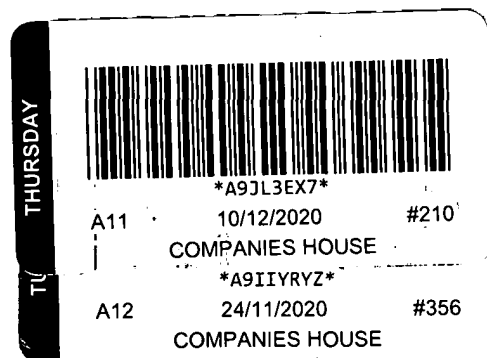


**K&C (COLEHERNE) LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



# K&C (COLEHERNE) LTD

## COMPANY INFORMATION

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**Directors**

D A White  
R J Naylor  
R J Boon

**Company number**

02818584 (England and Wales)

**Registered office**

Gladstone House  
77-79 High Street  
Egham  
Surrey  
TW20 9HY

**Auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**Solicitors**

Fladgate LLP  
16 Great Queen Street  
London  
WC2B 5DG

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# **K&C (COLEHERNE) LTD**

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# **K&C (COLEHERNE) LTD**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2020**

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The directors present their annual report and financial statements for the year ended 30 June 2020.

#### **Principal activities**

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 notes to these financial statements.

#### **Results and dividends**

The directors do not recommend payment of a dividend for the year (2019 - £nil).

#### **Directors**

The following directors served during the year to 30 June 2020 and up to the date of approval of the financial statements:

##### **Name**

Dominic White - appointed 6 August 2019

Russell Naylor - appointed 6 August 2019

Richard Boon - appointed 6 August 2019

Timothy James - resigned 6 August 2019

James Cane - resigned 6 August 2019

Timothy Oakley - resigned 6 August 2019

Christopher James - 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 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 and market risks. The Company's financial risk management and mitigation policies are set out in the notes to the financial statements.

#### **Post reporting date events**

Details of post balance sheet events are detailed in the notes to these financial statements.

#### **Auditor**

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditor of the company will be put at a General Meeting.

# **K&C (COLEHERNE) LTD**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2020**

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### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report 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 (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Statement of disclosure to auditor**

Each director in office at the date of approval of this annual report confirms that:

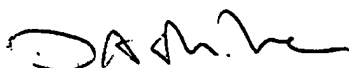
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### **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.A. WHITE**  
**Director**

14 October 2020

# **K&C (COLEHERNE) LTD**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF K&C (COLEHERNE) LTD**

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#### **Opinion**

We have audited the financial statements of K&C (Coleherne) Limited ("the Company") for the period ended 30 June 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash flows and 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 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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 annual report, 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.

# K&C (COLEHERNE) LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF K&C (COLEHERNE) LTD

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#### **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 have 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 Directors' 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 Directors' responsibility statement, 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.

# **K&C (COLEHERNE) LTD**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF K&C (COLEHERNE) LTD**

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#### **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  
Birmingham  
United Kingdom

**16 October 2020**

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

# K&C (COLEHERNE) LTD

## INCOME STATEMENT

**FOR THE YEAR ENDED 30 JUNE 2020**

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		2020	2019
	Notes	£	(as restated) £
<b>Revenue</b>	<b>4</b>	133,903	133,551
Cost of sales		(20,617)	(26,474)
		<hr/>	<hr/>
<b>Gross profit</b>		113,286	107,077
Administrative expenses		(159,072)	(56,871)
Revaluation of investment properties		(90,000)	(100,000)
		<hr/>	<hr/>
<b>Operating loss</b>	<b>6</b>	(135,786)	(49,794)
Finance costs		(37,092)	-
		<hr/>	<hr/>
<b>Loss before taxation</b>		(172,878)	(49,794)
Taxation	<b>7</b>	-	-
		<hr/>	<hr/>
<b>Loss and total comprehensive income for the year</b>		<u>(172,878)</u>	<u>(49,794)</u>

Other comprehensive income

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

The income statement has been prepared on the basis that all operations are continuing operations.

# K&C (COLEHERNE) LTD

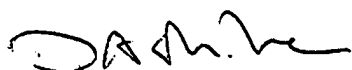
## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	2020 £	2019 £
<b>Non-current assets</b>			
Investment property	10	4,010,000	4,100,000
<b>Current assets</b>			
Trade and other receivables	11	2,927,826	255,681
Cash and cash equivalents	12	12,454	7,300
		2,940,280	262,981
<b>Total assets</b>		6,950,280	4,362,981
<b>Current liabilities</b>			
Trade and other payables	14	35,987	19,169
<b>Net current assets</b>		2,904,293	243,812
<b>Non-current liabilities</b>			
Borrowings	13	2,743,359	-
<b>Total liabilities</b>		2,779,346	19,169
<b>Net assets</b>		4,170,934	4,343,812
<b>Equity</b>			
Called up share capital	16	1,000	1,000
Retained earnings		4,169,934	4,342,812
<b>Total equity</b>		4,170,934	4,343,812

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 by the board of directors and authorised for issue on 14 October 2020 and are signed on its behalf by:



D.A. WHITE  
Director

Company Registration No. 02818584

# K&C (COLEHERNE) LTD

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2020**

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	Share capital £	Retained earnings £	Total £
Balance at 1 July 2018	1,000	4,392,606	4,393,606
Year ended 30 June 2019:			
Loss and total comprehensive income for the year	-	(49,794)	(49,794)
Balance at 30 June 2019	1,000	4,342,812	4,343,812
Year ended 30 June 2020:			
Loss and total comprehensive income for the year	-	(172,878)	(172,878)
Balance at 30 June 2020	1,000	4,169,934	4,170,934

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# K&C (COLEHERNE) LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	21	(2,701,113)		7,102	
Interest paid		(37,092)		-	
<b>Net cash (outflow)/inflow from operating activities</b>		(2,738,205)		7,102	
<b>Financing activities</b>					
Loan received in year		2,743,359		-	
<b>Net cash generated from/(used in) financing activities</b>		2,743,359		-	
<b>Net increase in cash and cash equivalents</b>		5,154		7,102	
Cash and cash equivalents at beginning of year		7,300		198	
Cash and cash equivalents at end of year		12,454		7,300	

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2020**

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### **1 Accounting policies**

#### **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.

#### **1.1 Accounting convention**

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

##### **Functional and presentational currency**

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

##### **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.

#### **1.2 Going concern**

The financial statements have been prepared on a going concern basis. This requires the directors to consider, as at the date of approving the financial statements, that there is reasonable expectation that the Company has adequate financial resources to continue to operate, and to meet its liabilities as they fall due for payment, for at least twelve months following the approval of the financial statements.

The Company has undertaken procedures to ensure that the Company has sufficient cash resources and bank facilities and with sufficient covenant margin to manage the potential financial impact of the Covid-19 pandemic on its business under going concern principles. These procedures included the following:

- Reviewing and establishing that cash balances and bank facilities are sufficient to cover at least twelve months of operations;
- Review of financial covenant ratios and the Company's ability to meet the covenants for a period of at least twelve months of operation; and
- Reviewing cash flow forecast scenarios. Any decision on property acquisitions and developments in the next twelve months will be taken following review of revised cash flow forecasts.

In the light of the results of the procedures described above, the directors consider that the adoption of the going concern basis is reasonable and appropriate.

#### **1.3 Revenue**

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.

Rental income from operating leases is recognised periodically in line with the time for which the property is rented. Rental income received in advance is recognised in deferred income.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services net of discounts, VAT and other sales-related taxes. The Company concludes that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. Contracts with customers do not contain a financing component or any element of variable consideration. The Company does not offer an option to purchase a warranty.

# K&C (COLHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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#### 1 Accounting policies (continued)

##### 1.4 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.

##### 1.5 Cash and cash equivalents

Cash and cash equivalents comprise balances held with banking institutions.

##### 1.6 Financial assets

Recognition and derecognition

Financial assets are recognised initially on 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.

Classification and initial recognition of financial assets

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value plus adjusted for any directly attributable transaction costs.

Financial assets are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- The entity's business model for managing the asset
- The contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within administrative expenses.

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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#### 1 Accounting policies (continued)

##### Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where its effect is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category.

Financial assets which are designated as FVTPL are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined with reference to active market transactions or using a valuation technique where no active market exists. The Company's investment properties are designated as FVTPL assets.

##### Impairment of financial assets

IFRS 9's impairment requirements use forward looking information to recognise expected credit losses - the "expected credit loss (ECL) method". Recognition of credit losses is no longer dependent on first identifying a credit loss event, but considers a broader range of information in assessing credit risk and credit losses including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

#### 1.7 Financial liabilities

Financial liabilities are recognised initially on 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 adjusted for 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 and other short-term monetary liabilities.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### 1.8 Share capital

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

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

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### **1 Accounting policies (continued)**

#### **1.9 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.

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.

### **2 Adoption of new and revised standards and changes in accounting policies**

The Company has applied the following accounting standards that are mandatorily effective for accounting periods commencing on or after 1 January 2019:

#### **IFRS 16: Leases**

The application of this standard has not had a material impact on the amounts reported in these financial statements.

# K&C (COLHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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#### 2 Adoption of new and revised standards and changes in accounting policies (continued)

Changes in accounting policies for standards implemented in the year are as follows:

##### IFRS 16 Leases

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. No transitional adjustments were required upon adoption.

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where:

- A right of use asset and lease liability is recognised on the statement of financial position, initially measured at the present value of future lease payments;
- Depreciation of right-of-use assets and interest on lease liabilities are recognised in the statement of comprehensive income;

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company did not have any operating leases in place during the 2020 financial year.

##### Standards which are in issue but not yet effective

As at 30 June 2020, the Company has not applied the following new and revised standards that have been issued but are not yet effective:

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3: Definition of a business

Amendments to IAS 1 and IAS 8: Definition of Material

The directors do not anticipate that the adoption of the above new and revised standards will have a significant impact on the financial statements of the Company in future periods.

# K&C (COLHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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#### 3 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, on the basis of market value, on acquisition by independent external valuers and then by the directors or independent valuers annually thereafter. The Company's investment properties were all valued independently at 30 June 2020 at £4,010,000.

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.

#### 4 Revenue

The Company is involved in the 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.

The Company's investment properties consist of residential housing for the private rented sector and therefore has multiple tenants and as a result does not have any significant customers.

#### 5 Employees

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.

#### 6 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Auditors remuneration- audit services	-	10,000

In the 2020 financial year, the auditors' remuneration was borne by the parent company.

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 7 Taxation

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2020 (2019 - £nil).

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Loss before taxation	(172,878)	(49,794)
Expected tax credit based on a corporation tax rate of 19.00% (2019: 19.00%)	(32,847)	(9,461)
Effect of expenses not deductible in determining taxable profit	58,289	34,836
Income not taxable	(25,442)	(25,375)
<b>Taxation charge for the year</b>	-	-

#### 8 Future minimum lease payments receivable

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

In less than one year	5,442	52,776
Between 1 and 5 years	-	6,832
	5,442	59,608

Properties that are owned by the Company are let on short-term tenancy agreements.

#### 9 Prior period adjustment

During the preparation of the financial statements for the year ended 30 June 2020, the Directors reviewed the accounting treatment of maintenance and communal costs relating to the properties. Due to the nature of the expenditure, the Directors are of the opinion that these costs should be classified as administrative expenses, not cost of sales as they had been classified in previous years. In order for the information in the 2020 financial statements to be comparable to the information in the 2019 financial statements, a prior period adjustment was made to reclassify £31,894 of costs from cost of sales to administrative expenses. As this was simply a reclassification in the income statement, there has been no impact on the statement of financial position at 30 June 2019 or 30 June 2020.

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 10 Investment property

	2020 £	2019 £
<b>Fair value</b>		
At 1 July 2019	4,100,000	4,200,000
Revaluation	(90,000)	(100,000)
At 30 June 2020	<u>4,010,000</u>	<u>4,100,000</u>

A bank loan in the name of the parent company, KCR Residential REIT plc, was secured by a cross guarantee from the company over the property known as 25 Coleherne Road and a debenture over the assets and undertakings of the Company. This loan was repaid during the 2020 financial year.

On 10 February 2020, the Company took out a new loan of £2,743,359 with Hodge Bank. The term of the loan is 25 years. The loan is secured by a freehold charge over the investment properties.

The properties were valued by professionally qualified independent external valuers in 2020, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards 2014, as amended, resulting in a revaluation to £4,010,000.

Fair value is based on current prices in an active market for similar properties in the same location and condition. The current price is the estimated amount for which a property could be exchanged between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuation are based on a market approach which provides an indicative value by comparing the property with similar properties which price information is available. Comparisons have been adjusted to reflect differences in age, size, condition, location and any other relevant factors.

The fair values used are considered to be level 3 inputs under IFRS 13. The valuer visited all material properties and his valuations were based on both internal and external site visits.

The valuation technique used in measuring the fair value, as well as the significant inputs and significant unobservable inputs are summarised in the following table-

Fair Value Heirachy	Valuation Technique	Significant Inputs Used	Significant Unobservable Inputs
Level 3	Income capitalisation and/or capital value on a per square foot basis	Adopted gross yield	3.00% - 5.60%
		Adopted rate per square foot	£303 - £1,018

The fair value would increase if market rents were higher and/or the rates per square foot were higher and/or capitalisation rates were lower.

The fair value would decrease if market rents were lower and/or the rates per square foot were lower and/or capitalisation rates were higher.

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 the leased investment properties for the Company equated to £133,903 (2019: £133,551). The total rental expenses in relation to investment properties for the company equated to £20,617 (2019: £26,474).

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 11 Trade and other receivables

	2020 £	2019 £
Trade debtors	2,944	-
Amounts owed by fellow group undertakings	2,922,288	248,840
Other debtors	1,644	3,000
Prepayments and accrued income	950	3,841
	<u>2,927,826</u>	<u>255,681</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 18.

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

### 12 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	<u>12,454</u>	<u>7,300</u>

### 13 Borrowings

	2020 £	2019 £
Bank loans and overdrafts	<u>2,743,359</u>	<u>-</u>

#### Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Non-current liabilities	<u>2,743,359</u>	<u>-</u>

On 10 February 2020, K&C (Coleherne) Limited took out a new loan of £2,743,359 with Hodge Bank. The term of the loan is 25 years. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 3.5 per cent for the first 60 months. After this period the interest rate charged will be a standard variable rate. The loan is secured by a freehold charge over 25 Coleherne Road. The balance outstanding at 30 June 2020 was £2,743,359.

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 14 Trade and other payables

	2020 £	2019 £
Trade payables	20,599	2,640
Accruals	15,388	16,529
	<u>35,987</u>	<u>19,169</u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 18.

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

#### 15 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 the undertakings of K&C (Coleherne) Limited. It is also secured by a pledge of shares of K&C (Coleherne) Limited. During the 2020 financial year, this loan was repaid in full.

#### 16 Share capital

	2020 £	2019 £
<b>Ordinary share capital</b>		
<b><i>Issued and fully paid</i></b>		
1,000 Ordinary of £1 each	<u>1,000</u>	<u>1,000</u>

All shares rank parri passu for the purposes of dividends, voting and any return on capital.

#### 17 Financial instruments

The Company's financial assets, as defined under IFRS 9, and their estimated carrying amount are as follows:

	2020 £	2019 £
<b>Carrying amount of financial assets at amortised cost</b>		
Trade and other receivables	2,927,826	255,681
Cash at bank and in hand	<u>12,454</u>	<u>7,300</u>

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

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### **18 Financial risk management**

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 less accumulated losses.

#### **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.

### **19 Post balance sheet events**

There are no significant post balance sheet events.

# K&C (COLEHERNE) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

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### 20 Ultimate parent company

The Company is a wholly owned subsidiary of KCR Residential REIT plc. The registered office of the parent company is Gladstone House, 77-79 High Street, Egham, Surrey, TW20 9HY.

The parent undertakings 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](http://www.kcrreit.com).

### 21 Cash (absorbed by)/generated from operations

	2020 £	2019 £
Loss for the year after tax	(172,878)	(49,794)
<b>Adjustments for:</b>		
Finance costs	37,092	-
Fair value loss on investment properties	90,000	100,000
<b>Movements in working capital:</b>		
Increase in trade and other receivables	(2,672,145)	(48,682)
Increase in trade and other payables	16,818	5,578
<b>Cash (absorbed by)/generated from operations</b>	<b>(2,701,113)</b>	<b>7,102</b>