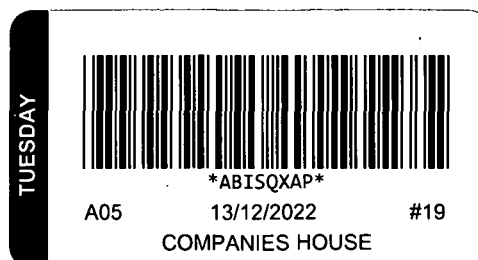


Registration number: 09978111

Kier (Newcastle) Investment Ltd

Annual Report and Financial Statements

for the Year Ended 30 June 2022



Kier (Newcastle) Investment Ltd

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Kier (Newcastle) Investment Ltd

Company Information

Directors	Lee Howard Mark Robinson Alexander Carr
Registered office	2nd Floor Optimum House Clippers Quay Salford England M50 3XP
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Kier (Newcastle) Investment Ltd

Directors' Report for the Year Ended 30 June 2022

The directors of Kier (Newcastle) Investment Ltd (the "Company") present their report and the audited financial statements for the year ended 30 June 2022.

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.

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.

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 (resigned 31 October 2022)

Mark Robinson

Kai Chu (resigned 4 March 2022)

Jonathan Long (resigned 31 October 2022)

Alexander Carr

Dividends

No dividend was paid in the current year or the prior year. The directors do not recommend payment of a final dividend in respect of the year.

Fair review of the business

The Company has continued to act as a holding company to its wholly owned subsidiary, Magnetic Limited. For the financial year ending 30 June 2022, the Company has made a profit of £2,934k (2021: £1,136k). The profit is attributed to a reassessment of the loan notes receivable from its wholly owned subsidiary, Magnetic Limited. As at 30 June 2022 the Company has net liabilities of £1,088k (2021: £4,022k). No dividend was paid in the current year or the prior year. The directors do not recommend payment of a final dividend in respect of the year.

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.

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.

Kier (Newcastle) Investment Ltd

Directors' Report for the Year Ended 30 June 2022

Going concern

The Company is accounted for on a going concern basis as, in the opinion of the directors, it has adequate resources to continue in operation for the foreseeable future. The Company has recorded a profit in the current year following a reassessment of a receivable due from its 100% owned subsidiary following a fair value adjustment of the indirect subsidiary's student accommodation asset. This adjustment reflects an improvement in market conditions compared to 30 June 2021.

On this basis the directors do not foresee a requirement for any additional funding for at least twelve months. The directors are confident that following the recovery from the pandemic the market conditions and occupation levels of the underlying asset will continue to improve. This has been demonstrated through the next academic year to August 2023 reaching 100% occupancy for the first time, as well as an improved performance in the current year which reduces uncertainty surrounding occupancy levels. This combined with the continued support of the joint venture partners confirming no plans to recall the short term loans provided and the cash balances within the indirect subsidiary Kier (Newcastle) Operation Limited, allows the directors the ability to confirm that the Company has sufficient financial resources to continue to operate for a period of at least twelve months and therefore the financial statements should be prepared on a going concern basis.

Important non adjusting events after the financial period

On 31 October 2022 the Company advanced a further £15,043k through amounts due from group undertakings to its wholly owned subsidiary Magnetic Limited, financed through additional subordinated loan notes provided by its joint venture partners. Both the respective asset and liability recognised as part of this transaction are interest free and repayable on demand.

As part of the same transaction, one of the Company's joint venture partners, Investec Plc, sold its 25% share capital to Kier Project Investment Limited at nominal value of £0.01 per share, in addition to selling all its subordinated loan notes, for £880k. From this date, the Company is a wholly owned subsidiary of Kier Group plc. Kier Group plc has therefore become the Company's ultimate controlling party.

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.

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.

Kier (Newcastle) Investment Ltd

Directors' Report for the Year Ended 30 June 2022

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 applicable in the UK and Republic of Ireland" Section 1A, 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 Section 1A 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.

Approved by the Board on 7th December 2022 and signed on its behalf by:



.....
Lee Howard
Director

Independent auditors' report to the directors of Kier (Newcastle) Investment Ltd

Report on the audit of the financial statements

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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 2022; 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 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.

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 2022 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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

Kier (Newcastle) Investment Ltd

were related to potential for management bias in accounting estimates.. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Challenging assumptions made by management in determining its accounting estimate over investment recoverability;
- Designing audit procedures to incorporate unpredictability into our testing; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 directors 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.

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 in preparing the Directors' Report; and 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
7 December 2022

Kier (Newcastle) Investment Ltd

Statement of Comprehensive Income for the Year Ended 30 June 2022

	Note	2022 £	2021 £
Reversal of impairment of receivable from subsidiary		<u>2,934,150</u>	<u>1,136,121</u>
Operating profit		<u>2,934,150</u>	<u>1,136,121</u>
Profit before taxation		<u>2,934,150</u>	<u>1,136,121</u>
Taxation	5	<u>-</u>	<u>-</u>
Profit for the financial year		<u>2,934,150</u>	<u>1,136,121</u>
Total comprehensive income for the year		<u>2,934,150</u>	<u>1,136,121</u>

The above results were derived from continuing operations.

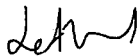
The Company has no recognised gains or losses for the year other than the results above.

Kier (Newcastle) Investment Ltd

(Registration number: 09978111)
Balance Sheet as at 30 June 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	6	2,766,640	2,766,640
Current assets			
Debtors	7	10,653,025	7,718,875
Creditors: Amounts falling due within one year	8	<u>(14,507,665)</u>	<u>(14,507,665)</u>
Net current liabilities		<u>(3,854,640)</u>	<u>(6,788,790)</u>
Net liabilities		<u>(1,088,000)</u>	<u>(4,022,150)</u>
Capital and reserves			
Called up share capital	9	1	1
Accumulated losses		<u>(1,088,001)</u>	<u>(4,022,151)</u>
Total equity		<u>(1,088,000)</u>	<u>(4,022,150)</u>

The financial statements on pages 9 to 16 were approved by the Board of Directors on 7th December 2022 and signed on its behalf by:



Lee Howard
Director

Kier (Newcastle) Investment Ltd

Statement of Changes in Equity for the Year Ended 30 June 2022

	Share capital £	Accumulated losses £	Total equity £
At 1 July 2020	1	(5,158,272)	(5,158,271)
Profit for the financial year	-	1,136,121	1,136,121
Total comprehensive income for the year	-	1,136,121	1,136,121
At 30 June 2021	1	(4,022,151)	(4,022,150)

	Share capital £	Accumulated losses £	Total equity £
At 1 July 2021	1	(4,022,151)	(4,022,150)
Profit for the financial year	-	2,934,150	2,934,150
Total comprehensive income for the year	-	2,934,150	2,934,150
At 30 June 2022	1	(1,088,001)	(1,088,000)

The notes on pages 12 to 16 form an integral part of these financial statements.

Kier (Newcastle) Investment Ltd

Notes to the Financial Statements for the Year Ended 30 June 2022

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:

2nd Floor
Optimum House
Clippers Quay
Salford
England
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.

Statement of compliance

These financial statements were 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 financial statements, 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.

Financial instruments

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Kier (Newcastle) Investment Ltd

Notes to the Financial Statements for the Year Ended 30 June 2022

Going concern

The Company is accounted for on a going concern basis as, in the opinion of the directors, it has adequate resources to continue in operation for the foreseeable future. The Company has recorded a profit in the current year following a reassessment of a receivable due from its 100% owned subsidiary following a fair value adjustment of the indirect subsidiary's student accommodation asset. This adjustment reflects an improvement in market conditions compared to 30 June 2021.

On this basis the directors do not foresee a requirement for any additional funding for at least twelve months. The directors are confident that following the recovery from the pandemic the market conditions and occupation levels of the underlying asset will continue to improve. This has been demonstrated through the next academic year to August 2023 reaching 100% occupancy for the first time, as well as an improved performance in the current year which reduces uncertainty surrounding occupancy levels. This combined with the continued support of the joint venture partners confirming no plans to recall the short term loans provided and the cash balances within the indirect subsidiary Kier (Newcastle) Operation Limited, allows the directors the ability to confirm that the Company has sufficient financial resources to continue to operate for a period of at least twelve months and therefore the financial statements should be prepared on a going concern basis.

Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Investments

Investments in subsidiary undertakings are held at cost less provision for impairment.

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 Employee information

The directors were not directly remunerated for their services during 2022 (2021: £nil). The company has no employees (2021: nil).

4 Auditors' remuneration

	2022	2021
	£	£
Audit of the financial statements	2,955	2,686

The audit fees are borne by another group company, Kier (Newcastle) Operation Limited.

Kier (Newcastle) Investment Ltd

Notes to the Financial Statements for the Year Ended 30 June 2022

5 Taxation

Tax charged in the income statement

	2022 £	2021 £
Current taxation	<u>-</u>	<u>-</u>

Tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK for the year ended 30 June 2022 of 19% (2021: 19%).

The differences are explained below:

	2022 £	2021 £
Profit before tax	<u>2,934,150</u>	<u>1,136,121</u>
Corporation tax at standard rate	557,489	215,863
Effect of revenues exempt from taxation	<u>(557,489)</u>	<u>(215,863)</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>

6 Investments

	2022 £	2021 £
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. This investment is reviewed annually against recoverability and the directors have concluded that no impairment is due against this investment.

Details of undertakings

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

Name of subsidiary	Registered office	Principal activity	Proportion of voting rights and shares held	
			2022	2021
Magnetic Limited	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP England	Holding Company	100%	100%
Kier (Newcastle) Operation Limited*	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP England	Development	100%	100%

*indicates a indirect subsidiary of the Company

Kier (Newcastle) Investment Ltd

Notes to the Financial Statements for the Year Ended 30 June 2022

7 Debtors

	2022	2021
	£	£
Current		
Amounts owed by related parties	10,653,025	7,718,875
	<u>10,653,025</u>	<u>7,718,875</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. At 30 June 2022, the directors have reassessed the recoverability of this receivable and, based on the revaluation of the student accommodation asset in the subsidiary, have reversed £2,934k of the provision (2021: £1,136k). This has been recorded as a gain in the Statement of Comprehensive Income. No loan note advances were made in the current year (2021: £1,328k). See note 11 for details of changes in financing arrangements, after the balance sheet date.

8 Creditors: Amounts falling due within one year

	2022	2021
	£	£
Due within one year		
Amounts owed to group undertakings	14,507,665	14,507,665
	<u>14,507,665</u>	<u>14,507,665</u>

Amounts owed to group undertakings relate to short terms loans provided by the equity partners which are interest free and repayable on demand. See note 11 for details of changes in financing arrangements, after the balance sheet date.

As at 30 June 2022 short term loans provided by Kier Project Investment Limited amounts to £11,096,436 (2021: £11,096,436) and loans provided by Investec Investments (UK) Limited £3,411,229 (2021: £3,411,229).

9 Called up share capital

Allotted, called up and fully paid shares

	2022		2021
	No.	£	No.
			£
Ordinary Shares of £0.01 each	<u>100</u>	<u>1</u>	<u>100</u>
			<u>1</u>

Kier (Newcastle) Investment Ltd

Notes to the Financial Statements for the Year Ended 30 June 2022

10 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 Investment Limited (the ultimate holding 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. The joint venture partners have common control and as such results are not consolidated in either partners financial statements.

11 Non adjusting events after the financial period

On 31 October 2022 the Company advanced a further £15,043k through amounts due from group undertakings to its wholly owned subsidiary Magnetic Limited, financed through additional subordinated loan notes provided by its joint venture partners. Both the respective asset and liability recognised as part of this transaction are interest free and repayable on demand.

As part of the same transaction, one of the Company's joint venture partners, Investec Plc, sold its 25% share capital to Kier Project Investment Limited at nominal value of £0.01 per share, in addition to selling all its subordinated loan notes, for £880k. From this date, the Company is a wholly owned subsidiary of Kier Group plc. Kier Group plc has therefore become the Company's ultimate controlling party.