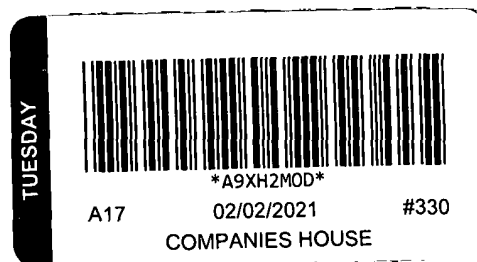


Registration number: 09978111

# Kier (Newcastle) Investment Ltd

Annual Report and Financial Statements

for the Year Ended 30 June 2019



## **Kier (Newcastle) Investment Ltd**

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## **Kier (Newcastle) Investment Ltd**

### **Company Information**

<b>Directors</b>	Lee Howard
	Mark Bladon
	Mark Robinson
	Kai Chu
	Jonathan Long
	Alexander Carr
<b>Registered office</b>	81 Fountain Street Manchester M2 2EE
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

## **Kier (Newcastle) Investment Ltd**

### **Directors' Report for the Year Ended 30 June 2019**

The directors of Kier (Newcastle) Investment Ltd (the "Company") present their report and the audited financial statements for the year ended 30 June 2019.

This report has been prepared in accordance with the special provisions of section 415A of the Companies Act 2006 relating to small companies. The directors have also taken exemption under section 414B of the Companies Act 2006 from preparing a strategic report.

#### **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:

Lee Howard

Mark Bladon

Thomas Gilman (resigned 19 February 2020)

Mark Robinson

Shivani Goolab (resigned 16 March 2020)

Hayley Scott (resigned 16 March 2020)

Kai Chu (appointed 16 March 2020)

Jonathan Long (appointed 16 March 2020)

Alexander Carr (appointed 12 March 2020)

#### **Principal activities**

The principal activity of the Company is to act as an investment holding company, whose sole business is holding of an investment in its wholly owned subsidiary, Magnetic Limited.

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

The company has continued to act as an holding company to its wholly owned subsidiary, Magnetic Limited.

For the financial year ending 30 June 2019, the company has made a loss of £4,938k (2018: £nil) resulting from an impairment to the loan notes receivable due from Magnetic Limited. The directors do not recommend the payment of a dividend (2018: £nil)

#### **Principal risks and uncertainties**

The board, which is responsible for management of risk, has a diverse range of relevant experience and convenes on a monthly basis to review the management accounts and other business matters.

#### **Going concern**

The directors have reviewed the projected cash flows of its subsidiary undertakings which have been prepared on the basis of a detailed analysis of the Companies finances and likely future demand trends. After consideration of these projections, the directors consider that preparing the financial statements on a going concern basis is appropriate due to the anticipated future cash flows and continued financial support of Kier Group Plc.

## **Kier (Newcastle) Investment Ltd**

### **Directors' Report for the Year Ended 30 June 2019**

The Directors are required to consider the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

The Company is now operating amid a period of uncertainty as a result of the outbreak of COVID-19 that has emerged in 2020. The impact COVID-19 has had on Kier (Newcastle) Investment Limited is through its indirect operating subsidiary Kier (Newcastle) Operation Limited. The subsidiary owns a student accommodation asset and the impact to this is explained below along with the actions taken and outlook going forwards.

During this unprecedented time, the Company has continued to focus on promoting a safe living environment for the students that occupy our property and have put in place continuity and mitigation plans to ensure that the Company can operate safely and in line with the Government's latest guidance. In line with many other owners of purpose-built student accommodation (PBSA), the Company, as a goodwill gesture, allowed students to vacate their rooms and not pay the remaining rent in the summer term that was due under their contract. This involved either waiving final rental instalments or providing rebates to those who had paid for the whole year in advance, if requested. This resulted in a lower than expected profit for the financial year to June 2020. It should be noted that some students choose not to leave early and that others have not claimed a refund based on early exit from the premises. There was no contractual right to any refund and the provision of such a refund remains at the discretion of the business, and on this basis there is no unrecorded liability from future claims in relation to prior periods.

With the development of COVID-19, the disruption to student recruitment and enrolment for the 2020/21 academic year has been seen in several ways. The different demographic composition, university policies, course start dates, availability of online resources and financial position of each institution has meant that student activity on campus has varied significantly and this clearly has a direct impact upon student lettings.

The Directors of the business expected to see a reduction in occupancy levels for the 2020/21 academic year, especially due to the ongoing Covid-19 situation and the fact that Newcastle and Northumbria universities have started some course late, in January, or have made some courses available online. This has impacted student lettings, especially regarding international students, who have had to address travel safety issues. For these reasons we expect occupancy level of c.75-80% for the academic year 2020/21. This level of performance means that this company will continue to be profit and cash generative, despite the very challenging environment.

Management are continuing to monitor guidance from the government and the Universities and continue to have a close dialogue with all our key stakeholders, including our students, university, suppliers and lenders. We recognise that the situation continues to change rapidly and will continue to review our plans to mitigate the effects of the pandemic. In addition, we have started to look at how the impact of a mass UK vaccination programme, that started on the 8th December 2020, will impact and improve the student letting market this year and especially in 2021/22.

Considering the challenges of the pandemic the Company did not comply with all its financial covenants as outlined in the facilities agreements between Bank Leumi and the Company. As the facility had less than 12 months until expiry and was in default the Company agreed on the 18 January 2021 to enter into a new facilities agreement with Bank Leumi for a further three years. This new facility also required the partners investing equity into the project to reduce the size of the facility. This facility has been agreed on the basis that it addresses previous events of default, it provides financing for the Company for a further three years, it includes headroom for further negative movements in value (before reaching covenant compliant levels) and it is understanding of the challenges the market and Company continue to operate in. As the business continues to generate cash and profit it was not deemed necessary by the partners to invest further funds into this project at this time. We have undertaken detailed cashflow modelling and this identifies that the project will continue to generate cash and ensure a reasonable cash position at the start of the next academic year, 21/22. We have concluded that no adjustments are required to be recorded in these financial statements in respect of COVID-19,

## Kier (Newcastle) Investment Ltd

### Directors' Report for the Year Ended 30 June 2019

on the basis that this represents a non-adjusting post balance sheet event. There are no significant estimates, including the fair value of the student property, that have been subsequently materially impacted by COVID-19.

The Company continues to have support from its joint venture partners and this, in conjunction with available cash balances, new bank loans secured, an improving student market position and a better pandemic outlook, allows the Directors the ability to confirm that the financial statements should be prepared on a Going Concern basis.

Kier Group Plc are the ultimate parent entity of one of the Joint Venture partners controlling the company (refer to note 9 (Parent and ultimate parent undertaking) for further details) and have committed to provide financial support, if required, 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.

On the basis of the financial support made available from the Group, and the Group's ability to provide this support, the Board is satisfied that the Company has sufficient financial resources to continue to operate for a period of at least 12 months and therefore, it has adopted the going concern basis in preparing the Company's 2019 financial statements.

#### 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.

#### Disclosure of information to the auditors

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.

Approved by the Board on 31/1/2021 and signed on its behalf by:



Lee Howard  
Director

## **Kier (Newcastle) Investment Ltd**

### **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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard," and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 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.

The directors 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.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# ***Independent auditors' report to the members of Kier (Newcastle) Investment Ltd***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Kier (Newcastle) Investment Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, 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 Balance Sheet as at 30 June 2019; the Profit and Loss Account, 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.

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### **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.

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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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### **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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 June 2019 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 Directors' Report.

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## **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 set out on page 5, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **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 received 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.

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**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Alex Lazarus (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
31 January 2021

## **Kier (Newcastle) Investment Ltd**

### **Profit and Loss Account for the Year Ended 30 June 2019**

	Note	2019 £	2018 £
Turnover		-	-
Administrative expenses		<u>(4,938,272)</u>	<u>-</u>
Operating loss		<u>(4,938,272)</u>	<u>-</u>
Loss before taxation		<u>(4,938,272)</u>	<u>-</u>
Income tax	4	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(4,938,272)</u></u>	<u><u>-</u></u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

# Kier (Newcastle) Investment Ltd

(Registration number: 09978111)  
Balance Sheet as at 30 June 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Investments	5	2,766,640	2,766,640
<b>Current assets</b>			
Debtors	6	5,474,862	9,836,111
<b>Creditors: Amounts falling due within one year</b>	7	<u>(13,179,773)</u>	<u>(12,602,750)</u>
<b>Net current liabilities</b>		<u>(7,704,911)</u>	<u>(2,766,639)</u>
<b>Net (liabilities)/assets</b>		<u>(4,938,271)</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	8	1	1
Profit and loss account		<u>(4,938,272)</u>	<u></u>
<b>Total equity</b>		<u>(4,938,271)</u>	<u>1</u>

The financial statements on pages 9 to 14 were approved by the Board of Directors on 31.11.2021 and signed on its behalf by:



.....  
Lee Howard  
Director

# Kier (Newcastle) Investment Ltd

## Statement of Changes in Equity for the Year Ended 30 June 2019

	Share capital £	Profit and loss account £	Total equity £
At 1 July 2018	1	-	1
Loss for the financial year	-	(4,938,272)	(4,938,272)
Total comprehensive expense for the year	-	(4,938,272)	(4,938,272)
At 30 June 2019	1	(4,938,272)	(4,938,271)

	Share capital £	Total equity £
At 1 July 2017	1	1
At 30 June 2018	1	1

The notes on pages 12 to 14 form an integral part of these financial statements.

## **Kier (Newcastle) Investment Ltd**

### **Notes to the Financial Statements for the Year Ended 30 June 2019**

#### **1 General information**

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

The address of its registered office is:  
81 Fountain Street  
Manchester  
M2 2EE

#### **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.

##### **Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

##### **Summary of disclosure exemptions**

The share capital of the company is held 75% by Kier Project Investment Limited and 25% by Investec Investments (UK) Limited and as the parent undertaking holding more than 50% of the allotted shares in the company has not requested the preparation of group accounts, consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Under section 7 of FRS102 and para 3.17(d) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

In accordance with section 414B of the Companies Act 2006 the company has taken advantage of small companies' exemption for preparing a strategic report.

##### **Going concern**

The financial statements have been prepared on a going concern basis following a review by the directors of the projected cash flows of its subsidiary undertakings which have been prepared on the basis of a detailed analysis of the Companies finances and likely future demand trends. After consideration of these projections, the directors consider that preparing the financial statements on a going concern basis is appropriate due to the anticipated future cash flows and continued financial support of Kier Group Plc.

##### **Investments**

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

## Kier (Newcastle) Investment Ltd

### Notes to the Financial Statements for the Year Ended 30 June 2019

#### 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.

#### 3 Directors' remuneration

The directors were not directly remunerated for their services during 2019 (2018: £nil). The company has no employees (£2018: £nil).

#### 4 Tax on loss

Tax charged/(credited) in the income statement

	2019 £	2018 £
<b>Current taxation</b>	<u>-</u>	<u>-</u>

The tax on profit before taxation for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Loss before taxation	<u>(4,938,272)</u>	<u>-</u>
Corporation tax at standard rate	(938,272)	-
Effect of expense not deductible in determining taxable profit	<u>938,272</u>	<u>-</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>

#### 5 Investments in subsidiaries, joint ventures and associates

	2019 £	2018 £
Investment in subsidiary	<u>2,766,640</u>	<u>2,766,640</u>

The company acquired Magnetic Limited in February 2016 and paid £2,766,640 as consideration and the directors consider this investment to be recoverable. The company holds ordinary shares in Magnetic Limited whose registered address is 81 Fountain Street, Manchester, M2 2EE.

## Kier (Newcastle) Investment Ltd

### Notes to the Financial Statements for the Year Ended 30 June 2019

#### 6 Debtors

	Note	2019 £	2018 £
Amounts owed by related parties		5,474,862	9,836,111
		<u>5,474,862</u>	<u>9,836,111</u>

Amounts owed by related parties relates to loan notes advances to its 100% subsidiary, Magnetic Limited. The advance is interest free and repayable on demand. We have impaired the value of this receivable by £4,938k as Magnetic Limited's 100% subsidiary, Kier (Newcastle) Operations Limited have impaired the value of its investment property asset by this value and therefore the recoverable amount of this receivable is considered to be impaired.

#### 7 Creditors

	Note	2019 £	2018 £
<b>Due within one year</b>			
Amounts owed to group undertakings		13,179,773	12,602,750

Amounts owed to group undertakings relate to short terms loans provided by the equity partners which are interest free and repayable on demand.

As at 30 June 2019, short term loans provided by Kier Project Investment Limited amounts to £10,100,517 (2018: £9,667,750) and loans provided by Investec Investments (UK) Limited £3,079,256 (2018: £2,935,000).

#### 8 Called up share capital

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

	No.	2019 £	No.	2018 £
Ordinary Shares of £0.01 each	100	1	100	1

#### 9 Parent and ultimate parent undertaking

Kier (Newcastle) Investment Ltd is a company incorporated in the United Kingdom and registered in England and Wales. The share capital of Kier (Newcastle) Investment Ltd is held 75% by Kier Project Investment Limited (the ultimate holding company being Kier Group plc) and 25% by Investec Investments (UK) Limited (the ultimate company being Investec plc).

Both partners are registered in England and Wales and copies of their financial statements can be obtained from Companies House, Crown Way, Cardiff.