The company is incorporated in the United Kingdom under the Companies Act 2006, registered in England and is a private company limited by shares. The address of the registered office is given on the company information page. The nature of the company's operations and its principal activities are set out in the business review on page 1. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2020 the company continued to adopt accounting framework Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") as issued by the Financial Reporting Council. Therefore, these financial statements were prepared in accordance with FRS 101. The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

These financial statements are prepared in pounds sterling because that is the currency of the primary economic activity in which the company operates.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of RPVL. The group accounts of RPVL are available to the public and can be obtained as set out in Note 17.

Group accounts

The company has taken advantage of the exemption conferred by Section 400 of the Companies Act 2006 not to prepare consolidated financial statements as the results of the company are included within the consolidated financial statements of its parent company, RPVL incorporated in Great Britain. Consequently, these financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 1 to 3. The Directors' report also describes the financial position of the company; its cash flows, liquidity position and borrowing facilities and exposure to credit, liquidity and cash flow risk.

After making enquiries including assessing the ongoing impact of Covid-19 on the business activities, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and financial statements.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

New and amended IFRS Standards that are effective for the current year

All new standards effective in the year were assessed to not have a material impact on the financial statements.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the Income statement because it may exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of financial position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the Statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

Investments

Investments in subsidiary companies are stated at cost less provision for impairment.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the income statement, which are initially measured at fair value.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets measured at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company recognises a lifetime expected credit loss for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the Income statement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised in the income statement.

Interest receivable

Interest is accounted for on an accruals basis.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive the payments has been established, provided it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

There are no critical judgements that the directors have made in the process of applying the company's accounting policies.

Key sources of estimation uncertainty

No key sources of estimation uncertainty.

3. Information regarding directors and employees

The company has no employees other than its directors, who received no remuneration for their services as directors of the company during the year.

4. Auditor's remuneration

The company's audit fees of £1,000 (2019: £1,000) have been borne by the company's subsidiary.

5. Finance income

	2020 £	2019 £
Subordinated loan interest receivable	351,965	351,004

6. Finance costs

	2020 £	2019 £
Subordinated loan interest payable	351,965	351,004

7. Taxation

	2020 £	2019 £
Taxation on profit	-	-

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit before tax	75,000	100,000
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	14,250	19,000
Effects of:		
Non-taxable dividends received	(14,250)	(19,000)
Total tax charge for the year	-	-

Factors that may affect future tax charges

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

There is no deferred tax asset or liability at the reporting date (2019: £nil).

8. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	120,000
At 31 December 2020	120,000

The investment represents the company's 100% holding in KNLL, a company registered in England and Wales at the registered office listed on the company information page, whose activities relate to a private finance initiative project.

The investment is held at cost and there is no impairment recognised.

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Fixed asset investments (continued)

9. Non-current assets

	2020 £	2019 £
Subordinated loan notes	2,925,032	2,925,032

10. Debtors

	2020 £	2019 £
Prepayments and accrued income	117,322	117,322

11. Creditors: Amounts falling due within one year

	2020 £	2019 £
Subordinated loan interest accrued	117,322	117,322

12. Borrowings

	2020 £	2019 £
Subordinated loan notes	2,925,032	2,925,032

The subordinated loan notes have an interest rate of 12.0% and are repayable after more than five years.

No borrowing costs were capitalised during the year (2019: £nil).

13. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
120,000 (2019 - 120,000) Ordinary share shares of £1.00 each	120,000	120,000

All shares rank equally in every respect.

14. Dividends per equity share

Dividend per share 62.5p (2019: 83.33p).

KAJIMA NEWCASTLE LIBRARIES HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15. Reserves

Profit and loss account

The profit and loss accounts cumulative profits and losses new of dividends and other adjustments.

16. Transactions with directors and other related parties

There are no transactions between the directors to be disclosed.

The company has taken advantage of the exemption conferred by FRS 101 paragraph 101.8(k) that allows it not to disclose transactions with group companies.

During the year, the company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties and the total value of transactions are shown below:

	<u>2020</u>		<u>2019</u>	
	Value of Transaction	Payable at year end	Value of Transaction	Payable at year end
Kajima Partnerships Limited ("KPL")	175,983	1,521,177	175,502	1,521,177
IIGP*	175,982	1,521,177	175,502	1,521,177

*Infrastructure Investments General Partner ("IIGP") for and on behalf of Infrastructure Investments Limited Partnership ("IILP").

KPL and IILP hold a 50% interest in the company's ultimate parent, RPVL. The above transactions were in respect of interest payable on the subordinated loan notes (Note 6). KPL is a member of the Kajima group of companies.

17. Ultimate and immediate parent company

The company's immediate, ultimate and controlling parent company, and smallest and largest group into which the company is consolidated is RPVL, copies of whose financial statements are available from the registered office (see company information page).