

REGISTERED NUMBER: 02818584 (England and Wales)

K&C (COLEHERNE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018



K&C (COLEHERNE) LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Page
Company Information	1
Report of the Directors	2
Independent Auditor's Report	4
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Statement of Cash Flows	11
Notes to the Financial Statements	12

K&C (COLEHERNE) LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS:

R J Boon
R J Naylor
D White

REGISTERED OFFICE:

82 St. John Street
London EC1M 4JN

BUSINESS ADDRESS:

44/48 Old Brompton Road
South Kensington
London SW7 3DY

REGISTERED NUMBER:

02818584 (England and Wales)

INDEPENDENT AUDITOR:

BDO LLP
150 Aldersgate Street
London EC1A 4AB

SOLICITORS:

Fladgate LLP
16 Great Queen Street
London WC2B 5DG

BANKERS:

Metro Bank plc
One Southampton Row
London WC1A 5HA

K&C (COLEHERNE) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report with the financial statements of the Company for the year ended 30 June 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of maintaining a property portfolio.

GOING CONCERN

The directors have adopted the going concern basis in preparing the financial statements. This is further explained in the notes to the financial statements.

DIVIDENDS

The directors do not recommend payment of a dividend for the year (2017 - £nil).

DIRECTORS

The following directors served during the year to 30 June 2018 and up to the date of approval of the financial statements:

Name

Richard Boon – appointed 6 August 2019
Russell Naylor – appointed 6 August 2019
Dominic White – appointed 6 August 2019
Timothy James – resigned 6 August 2019
James Cane – resigned 6 August 2019
Christopher James – resigned 6 August 2019
Timothy Oakley – resigned 6 August 2019

RISK MANAGEMENT

In the normal course of the business, the Company is exposed to a variety of financial risks that have the potential to have a material effect on the Company's financial performance.

The Company's overall risk-management programme seeks to minimise the potentially adverse effect of risk on the Company's financial performance in a manner consistent with the Company's investment objective. The principal categories of risk identified by the Board are credit, liquidity, interest-rate and other price risks. The Company's financial risk management and mitigation policies are set out in the notes to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

K&C (COLEHERNE) LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2018**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

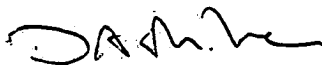
On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place.

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

SMALL COMPANY PROVISION

In preparing this report, the directors have taken advantage of the small companies' exemption in Part 15 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



D White
Director

Date 12 September 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
K&C (COLEHERNE) LIMITED**

Opinion

We have audited the financial statements of K&C (COLEHERNE) LIMITED ("the Company") for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion:

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
K&C (COLEHERNE) LIMITED**

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Paul Fenner (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date 20 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

K&C (COLEHERNE) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 £	2017 £
Revenue	3	133,001	141,778
Cost of sales		<u>(50,122)</u>	<u>(53,101)</u>
GROSS PROFIT		82,879	88,677
Administrative expenses		(17,119)	(13,472)
Revaluation of investment properties		<u>-</u>	<u>(50,000)</u>
OPERATING PROFIT		65,760	25,205
Finance costs		<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION	5	65,760	25,205
Taxation	6	-	-
PROFIT FOR THE YEAR		65,760	25,205
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>65,760</u>	<u>25,205</u>

OTHER COMPREHENSIVE INCOME

There is no other comprehensive income and accordingly no statement of other comprehensive income is issued.

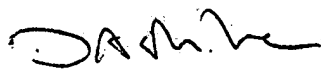
K&C (COLEHERNE) LIMITED (REGISTERED NUMBER: 02818584)

**STATEMENT OF FINANCIAL POSITION
30 JUNE 2018**

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Investment property	8	<u>4,200,000</u>	<u>4,200,000</u>
CURRENT ASSETS			
Trade and other receivables	9	<u>206,999</u>	<u>141,526</u>
Cash and cash equivalents		<u>198</u>	<u>153</u>
		<u>207,197</u>	<u>141,679</u>
TOTAL ASSETS		<u>4,407,197</u>	<u>4,341,679</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	10	<u>1,000</u>	<u>1,000</u>
Retained earnings		<u>4,392,606</u>	<u>4,326,846</u>
TOTAL EQUITY		<u>4,393,606</u>	<u>4,327,846</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	<u>13,591</u>	<u>13,833</u>
TOTAL LIABILITIES		<u>13,591</u>	<u>13,833</u>
TOTAL EQUITY AND LIABILITIES		<u>4,407,197</u>	<u>4,341,679</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved and authorised for issue by the Board of Directors on 12 September 2019 and were signed on its behalf by:



Dominic White
Director

K&C (COLEHERNE) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Share capital £	Retained earnings £	Total equity £
Balance at 1 July 2016	1,000	4,301,641	4,302,641
Changes in equity			
Total comprehensive income for the year	-	25,205	25,205
Balance at 30 June 2017	<u>1,000</u>	<u>4,326,846</u>	<u>4,327,846</u>
Changes in equity			
Total comprehensive income for the year	-	65,760	65,760
Balance at 30 June 2018	<u>1,000</u>	<u>4,392,606</u>	<u>4,393,606</u>

K&C (COLEHERNE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	<u>45</u>	<u>72,738</u>
Net cash from operating activities		<u>45</u>	<u>72,738</u>
Cash flows from financing activities			
Loan to parent company		<u>-</u>	<u>(73,260)</u>
Net cash used in financing activities		<u>-</u>	<u>(73,260)</u>
Increase/(decrease) in cash and cash equivalents		45	(522)
Cash and cash equivalents at beginning of year		<u>153</u>	<u>675</u>
Cash and cash equivalents at end of year		<u><u>198</u></u>	<u><u>153</u></u>

K&C (COLEHERNE) LIMITED

**NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2018	2017
	£	£
Profit before taxation	65,760	25,205
Revaluation of investment properties	-	50,000
	65,760	75,205
(Increase)/decrease in trade and other receivables	(65,473)	(1,177)
Increase/(decrease) in trade and other payables	(243)	(1,290)
Cash generated from operations	<u>45</u>	<u>72,738</u>

K&C (COLEHERNE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. PRESENTATION OF FINANCIAL STATEMENTS

Company information

K&C (Coleherne) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company information page.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the European Union.

Functional and presentational currency

The financial statements are presented in Pounds Sterling ("GBP"), which is the Company's functional and presentational currency.

New standards and interpretations not yet adopted

As at 30 June 2018, the following standards and interpretations were in issue but not yet adopted by the EU.

The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 - Financial Instruments

The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit and loss, fair value through other comprehensive income or measured amortised cost. On the adoption of the standard, the Company will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments other than reclassifications.

The standard is effective for periods beginning on or after 1 January 2018.

IFRS 15 - Revenue from contracts with customers

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

The standard is effective for periods beginning on or after 1 January 2018.

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

2. ACCOUNTING POLICIES

IFRS 16 - Leases

The standard has been developed to provide information to the users of the financial statements on the lease transactions undertaken by the entity, in order for them to assess the amount, timing and uncertainty of cash flows arising from leases.

The standard is effective for periods beginning on or after 1 January 2019.

On application of the standard, the Company will be required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. At present, the directors consider that there will only be further disclosure required.

Basis of preparation

These financial statements have been prepared on the historical cost basis with the exception of investment properties that are held at fair value.

Going concern

After preparing detailed forecasts, the directors have formed a judgment that, as at the date of approving the financial statements, there is reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future.

For this reason, the directors have adopted the going concern basis in preparing the financial statements. The directors believe that the Company will be able to meet its liabilities as they fall due.

Revenue recognition

Rental income is recognised on an accruals basis. Rental income received in advance is recognised in deferred income.

Revenue of the Company for the period was derived from its principal activity, being the letting to third parties of property assets owned by the Company.

Investment properties

Investment properties comprise properties owned by the Company which are held for capital appreciation, rental income or both. Investment properties are initially measured at cost, including expenditure that is directly attributable to the acquisition of the asset. Investment properties are revalued on acquisition by independent external valuers and then by the directors or independent valuers annually thereafter. Acquisitions and disposals are recognised on exchange of contracts. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Impairment

(i) Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that event or more events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

2. ACCOUNTING POLICIES - continued

(ii) Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of the financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of the loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(iii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, the assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's non-derivative financial assets comprise loans and receivables.

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

2. ACCOUNTING POLICIES – continued

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(iv) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(v) Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. As a member of a REIT group, the Company is generally not liable to corporation tax.

Deferred tax would be recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

2. ACCOUNTING POLICIES – continued

Taxation - continued

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future years affected.

Information about critical estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Investment properties and the determination of their value

The Company's investment properties are valued at £4,200,000.

Several of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of investment properties is based either on independent professional valuations in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards 2014 as amended or by the directors, based on market prices for similar items. The Group's investment properties are valued on acquisition by independent external valuers and then by the directors or independent valuers annually thereafter.

The directors are of the opinion that the estimates and assumptions that they have used in the valuation of investment properties are appropriate.

3. REVENUE

The Company is involved in UK property ownership and letting and is considered to operate in a single geographical and business segment.

The total revenue of the Company for the year was derived from its principal activity, being the letting to third parties of property assets owned by the Company.

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

4. EMPLOYEES AND DIRECTORS

The directors, who are all considered to be key management personnel, receive remuneration from the parent company KCR Residential REIT plc in respect of the services they provide to the Group.

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2018	2017
	£	£
Auditors' remuneration – audit services	<u>5,000</u>	<u>5,000</u>

6. TAXATION

Analysis of tax

	2018	2017
	£	£
Current tax		
UK corporation tax	<u>-</u>	<u>-</u>
Total tax	<u>-</u>	<u>-</u>

7. FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE

The Company leases out units within its investment property under short-term operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows.

	2018	2017
	£	£
In less than one year	29,310	13,367
Between 1 and 5 years	<u>9,251</u>	<u>84,125</u>
	<u>38,561</u>	<u>97,492</u>

Properties that are owned by the Company are let on short-term tenancy agreements as at 30 June 2018

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

8. INVESTMENT PROPERTY

	Total £
COST OR VALUATION	
At 1 July 2017	<u>4,200,000</u>
At 30 June 2018	<u>4,200,000</u>
NET BOOK VALUE	
At 30 June 2018	<u>4,200,000</u>
At 30 June 2017	<u>4,200,000</u>

The property was valued at £4,200,000 by professionally qualified independent external valuers, in September 2017, in accordance with the Royal Institution of Chartered Surveyors Appraisal Valuation Standards 2014 as amended.

The directors reviewed the valuations at the year end and in their opinion the market value remains unchanged. The fair values are considered to be level 3 inputs under IFRS 13.

The revenue earned by the Company from its investment properties and all direct operating expenses incurred on its investment properties are recorded in the statement of comprehensive income.

The total rental income in relation to investment properties for the Company equated to £133,001 (2017: £141,778). The total rental expenses in relation to investment properties for the Company equated to £50,122 (2017: £53,101).

9. TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Amounts due from parent undertaking	197,330	134,260
Other receivables	3,000	3,000
Prepayments	<u>6,669</u>	<u>4,266</u>
	<u>206,999</u>	<u>141,526</u>

Amounts due from the parent undertaking are unsecured, interest free and repayable on demand.

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 13.

There is no material difference between the fair value of trade and other receivables and their book value.

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

10. SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

11. TRADE AND OTHER PAYABLES

	2018	2017
	£	£
Accruals and deferred income	<u>13,591</u>	<u>13,833</u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 13.

There is no material difference between the fair value of trade and other payables and their book value.

12. OTHER FINANCIAL COMMITMENTS

On 9 July 2015, the Company provided security to Metro Bank in relation to borrowings made by the parent company, KCR Residential REIT plc. The loan is secured by a cross guarantee from K&C (Coleherne) Limited over the freehold property known as 25 Coleherne Road and a debenture over the assets and undertakings of K&C (Coleherne) Limited. It is also secured by a pledge of shares of K&C (Coleherne) Limited.

K&C (COLEHERNE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018**

13. FINANCIAL INSTRUMENTS

The Company's directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Capital management

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations.

The Company considers its capital to comprise equity capital add accumulated profits.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as reported in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as interest rate and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

14. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of KCR Residential REIT plc. The registered office of the parent company is 82 St. John Street, London, EC1M 4JN.

The parent undertaking produces consolidated accounts which incorporate the results of K&C (Coleherne) Limited and can be obtained from the registered office or from www.kcrreit.com.