

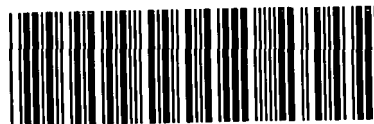
Registration number: 01463191

# Kier International (Investments) Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2020

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## **Kier International (Investments) Limited**

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**Kier International (Investments) Limited**

**Company Information**

<b>Directors</b>	Marcus Jones Mohamed Mulla
<b>Company secretary</b>	Phillip Higgins
<b>Registered office</b>	81 Fountain Street Manchester England M2 2EE
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London

## **Kier International (Investments) Limited**

### **Strategic Report for the Year Ended 30 June 2020**

The directors present their strategic report for Kier International (Investments) Limited (the "Company") for the year ended 30 June 2020.

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

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

The principal activity of the Company is an investment holding company.

The Company is a holding company for the overseas incorporated construction subsidiaries of the Kier Group and the Company carries on no trade in its own right.

During the year the following provisions were made for insolvent subsidiaries:

- Amounts written off against investments in subsidiaries was £(342,036) (2019: (£688,588) ), and
- Release/ (Increase) of provision for diminution in subsidiaries was: £9,957,171 (2019: £(1,230,366) ).

Accumulated losses for the company at the year end was £68,281,292 (2019: £77,010,351). The company is also reliant on the ongoing financial support of Kier Group plc in order to meet its liabilities.

#### **Corporate governance arrangements**

Kier Group plc, as a premium listed company, is subject to the UK Corporate Governance Code (2018) (the "Code"). Pages 72 - 121 (inclusive) of the annual report and financial statements of Kier Group plc (available at [www.kier.co.uk/investors](http://www.kier.co.uk/investors)) explains how the Board and its Committees have applied the principles of, and complied with the provisions of, the Code.

The Board of Kier Group plc has overseen the implementation of a revised governance structure for the Group. This ensures co-operation throughout the Group for the Board of Kier Group plc to discharge its governance responsibilities in the Code effectively.

The Operating Framework (the "OF"), adopted in January 2020 sets out the revised governance structure, summarises the core business processes which apply throughout the Group and contains the Group's delegated authorities. In addition, it sets out the Group's purpose and its refreshed values – trusted, collaborative and focused. A revised Code of Conduct ensures that the Operating Framework is supported by the desired behaviours. The Company, as a member of the Kier Group, has adopted the OF and has complied with it in the period.

The Company, as a member of the Kier Group and subsidiary of Kier Group plc, has not applied certain elements of the Code since the Board does not regard these as applicable to a Group company. These include: Code references to external shareholders and voting; references to an independent Chairman and Non-executive Directors (and use of Committees consisting of independent Non-executive Directors); references to Director re-election and AGMs; references to Board and Committee evaluations; and references to remuneration.

Copies of the Kier Group governance documents can be found at: <https://www.kier.co.uk/investors/corporate-governance/group-policies/>

#### **Corporate responsibility**

The Kier Group attaches great importance to its corporate responsibility, as evidenced in the Sustainability section in the Kier Group plc 2020 Annual Report, which is available at [www.kier.co.uk](http://www.kier.co.uk). As a member of the Kier Group, the Company abides by the same principles.

## **Kier International (Investments) Limited**

### **Strategic Report for the Year Ended 30 June 2020 (continued)**

#### **Stakeholders**

The Directors have had regard to the matters set out in s172(1)(a)-(f) of the Companies Act 2006 when performing their duties under s172. Consideration of the Group's interaction and engagement with its key stakeholders including employees, shareholders, Government, the supply chain, lenders, the environment and the communities in which it operates continues to be an integral part of the Group's decision making.

Below are highlighted some of the key stakeholders and the Company's engagement with them.

#### **Suppliers**

The Group has continued to engage with its suppliers to reduce the number of supply chain payment days. Many of the supply chain are long term partners of Kier. From 1 January 2020 to 30 June 2020 for example, the Group's average payment days remained consistent at 38 days and the percentage of payments made to suppliers within 60 days increased from 81% to 84%, in each case compared to the six months period to 31 December 2019. Kier is committed to further improvements in our payment practices and continue to work with our customers and suppliers to achieve this. The actions taken by the Group have also resulted in 92% of registered entities have been reinstated to the Prompt Payment Code.

#### **Employees**

Kier is a people focused business and it is imperative that we attract and retain the best people and develop their skills and talents. Kier's people make the biggest impact within its business, for both clients and wider society.

During the year, a new set of values was introduced across the business which underpin Kier culture: Collaborative, Trusted and Focused. Our people are proud to work for Kier and we want to ensure that everyone is delivering to the best of their abilities. Our projects are only as good as the high performing teams we have, working together to achieve more for our clients.

Kier is committed to developing an inclusive workplace, creating an environment which allows our people to thrive and enhancing diversity to deliver more value for our employees, clients and customers.

As part of Performance Excellence we have, this year, introduced a new framework to help us attract, nurture and progress talent within the business. Our new values also place a greater emphasis on how managers, leaders and their teams create a more inclusive environment.

We are also cultivating a working environment that is more attractive for employees by increasing flexibility through our new Smart Working policy in 2019, which embraces agile, flexible and remote working practices.

To strengthen and diversify our search for talent we have also broadened the channels we use to attract people to Kier. The content we publish on our recruitment advertising platforms aims to attract people from a broad spectrum of backgrounds and industries, who might not otherwise have considered a career within the built environment. This is supported by unconscious bias training for our hiring community and the use of gender-neutral advertising software.

Further information on the Group's Sustainability Framework 'Building for a Sustainable World' is contained in the Kier 2020 Annual Report, which is available at [www.kier.co.uk](http://www.kier.co.uk).

## **Kier International (Investments) Limited**

### **Strategic Report for the Year Ended 30 June 2020 (continued)**

#### ***Employment of disabled persons***

The companies in the Group are equal opportunities employers. The Group considers applications for employment from disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, whenever practicable, the recruitment, training, career development and promotion of disabled people and the retention of, and appropriate training for, those who become disabled during their employment.

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

The Company is party to the Kier Risk Management and Internal Control systems. This requires each company within the group to:

- identify risks and record them in a risk register;
- diagnose and qualify the risks as to their likelihood and impact, record the controls established and monitor their effectiveness;
- develop a plan to mitigate the likelihood and impact of the identified risks;
- regularly review the risk registers and action plans; and
- report key issues upwards to Kier Group plc.

The principal risks and uncertainties of the Company, including financial risk and management, are consistent with the principal risks of the Kier Group and are not managed separately.

Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 60 to 63 of Kier Group plc's Annual Report for the year ended 30 June 2020.

The Company's risk management policies can be found on page 5 of the financial statements.

#### ***Safety, health and sustainability***

Principal risk: failure to maintain a safe and sustainable environment and prevent a major incident.

The Company's operations are inherently complex and potentially hazardous and require the continuous management of safety, health and sustainability issues.

COVID-19 impact: high.

During COVID-19, the Company has worked closely with its people, clients and suppliers to ensure that its sites and offices are able to continue to operate safely and in accordance with Government guidelines.

Potential impact:

- An increase in safety or environmental incidents on site;
- The failure to meet clients' expectations, adversely affecting the ability to bid for and win new work; and
- Financial penalties arising from fines, legal action and project delays.

Mitigating actions:

- Continued focus on the five basics of SHE risk management;
- Implementing the Kier Group's new sustainability framework, 'Building for a Sustainable World'; and
- Setting a tone from the top through activities such as senior management visible leadership tours.

## Kier International (Investments) Limited

### Strategic Report for the Year Ended 30 June 2020 (continued)

#### *Legislation and regulation*

Principal risk: failure to manage effectively changes in legislation and regulation.

The sectors in which the Company operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements introduced by new legislation or regulation.

COVID-19 impact: no material impact.

Potential impact:

- Penalties for failing to adhere to legislation or regulation;
- Increased operating costs of compliance; and
- The loss of business and resultant reputational damage.

Mitigating actions:

- Regular engagement with Government and Government agencies with respect to the Company's performance;
- Monitoring of, and planning for, the impact of new legislation and regulations; and
- Collaborative engagement with external stakeholders.

#### *Funding*

Principal risk: failure to maintain adequate funding or liquidity.

Reduced availability of financing options resulting in an inability to maintain adequate funding or financial liquidity and an inability to execute the Company's strategy effectively.

COVID-19 impact: medium.

The Group has worked with its clients and supply chain to maintain liquidity during COVID-19. The Kier Group has agreed waivers and revised financial covenants with its lenders and worked with other stakeholders to ensure sufficient flexibility under its principal finance facilities remains available.

Potential impact:

- The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees);
- Conducting existing business becomes increasingly challenging;
- May adversely affect the Company's ability to raise equity; and
- The loss of future business.

Mitigating actions:

- Effective cash forecasting and working capital management;
- Following COVID-19, the Kier Group has agreed waivers with its lenders in respect of the financial covenants for the test period ended 30 June 2020 and has agreed revised financial covenants which will apply for the going concern period;
- Collaborative engagement with customers, HMRC, pension scheme trustees, banks, lenders and sureties; and
- Exit, substantial exit or restructuring of non-core businesses to reduce net debt.

## **Kier International (Investments) Limited**

### **Strategic Report for the Year Ended 30 June 2020 (continued)**

#### ***Market sector performance***

Principal risk: a general market or sector may materially and adversely affect the Company's ability to secure work.

The Company's performance is affected by macroeconomic factors which affect UK business in general and/or the markets in which the Company operates.

COVID-19 impact: high.

COVID-19 has resulted in high levels of macroeconomic sector uncertainty and volatility and has resulted in the UK entering a recession. This has, in turn, adversely affected the Company's financial performance.

Potential impact:

- A failure of one or more of the Company's businesses;
- Increased competition for new work; and
- A decrease in stakeholder confidence in the Company.

Mitigating actions:

- Evaluate markets, including the impact of macroeconomic factors and the associated market risk of specific events (for example, Brexit); and
- Review the Company's pipeline of future work to identify market trends and plan accordingly.

#### ***Contract management***

Principal risk: failure to manage contracts effectively at each stage of a project's lifecycle.

The Company has a number of large and complex contracts in progress at any one time. Failure to manage the risks associated with these contracts could materially and adversely affect the Company's financial performance.

COVID-19 impact: medium.

COVID-19 has resulted in certain projects being delayed or suspended and the Company incurring additional costs as a result.

Potential impact:

- A failure to manage project delivery and WIP and, ultimately, to meet the Company's financial targets;
- The Company incurring losses on individual contracts; and
- The Company failing to win new work.

Mitigating actions:

- Adhere to the Kier Group's contract risk governance framework;
- Identify early warnings of under-performing contracts; and
- Timely and accurate reporting of contract performance.



## **Kier International (Investments) Limited**

### **Strategic Report for the Year Ended 30 June 2020 (continued)**

#### ***People***

Principal risk: failure to retain key employees and identify future leaders.

The Company's employees are critical to its current performance. The Company needs to identify, retain and motivate people with the right skills, experience and behaviours and to identify tomorrow's leaders.

COVID-19 impact: high.

The Company has implemented a number of measures relating to its employees, including temporary pay reductions, furlough and requiring more agile working practices (including working from home).

Potential impact:

- An adverse effect on the delivery of the Company's purpose and strategy;
- A lack of operational leadership, potentially leading to poor project performance; and
- An erosion of the Company's employer brand.

Mitigating actions:

- Focus on skills development and retention plans for the talent pipeline;
- Create an effective, inclusive work environment through our Performance Excellence culture; and
- Clear and effective communication with the workforce.

#### ***Supply chain***

Principal risk: failure to maintain effective working relationships with the supply chain; following COVID-19, supply chain insolvencies.

The Company relies on its supply chain for the delivery of its projects. Maintaining close and effective working relationships with the supply chain is therefore a priority for the Company. Following COVID-19, the risk of insolvencies in the supply chain has increased.

COVID-19 impact: medium.

The Company has worked closely with its supply chain to ensure that projects can be delivered. There has been an increase in the number of insolvencies within the supply chain as a result of COVID-19.

Potential impact:

- Unavailability of appropriate resources, impacting on project delivery and cost;
- Use of suppliers from outside the preferred supplier list increases cost and decreases quality; and
- Poor relationships lead to lack of confidence in the Company and adverse publicity.

Mitigating actions:

- Develop long-term relationships with critical subcontractors;
- Continue to seek to reduce supply chain payment terms; and
- Review the supply chain to ensure alternative delivery mechanisms are available and appropriate contingencies are in place.

## Kier International (Investments) Limited

### Strategic Report for the Year Ended 30 June 2020 (continued)

#### **Strategy**

Principal risk: The Company fails to deliver its strategy.

The delivery of the Company's strategy is of fundamental importance to its future performance.

COVID-19 impact: low.

The Company believes that COVID-19 has affected its short-term performance, rather than the longer-term delivery of its strategy.

Potential impact:

- An adverse impact on the Company's net debt and liquidity;
- Failure to secure positions on national and regional frameworks; and
- Failure to meet stakeholders' expectations may lead to a decline in confidence in the Company.

Mitigating actions:

- Delivery of our Performance Excellence culture;
- Continued focus on cash management; and
- Effective communication with stakeholders.

#### **Brexit**

The UK left the EU on 31 January 2020, with a transition period currently running to 31 December 2020. Currently, the UK's long-term relationship with the EU remains unclear.

The Group has identified potential risks relating to, for example, the supply chain, the workforce and the supply and cost of materials and has set up contingency plans in respect of these risks. The Group keeps these plans under review, in the light of political developments. In particular, the Group continues to work with its supply chain to develop plans to ensure continuity of potentially critical supplies and has developed plans with respect to those members of its workforce who are nationals of EU member states and wish to continue to work in the UK.

#### **COVID-19**

The COVID-19 pandemic has had, and may continue to have, a material and adverse effect on the Company's results of operations and a number of the Company's stakeholders, including its employees, clients and supply chain. The extent of the effect of COVID-19 on the Company and its stakeholders depends on a range of factors, including its effect on the wider economy in general, measures taken by Government in response to it, including the proposed increase in UK infrastructure investment, and the effects of any re-occurrence of the pandemic.

As the UK continues its exit from lockdown, Government restrictions and requirements are closely monitored so as to ensure continued compliance. Particular areas of focus include:

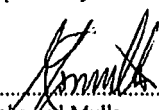
- Compliance with the Company's operating site procedures;
- Ensuring the continued supply of materials and availability of the supply chain, wherever possible; and
- Supporting the Company's workforce to continue to operate as effectively as possible in the circumstances.

#### **Emerging risks**

The Company has identified the following as principal, emerging risks:

- The continued impact of COVID-19 on the Company's sites and operations;
- The UK's recession, following COVID-19; and
- The operational, financial and commercial effects of climate change disruption on the Company.

Approved by the Board on 21<sup>st</sup> December 2020 and signed on its behalf by:

  
.....  
Mohamed Mulla  
Director

## **Kier International (Investments) Limited**

### **Directors' Report for the Year Ended 30 June 2020**

The directors of Kier International (Investments) Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2020.

#### **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:

Anita Harris (resigned 8 October 2020)

Marcus Jones

Mohamed Mulla (appointed 1 July 2019)

#### **Financial instruments**

##### ***Objectives and policies***

The Board is responsible for the Company's system of risk management and internal controls and for ensuring that significant risks are identified and appropriately managed. The Group has delegated the review of the effectiveness of the Company's risk management processes to the Kier Group Risk Management and Audit Committee ("RMAC"), including the systems established to identify, assess, manage and monitor risk. The risks faced by the Company are reviewed by the RMAC on a quarterly basis.

The nature of the industries and the business environment in which the Company operates are inherently risky. Although it is recognised that it is not possible to eliminate all such risks and uncertainties, the Company has well-established risk management and internal control systems to manage them.

On behalf of the Board, the RMAC identifies the risks that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process.

##### ***Price risk, credit risk, liquidity risk and cash flow risk***

The Company relies on Kier Group borrowing facilities. Cash flow is forecast regularly to provide up-to-date and accurate information on the Company's current cash position and its future requirements. The Kier Group borrowing facilities have been recently renegotiated and extended.

There are foreign currency risks arising from our international operations in different currencies. Currency exposure to international assets is managed through inter-company balances and borrowings, so that assets denominated in foreign currencies are matched, as far as possible, by liabilities. Where there may be further exposure to currency fluctuations, forward exchange contracts may be completed to buy and sell foreign currency.

## **Kier International (Investments) Limited**

### **Directors' Report for the Year Ended 30 June 2020 (continued)**

#### **Employee involvement**

The leadership team is committed to listening to what people feel about working for Kier and taking action to improve the employee experience and a culture of open communication between employees and senior management is encouraged. This year, we have introduced a new employee engagement survey tool 'Your Voice', which will invite people to tell us how they feel about working for Kier through a series of regular online surveys. The feedback will then be acted on by the senior management team. The feedback from our previous engagement survey fed into the new performance and capability framework as described above.

The Performance Excellence workstreams that underpin the Group strategy have been developed in conjunction with employees. Each part of the programme has involved working groups from across the businesses and functions.

As part of Kier's employee engagement, information is provided to employees through the intranet, newsletters, webinars, managements calls, and formal and informal face-to-face meetings. Employee roadshows are held across the business to update and consult with employees at key times of the year and each business also engages with their employees through their own internal communication channels.

Employees are encouraged to share in the success of the Company through participation in all employee share plans including SAYE and SIP plans. Senior management level employees may also receive awards under the Kier Long Term Incentive Plans to ensure alignment of shareholder interests and senior management with sustained strong performance by the Group over the longer term.

#### **Safety, health and environment**

The safety and wellbeing of Kier employees and suppliers remain of paramount importance. The Kier Group Safety, Health and Environment ('SHE') committee (the "Committee") has maintained its focus on overseeing the consolidation of the Group's safety culture and performance, with employee health and welfare being a particular area of focus during the year.

The 5 SHE Basics campaign, which was relaunched with a new visual identity on sites across the Group at the start of the calendar year, is fundamental to the Group's approach to safety and forms part of the Performance Excellence programme to constantly want to be better, with the aim of improving the Group's overall safety performance, as has been done year on year over the past five years.

For further information on Kier Group's activities with regards to SHE matters, please see the Kier Group plc 2020 Annual Report (available at [www.kier.co.uk](http://www.kier.co.uk)).

#### **Future developments**

The Company continues to support the overseas business of the Kier Group plc. However, following a strategic review of the Kier Group, Kier has concluded its existing projects and is in the process of winding down its entities in the Caribbean and Hong Kong.

#### **Going concern**

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Kier Group plc, an intermediate holding company of the Company. Kier Group plc has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment.

## Kier International (Investments) Limited

### Directors' Report for the Year Ended 30 June 2020 (continued)

#### Directors' liability insurance

The articles of association of the Company entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, Kier maintains insurance for the directors and officers of companies within the Kier Group to cover certain losses or liabilities to which they may be exposed due to their office.

#### Disclosure of information to the auditors

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

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Reappointment of independent auditors

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

Approved by the Board on 21<sup>st</sup> December 2020 and signed on its behalf by:

  
Mohamed Mulla  
Director

## **Kier International (Investments) Limited**

### **Statement of Directors' Responsibilities**

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

## **Kier International (Investments) Limited**

### **Independent Auditors' Report to the Members of Kier International (Investments) Limited**

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

##### **Opinion**

*In our opinion, Kier International (Investments) Limited's financial statements:*

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2020; the Income Statement; the Statement of Comprehensive Income; 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**

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.

##### **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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **Kier International (Investments) Limited**

### **Independent Auditors' Report to the Members of Kier International (Investments) Limited (continued)**

#### **Reporting on other information (continued)**

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

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

Based on 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.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, 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 financial statements and the audit*

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.



**Kier International (Investments) Limited**

**Independent Auditors' Report to the Members of Kier International (Investments)  
Limited (continued)**

**Other required reporting**

**Companies Act 2006 exception reporting**

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

- we have not 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.



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

Date: *22 December 2020*

**Kier International (Investments) Limited**

**Income Statement for the Year Ended 30 June 2020**

	Note	2020 £	2019 £
Revenue		-	-
Other gains/(losses)	4	<u>8,729,059</u>	<u>(818,117)</u>
Operating profit/(loss)		<u>8,729,059</u>	<u>(818,117)</u>
Profit/(loss) before tax		<u>8,729,059</u>	<u>(818,117)</u>
Profit/(loss) for the year		<u><u>8,729,059</u></u>	<u><u>(818,117)</u></u>

The above results were derived from continuing operations.

**Kier International (Investments) Limited**

**Statement of Comprehensive Income for the Year Ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit/(loss) for the year	<u>8,729,059</u>	<u>(818,117)</u>
Total comprehensive income/(expense) for the year	<u>8,729,059</u>	<u>(818,117)</u>

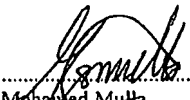
**Kier International (Investments) Limited**

**(Registration number: 01463191)**

**Statement of Financial Position as at 30 June 2020**

	Note	2020 £	2019 £
<b>Non-current assets</b>			
Investments	7	1,174,732	1,516,768
<b>Current assets</b>			
Trade and other receivables	8	10,866,554	11,752,630
<b>Total assets</b>		12,041,286	13,269,398
<b>Current liabilities</b>			
Provisions	9	(80,322,478)	(90,279,649)
<b>Net liabilities</b>		<u>(68,281,192)</u>	<u>(77,010,251)</u>
<b>Equity</b>			
Called up share capital	13	100	100
Accumulated Losses		<u>(68,281,292)</u>	<u>(77,010,351)</u>
		<u>(68,281,192)</u>	<u>(77,010,251)</u>
<b>Total equity</b>		<u>(68,281,192)</u>	<u>(77,010,251)</u>

The financial statements on pages 16 to 27 were approved by the Board of Directors on 21<sup>st</sup> December 2020 and signed on its behalf by:

  
 .....  
 Mohamed Mulla  
 Director

# Kier International (Investments) Limited

## Statement of Changes in Equity for the Year Ended 30 June 2020

	Share capital £	Profit and loss Account £	Total £
At 1 July 2018	100	(76,192,234)	(76,192,134)
Loss for the financial year	-	(818,117)	(818,117)
Total comprehensive expense	-	(818,117)	(818,117)
At 30 June 2019	100	(77,010,351)	(77,010,251)

	Share capital £	Profit and loss Account £	Total £
At 1 July 2019	100	(77,010,351)	(77,010,251)
Profit for the financial year	-	8,729,059	8,729,059
Total comprehensive income	-	8,729,059	8,729,059
At 30 June 2020	100	(68,281,292)	(68,281,192)

## **Kier International (Investments) Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020**

#### **1 General information**

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

The address of its registered office is:

81 Fountain Street

Manchester

England

M2 2JE

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS101') and the Companies Act 2006, as applicable to companies using FRS101.

The financial statements have been prepared under the historical cost convention.

The company is wholly-owned subsidiary of Kier Group plc and is included in the consolidated financial statements of Kier Group plc which are publicly available. 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.

## **Kier International (Investments) Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **2 Accounting policies (continued)**

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

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:

IAS 7: Complete exemption from preparing a cash flow statement and related notes;

IFRS 2: Exemption from certain disclosures in respect of share based payments for arrangements involving equity instruments of another Group entity;

IAS 8: The listing of new or revised standards that have not been adopted (and information about their likely impact) has been omitted;

IAS 36: Exemption from disclosures for each cash generating unit which contains goodwill, in particular in relation to assumptions and sensitivities;

IFRS 7: Complete exemption from all of the disclosure requirements of IFRS 7, Financial Instruments, other than for those instruments where these disclosures are still required to comply with the law;

IFRS 13: Complete exemption from all of the disclosure requirements of IFRS 13, Fair value measurement;

IAS 24: Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member;

IAS 24: Exemption from disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity;

IAS 1: Exemption from comparatives for movements on property, plant & equipment, intangible assets and share capital;

IFRS 15: Exemption from certain disclosures in respect of revenue from contracts with customers; and

IFRS 16: Exemption from certain disclosures in respect of leases.

##### **Foreign exchange**

Exchange differences are recognised in the statement of comprehensive income, in the period in which they arise. The differences arise primarily from:

- i) Restatement of exchange differences on the entities foreign investments.
- ii) Restatement of foreign currency bank balances at the period closing rate.

##### **Going concern**

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Kier Group plc, an independent holding company of the Company. Kier Group plc has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment.

##### **Changes resulting from adoption of IFRS 16**

IFRS 16 'Leases' became mandatorily effective on 1 January 2019. The Company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The Company has transitioned to IFRS 16 using the modified retrospective approach whereby the cumulative impact of applying the standard is accounted for as an adjustment to equity at the start of the accounting period in which it is first applied (i.e. 1 July 2019).

The Directors has assessed the implications of IFRS 16 and there was no impact on the opening retained earnings, opening balance sheet and closing balance sheet.

## **Kier International (Investments) Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Tax**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes 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 balance sheet date.

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 bases used in the computation of taxable profit, and is accounted for using the balance sheet 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance sheet 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. 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.

##### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.



## **Kier International (Investments) Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. An assessment of whether a financial asset is impaired is made at least at each reporting date.

The principal financial assets and liabilities of the Company are as follows:

##### **(a) Trade receivables and trade payables**

The Company has allocated receivables and payables due within 12 months of the balance sheet date to current with the remainder included in non-current.

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

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

##### **(b) Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set off exists. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

##### **(c) Bank and other borrowings**

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

##### **Impairment of Investments**

Investments in subsidiary undertakings are included as cost less any provision for impairment. The impairment of intercompany balances is reviewed at each accounting period. Where the recovery of such balances is deemed to be unlikely, the portion deemed as unrecoverable is written down through the income statement. Where subsidiaries are in a net liability position, provision for the liability is created after impairment of investments and intercompany balances.

Additional inter-company funding and foreign exchange movements could affect impairment of inter-company and provision in the future.

## Kier International (Investments) Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 4 Other gains/(losses)

	2020	2019
	£	£
Amounts written off against investments in subsidiaries	(342,036)	(688,588)
Release/ (Increase) of provision for diminution in subsidiaries	9,957,171	(1,230,366)
Tax (charge)/credit relating to UK tax resident subsidiaries	(886,076)	1,100,837
Total other gains/(losses)	<u>8,729,059</u>	<u>(818,117)</u>

The Company makes full provision for the negative net assets in the balance sheets of its subsidiaries. The provision is allocated first against the fixed asset investment and then against intercompany receivables. Where those assets are insufficient to cover the provision, the residual amount is treated as a provision in the Company's balance sheet.

Owing to a reduction in the net liabilities in one of the subsidiaries, it has been possible to release part of the provision for diminution in investments in the year.

The tax (charge)/ credit relating to UK tax resident subsidiaries represents tax due to UK tax resident subsidiary companies owed from Kier Group for losses surrendered. The tax is not recognised in local accounts of the subsidiaries and is due to be settled with Kier International (Investments) Limited by other Group companies.

#### 5 Directors' remuneration

None of the directors received remuneration for their services as the services supplied to the Company were considered to be incidental to those supplied to the holding companies.

The monthly average number of persons employed by the Company during the year, excluding directors, was nil (2019: nil).

#### 6 Auditors' remuneration

There is no direct charge for auditors' remuneration in the financial statements of the Company in the current or preceding year. The auditors' remuneration for the statutory audit is covered by another Group company. It is neither practical nor meaningful to allocate these fees between group companies and therefore disclosures are not made with reference to the amount of fees paid in respect of the Company.

## Kier International (Investments) Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 7 Investments

Subsidiaries	£
<b>Cost or valuation</b>	
At 1 July 2019	8,726,522
Write off	<u>(16,357)</u>
At 30 June 2020	<u>8,710,165</u>
<b>Provision</b>	
At 1 July 2019	7,209,754
Impairment in year	<u>325,679</u>
At 30 June 2020	<u>7,535,433</u>
<b>Carrying amount</b>	
At 30 June 2020	<u>1,174,732</u>

Details of the subsidiaries as at 30 June 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held		
			2020	2019	
Kier Dubai LLC	Construction	3	49% 100%	/ 49% 100%	/
Kier Construction LLC *	Construction	6	49% 100%	/ 49% 100%	/
Kier Construction SA	Construction	2	100% 100%	/ 100% 100%	/
Kier Construction Limited *	Construction	1	100% 100%	/ 100% 100%	/
Saudi Kier Construction Limited *	Construction	4	10% 100%	/ 10% 100%	/
Kier Malaysia SDN BHD (in liquidation)	Dormant	5	100% 100%	/ 100% 100%	/

\* indicates direct investment of Kier Infrastructure and Overseas Limited, the Company's parent company.

## Kier International (Investments) Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 7 Investments (continued)

##### Details of registered offices

- 1 c/o Grant Thornton, Cnr Bank Street and West Independence Sq Street, Basseterre, Saint Kitts and Nevis
- 2 151 Angle Avenue, Jean Paul II et Impasse Duverger, Turgeau, Port-au-Prince, Republic of Haiti
- 3 Unit 1501, P.O. Box 24461, Thuraya Tower, TECOM, Dubai, United Arab Emirates
- 4 P.O. Box 677 4th Floor, ATCO Building, King Khaled Road, Dammam 31421, Kingdom of Saudi Arabia
- 5 9-5 & 7-5, Jalan 8/146, Bandar Tasik Selatan, Kuala Lumpur, 57000 Sg.Besi, Malaysia
- 6 Unit 896, P.O. Box: 61967 Level 08, Aya Business Center, Al Gaith Tower, Hamdan Street, Abu Dhabi, United Arab Emirates

#### 8 Trade and other receivables

	2020	2019
	£	£
Receivables from related parties	<u>10,866,554</u>	<u>11,752,630</u>

Amounts receivable from group companies are short term and interest free amounts which are repayable on demand.

#### 9 Other provisions

	Other provisions	Total
	£	£
At 1 July 2019	90,279,649	90,279,649
Increase (decrease) in existing provisions	<u>(9,957,171)</u>	<u>(9,957,171)</u>
At 30 June 2020	<u>80,322,478</u>	<u>80,322,478</u>

For further explanation of the provision see note 4.

#### 10 Contingent liabilities

There are contingent liabilities in respect of guarantees and claims under contracting and other agreements, including joint arrangements, entered into in the normal course of business. The Company is party to cross guarantees in respect of group banking arrangements in which the Kier Group has no net liability.

#### 11 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Kier Group plc.

These financial statements are available upon request from Companies House and at [www.kier.co.uk](http://www.kier.co.uk).

## Kier International (Investments) Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 12 Parent and ultimate parent undertaking

The Company's immediate parent is Kier International Limited.

The ultimate parent is Kier Group plc.

The most senior parent entity producing publicly available financial statements is Kier Group plc. These financial statements are available upon request from Companies House, Crown Way, Cardiff

The ultimate controlling party is Kier Group plc.

#### Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Kier Group plc, incorporated in England and Wales.

The address of Kier Group plc is:  
81 Fountain Street, Manchester, England, M2 2EE

Copies of the financial statements for this company can be obtained from Companies House, Crown Way, Cardiff where they will be available to the public, and at [www.kier.co.uk](http://www.kier.co.uk).

The parent of the smallest group in which these financial statements are consolidated is Kier Limited, incorporated in England and Wales.

The address of Kier Limited is:  
81 Fountain Street, Manchester, England, M2 2EE

Copies of the financial statements for this company can be obtained from Companies House, Crown Way, Cardiff where they will be available to the public, and at [www.kier.co.uk](http://www.kier.co.uk).

#### 13 Called share capital

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

	No.	2020 £	No.	2019 £
Ordinary of £1 each	100	100	100	100