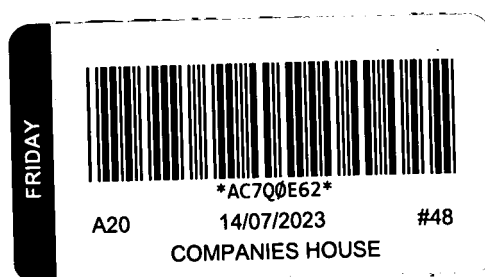


Company number: 00590078

Kensington Commercial Property Investments Limited
Directors' report and financial statements
31 December 2022



Kensington Commercial Property Investments Limited

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Directors

N Q George

E J Prideaux

P M Williams

D M A Wisniewski

Secretary and registered office

D A Lawler

25 Savile Row

London

W1S 2ER

Company number

00590078

Independent auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Kensington Commercial Property Investments Limited

Directors' report

Principal activities and future developments

Kensington Commercial Property Investments Limited (the 'Company') is a property investment company and is a subsidiary of Derwent London plc (the 'Group'). It invests primarily in central London office space. The Company is a private company limited by shares and is incorporated and domiciled in England and Wales, United Kingdom. The address of its registered office is 25 Savile Row, London, W1S 2ER. The Directors foresee no material change in the nature of the Company's activities.

Financial review and dividends

The results for the year are set out in the statement of comprehensive income on page 7. In 2022, the Company paid a dividend of £20,000,000 on its Ordinary Shares (2021: £nil).

The Directors do not recommend payment of a final 2022 dividend (2021: £nil).

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Political contributions

There were no political contributions in the year (2021: £nil).

Directors

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

N Q George

E J Prideaux

D G Silverman (Resigned on 14 April 2022)

P M Williams

D M A Wisniewski

None of the above Directors has an interest in the ordinary share capital of the Company. The interests of the Directors in the share capital of Derwent London plc, the Company's parent company, are disclosed in the financial statements of that company.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and continues to be in place. Derwent London plc, the Company's parent company, also purchased and maintained Directors' and Officers' liability insurance throughout the financial year, which covers all Directors and Officers within the Derwent London Group.

Disclosure of information to the Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have expressed a willingness to continue in office. Under the Companies Act 2006 section 487 (2) they will be automatically re-appointed as Independent Auditors 28 days after these financial statements are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

Kensington Commercial Property Investments Limited

Directors' report - continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for 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.

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.

Small companies' exemption

In preparing this report, the Directors have taken advantage of the small companies exemptions from preparing a strategic report as provided by section 414B of the Companies Act 2006.

The Directors' report has been approved by the Board of Directors and signed by order of the Board:



D A Lawler
Secretary
25 Savile Row
London
W1S 2ER

28 June 2023

Independent auditors' report to the members of Kensington Commercial Property Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kensington Commercial Property Investments Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 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 31 December 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 the 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 were related to posting inappropriate journal entries to increase revenue, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties. Audit procedures performed by the engagement team included:

- Discussions with management, including the Company Secretary, over their consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding and evaluating management's controls designed to prevent and detect irregularities;
- Reviewing the reports made by internal audit;
- Assessment of matters reported through the company's whistleblowing helpline and the results of management's investigation of such matters where relevant;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Review of tax compliance in the audit;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management; and
- Challenging assumptions made by management in relation to areas of judgment and significant accounting estimates, including involving PwC valuation specialists to challenge the assumptions used in the valuation of investment property.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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.



Jamil Kanji (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2023

Kensington Commercial Property Investments Limited

Statement of comprehensive income for the year ended 31 December

	Note	2022 £	2021 £
Other income/(expense)	3	5,549	(1,017)
Revaluation deficit	9	(150,000)	-
		<hr/>	<hr/>
Operating loss	4	(144,451)	(1,017)
Interest receivable and similar income	5	2,555,560	2,763,046
Interest payable and similar expenses	6	(124,096)	(134,282)
		<hr/>	<hr/>
Profit and total comprehensive income for the financial year		2,287,013	2,627,747
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The notes on pages 10 to 18 form part of these financial statements.

Kensington Commercial Property Investments Limited

Company no. 00590078

Balance sheet as at 31 December

	Note	2022 £	2021 £
Non-current assets			
Investment properties	9	2,000,000	2,150,000
		<u>2,000,000</u>	<u>2,150,000</u>
Current assets			
Receivables: amounts falling due within one year	10	69,639,458	67,078,349
		<u>69,639,458</u>	<u>67,078,349</u>
Current liabilities			
Payables: amounts falling due within one year	11	(23,857,903)	(3,733,807)
		<u>(23,857,903)</u>	<u>(3,733,807)</u>
Net current assets		<u>45,781,555</u>	<u>63,344,542</u>
Net assets		<u>47,781,555</u>	<u>65,494,542</u>
Capital and reserves			
Called up share capital	12	75,000	75,000
Retained earnings		<u>47,706,555</u>	<u>65,419,542</u>
Total equity		<u>47,781,555</u>	<u>65,494,542</u>

The financial statements on pages 7 to 18 were approved by the Board of Directors on 28 June 2023 and were signed on its behalf by:



D M A Wisniewski

The notes on pages 10 to 18 form part of these financial statements.

Kensington Commercial Property Investments Limited

Statement of changes in equity for the year ended 31 December

	Note	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2022		75,000	65,419,542	65,494,542
Profit and total comprehensive income for the financial year		-	2,287,013	2,287,013
Dividends paid	8	-	(20,000,000)	(20,000,000)
At 31 December 2022		75,000	47,706,555	47,781,555
At 1 January 2021		75,000	62,791,795	62,866,795
Profit and total comprehensive income for the financial year		-	2,627,747	2,627,747
At 31 December 2021		75,000	65,419,542	65,494,542

The notes on pages 10 to 18 form part of these financial statements.

Kensington Commercial Property Investments Limited

Notes to the financial statements

1. Basis of preparation

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.

The financial statements of Kensington Commercial Property Investments Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The Company is a qualifying entity for the purpose of FRS 101. Note 13 gives details of the Company's ultimate parent company and from where its consolidated financial statements prepared in accordance with UK-adopted International Accounting Standards and in accordance with the provisions of the Companies Act 2006, may be obtained.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of paragraphs 10(f) and 40A to 40D of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of IAS 7 Statement of Cash Flows; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Changes in accounting policies

New standards adopted during the year

The following standards, amendments and interpretations were effective for the first time for the Company's 31 December 2022 year end and had no material impact on the financial statements.

Reference to the Conceptual Framework (amendments to IFRS 3);
IFRS 16 (amended) – Covid-19-related Rent Concessions beyond 30 June 2021;
IAS 37 (amended) – Onerous Contracts – Cost of Fulfilling a Contract;
Annual improvements to IFRS Standards 2018-2020;
IAS 16 (amended) – Property, Plant and Equipment: Proceeds before Intended Use.

Standards and interpretations in issue but not yet effective

The following standards, amendments and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting year and have not been adopted early. Based on the Company's current circumstances the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Company.

IFRS 17 (amended) – Insurance Contracts;
IAS 1 (amended) – Classification of liabilities as current or non-current, Non-current Liabilities with Covenants;
IAS 1 and IFRS Practice Statement 2 (amended) – Disclosure of Accounting Policies;
IAS 8 (amended) – Definition of Accounting Estimate;
IAS 12 (amended) – Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;
IFRS 16 (amended) – Lease Liability in a Sale and Leaseback;
IFRS 17 (amended) and IFRS 9 – Comparative Information.

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

1. Basis of preparation – continued

Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company's significant accounting policies are stated in note 2. Some but not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Key sources of estimation uncertainty

Property portfolio valuation

The Company uses the valuation carried out by external valuers as the fair value of its property portfolio. The valuation considers a range of assumptions including future rental income, investment yields, anticipated outgoings and maintenance costs, future development expenditure and appropriate discount rates. The external valuers also make reference to market evidence of transaction prices for similar properties and take into account the impact of climate change and related Environmental, Social and Governance considerations. Knight Frank LLP were appointed to value the whole London-based portfolio as at 31 December 2022.

Financial risks

The Company is a member of the Group and its risks are aligned with that of the Group. The Group faces financial risks, in particular, that it becomes unable to meet its financial obligations or finance the business appropriately. The Group has a number of debt facilities which are subject to financial covenants. The Group has identified tenants defaulting or tenant failure, a fall in rental income and a fall in property values as its key financial risks. Due to the current economic conditions, occupiers could be facing increased financial difficulty. The energy pricing crisis and cost inflation have placed considerable pressure on service charge operating levels. Significant cost increases pose a greater risk of occupier default and late payment. This could result in a fall in rental income which would lead to lower interest cover under the Group's financial covenants. It would also normally have an adverse impact upon the property valuation.

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

2. Accounting policies

Gross property income

Gross property income arises from two main sources:

- (i) Rental income – This arises from operating leases granted to tenants. An operating lease is a lease other than a finance lease. A finance lease is one whereby substantially all the risks and rewards of ownership are passed to the lessee.

Rental income is recognised in the Group income statement on a straight-line basis over the term of the lease in accordance with IFRS 16 Leases. This includes the effect of lease incentives given to tenants, which are normally in the form of rent-free or half rent periods or capital contributions in lieu of rent-free periods, and the effect of contracted rent uplifts and payments received from tenants on the grant of leases. Where the total consideration due under a lease is modified, the revised total amount due under the lease is recognised on a straight-line basis over the remaining term of the lease. Where rent demanded is forgiven for periods that have passed, these amounts are assessed under IFRS 9 and written off. Where rent is forgiven for future periods, this is considered a lease modification and spread on a straight-line basis over the remaining lease term in accordance with IFRS 16.

For income from property leased out under a finance lease, a lease receivable asset is recognised in the balance sheet at an amount equal to the net investment in the lease, as defined in IFRS 16 Leases. Minimum lease payments receivable, again defined in IFRS 16, are apportioned between finance income and the reduction of the outstanding lease receivable so as to produce a constant periodic rate of return on the remaining net investment in the lease. Contingent rents, being the difference between the rent currently receivable and the minimum lease payments when the net investment in the lease was originally calculated, are recognised in property income in the years in which they are receivable.

- (ii) Surrender premiums – Payments received from tenants to surrender their lease obligations are recognised immediately in the statement of comprehensive income. In circumstances where surrender payments received relate to specific periods, they are deferred and recognised in those periods.

Other Income

Other income consists of commissions and fees arising from the management of the Company's properties and is recognised in the statement of comprehensive income in accordance with the delivery of service.

Service charges

Service charge income relates to expenditure that is directly recoverable from tenants, excluding management fees which are included in 'other income'. Service charge income is recognised as revenue in the period to which it relates as required by IFRS 15 Revenue from Contracts with Customers.

Expenses

- (i) Dilapidations – Dilapidations monies received from tenants in respect of their lease obligations are recognised immediately in the statement of comprehensive income, unless they relate to future capital expenditure. In the latter case, where the costs are considered to be recoverable they are capitalised as part of the carrying value of the property.
- (ii) Reverse surrender premiums – Payments made to tenants to surrender their lease obligations are charged directly to the statement of comprehensive income unless the payment is to enable the probable redevelopment of a property. In the latter case, where the costs are considered to be recoverable, they are capitalised as part of the carrying value of the property.
- (iii) Other property expenditure – Vacant property costs and other property costs are expensed in the year to which they relate, with the exception of the initial direct costs incurred in negotiating and arranging leases which are, in accordance with IFRS 16 Leases, added to the carrying value of the relevant property and recognised as an expense over the lease term on the same basis as the lease income.

Investment property

- (i) Valuation – Investment properties are those that are held either to earn rental income or for capital appreciation or both, including those that are undergoing redevelopment. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, they are carried in the Company balance sheet at fair value adjusted for the carrying value of leasehold interests and lease incentive and letting cost receivables. Fair value is the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date. The valuation is undertaken by independent valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and categories of properties being valued.

Surpluses or deficits resulting from changes in the fair value of investment property are reported in the statement of comprehensive income in the year in which they arise.

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

2. Accounting policies – continued

Investment property – continued

- (ii) Capital expenditure – Capital expenditure, being costs directly attributable to the redevelopment or refurbishment of an investment property, up to the point of it being completed for its intended use, are capitalised in the carrying value of that property. In addition, in accordance with IAS 23 Borrowing Costs, finance costs that are directly attributable to such expenditure are capitalised using the Group average cost of borrowings during each quarter.
- (iii) Disposal – Properties are treated as disposed when the Company transfers control and the significant risks and rewards of ownership to the buyer. Generally this would occur on completion of contract. On disposal, any gain or loss is calculated as the difference between the net disposal proceeds and the carrying value at the last year end plus subsequent capitalised expenditure during the year. Where the net disposal proceeds have yet to be finalised at the balance sheet date, the proceeds recognised reflect the Directors' best estimate of the amounts expected to be received. Any contingent consideration is recognised at fair value at the balance sheet date. The fair value is calculated using future discounted cash flows based on expected outcomes with estimated probabilities taking account of the risk and uncertainty of each input.
- (iv) Development – When the Company begins to redevelop an existing investment property for continued use as an investment property or acquires a property with the subsequent intention of developing as an investment property, the property is classified as an investment property and is accounted for as such. When the Company begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is remeasured to fair value as at the date of transfer with any gain or loss being taken to the statement of comprehensive income. The remeasured amount becomes the deemed cost at which the property is then carried in trading properties.

Financial assets

- (i) Trade receivables – Trade receivables are recognised and carried at the original transaction value. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.
- (ii) Intercompany receivables – Intercompany receivables are recognised and carried at the original transaction value. The Company measures the expected credit losses of these intercompany receivables in line with IFRS 9, taking into account the period of recovery, the ability of the borrower to repay the debt and proportion of the loan expected to be recovered.

Financial liabilities

- (i) Trade payables – Trade payables are recognised and carried at the original transaction value.
- (ii) Intercompany payables – Intercompany payables are recognised and carried at the original transaction value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Dividends

Dividends payable on the ordinary share capital are recognised in the year in which they are declared.

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

3. Property income/(expense)

	2022 £	2021 £
Property outgoings	5,549	(1,017)
Net property income/(expense)	5,549	(1,017)

4. Operating loss

Audit fees of £3,200 (2021: £2,000) have been incurred by Derwent London plc on behalf of the Company.

The Company has no employees (2021: nil). Group employees are held in and remunerated by other Group companies.

The Company's Directors were not directly remunerated for their services to the Company, but instead received emoluments from the Company's parent for their services to all Group companies. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and their services as Directors of other Group companies.

5. Interest receivable and similar income

	2022 £	2021 £
Receivable from Group undertakings	2,555,560	2,763,046

6. Interest payable and similar expenses

	2022 £	2021 £
Amounts payable to Group undertakings	124,096	134,282

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

7. Tax on profit

There is no current taxation (2021: £nil) or deferred taxation (2021: £nil) charge for the year.

Factors affecting the tax for the year

The effective tax rate for the year is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2022 £	2021 £
Profit before taxation	2,287,013	2,627,747
Current tax at 19% (2021: 19%)	434,532	499,272
Effects of:		
Differences between expenses and deductions for tax purposes	(33,859)	(36,389)
REIT exempt income	32,806	36,582
Group relief claimed not paid	(465,166)	(515,212)
Revaluation deficit attributable to REIT properties	28,500	-
Difference in interest rate on intercompany loans for tax purposes	3,187	15,747
Tax on profit	-	-

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021 (on 24 May 2021) and include increasing the main rate to 25% effective on or after 1 April 2023.

8. Dividend paid

	2022 £	2021 £
Dividend paid - £444.44 per share (2021: £nil per share)	20,000,000	-

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

9. Investment properties

Freehold investment properties

	2022 £	2021 £
Valuation		
Fair value at 1 January	2,150,000	2,150,000
Revaluation	(150,000)	-
	<hr/>	<hr/>
At 31 December	2,000,000	2,150,000
	<hr/>	<hr/>
	2022 £	2021 £
Historical cost of revalued assets		
At 31 December	2,284,908	2,284,908
	<hr/>	<hr/>

The property portfolio is subject to semi-annual external valuations and was revalued at 31 December 2022 by external valuers on the basis of fair value in accordance with The RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation. There were no such instances in the year. In addition, the valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market-related, such as yields and discount rates, and are based on their professional judgement and market observation and take into account the impact of climate change and related Environmental, Social and Governance considerations.

The fair value of the property portfolio has been determined using an income capitalisation technique, whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's length terms. For properties under construction, the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion and a risk premium. These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy. There were no transfers between Levels 1 and 2 or between Levels 2 and 3 in the fair value hierarchy during either 2022 or 2021.

In 2022, the third party report commissioned in the prior year to determine the cost of achieving EPC compliance across the portfolio by 2030 was updated to reflect latest scope changes and 2022 cost inflation. It is expected that a portion of this cost will be recovered through service charges. Where applicable, a specific deduction for identified EPC upgrade works has been included within the external valuation at 31 December 2022, with an additional allowance for further general upgrades to properties following assumed tenant vacancies.

In the table above, the negative revaluation of £150,000 included in prepayments is shown within the Company's Statement of comprehensive income as revaluation deficit of £150,000 on page 7.

Properties with a fair value of £2,000,000 (2021: £2,150,000) are secured against borrowings of a fellow group undertaking.

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

10. Receivables

	2022	2021
	£	Restated ¹ £
Amounts falling due within one year:		
Amounts due from Group undertakings	69,639,000	67,077,891
Taxation and social security	458	458
	<u>69,639,458</u>	<u>67,078,349</u>

¹ Service charge amounts for 2021 of £4,178 have been reclassified from prepayments and accrued income to the amounts due from Group undertakings.

Amounts due from Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at a rate dependent on the Group's overall debt funding cost for the year. For the year ended 31 December 2022, interest was charged at 3.81% (2021: 4.30%).

11. Payables

	2022	2021
	£	£
Amounts falling due within one year:		
Amounts owed to Group undertakings	23,381,211	3,257,115
Other payables	4,368	4,368
Accruals and deferred income	472,324	472,324
	<u>23,857,903</u>	<u>3,733,807</u>

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at a rate dependent on the Group's overall debt funding cost for the year. For the year ended 31 December 2022, interest was charged at 3.81% (2021: 4.30%).

12. Called up share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
45,000 (2021: 45,000) 'A' ordinary shares of £1 each	45,000	45,000
30,000 (2021: 30,000) 'B' ordinary shares of £1 each	30,000	30,000
	<u>75,000</u>	<u>75,000</u>

Kensington Commercial Property Investments Limited

Notes to the financial statements – continued

13. Parent company

The Company's immediate parent undertaking is Derwent Valley Limited, a company incorporated in England and Wales, whose registered office is at 25 Savile Row, London, W1S 2ER.

Derwent London plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2022 and the copies of the consolidated Group financial statements are publicly available at 25 Savile Row, London, W1S 2ER, United Kingdom.