

KW Rock UK Limited

Directors' report and financial statements

Year ended 31 December 2019

Registered number: 08694293



KW Rock UK Limited

Directors' report and financial statements

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KW Rock UK Limited

Directors and other information

Directors
Ms Padmini Singla
Mr Fraser James Kennedy
Mr Christopher John Taylor

Registered office
50 Grosvenor Hill
London
W1K 3QT

Auditor
KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Republic of Ireland

Solicitors
Hogan Lovells
21 Holborn Viaduct
London
EC1A 2DY

Registered number 08694293

KW Rock UK Limited

Directors' report

The Directors present their directors' report and audited financial statements of the Company for the year ended 31 December 2019.

Principal activities, business review and future developments

The principal activity of KW Rock UK Limited (the 'Company') is to act as a holding company for Thornfield Properties (Bury) Limited.

The Directors expect that the Company will continue to operate at its present activity level for the foreseeable future.

The Company has availed of the small company exemption, under the Companies Act 2006, from preparing a strategic report.

Principal risks and uncertainties

The Directors consider that the principal risks and uncertainties faced by the Company are the following categories:

- Economic Risk, including uncertainty surrounding the future performance of assets.
- Market Risk, including property value loss risk and asset mispricing.

The Company takes a holistic approach to risk management believing that no one risk can be properly managed in isolation.

Results and dividends

The loss for the year, after taxation, amounted to £6,193,149 (2018: £5,232,858). The results of the Company are set out in the profit and loss account on page 7. The Directors do not recommend the payment of a dividend (2018: £nil).

Directors and their interests

The Directors of the Company are set out on page 1. Christopher Taylor was appointed director of the Company on 10 October 2019. The Directors have no disclosable interests in the share capital of the Company in the current or prior year.

Disclosure of information to auditor

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 statutory auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's statutory auditor is aware of that information.

Political and charitable contributions

The Company made no political or charitable contributions and did not incur political expenditure during the year.

Post balance sheet events

Details of significant post balance sheet events have been set out in note 13 to the financial statements.

KW Rock UK Limited

Directors' report *(continued)*

Auditor

In accordance with Section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of KPMG as auditor of the Company.

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the directors' report and 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 they have elected to prepare the financial statements in accordance with FRS 101 Reduced Disclosure Framework.

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 estimates that are reasonable and prudent; and
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board



Mr Fraser James Kennedy
Director

19 November 2020



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of KW Rock UK Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KW Rock UK Limited ('the Company') for the year ended 31 December 2019 set out on pages 7 to 15, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

Independent auditor's report to the members of KW Rock UK Limited (continued)

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of 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 as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.



Independent auditor's report to the members of KW Rock UK Limited (continued)

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Michael Gibbons
Senior Statutory Auditor
for and on behalf of
KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St Stephen's Green
Dublin 2
Republic of Ireland

19 November 2020

KW Rock UK Limited

Profit and loss account

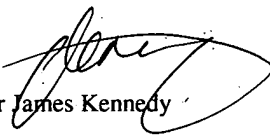
For the year ended 31 December 2019

	Notes	2019 £	2018 £
Operating expenses		<u>(16,436)</u>	<u>(4,950)</u>
Operating loss		(16,436)	(4,950)
Interest payable and similar charges	5	<u>(6,176,713)</u>	<u>(5,227,908)</u>
Loss on ordinary activities before taxation		(6,193,149)	(5,232,858)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation		<u>(6,193,149)</u>	<u>(5,232,858)</u>

The Company had no other gains or losses during the current or prior year and accordingly no statement of recognised gains and losses is presented. The profit and loss account has been prepared on the basis that all operations are continuing operations.

The financial statements were approved by the board on 19 November 2020.

On behalf of the board


Mr Fraser James Kennedy
Director

KW Rock UK Limited

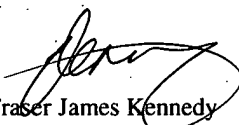
Balance sheet

As at 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Investment in subsidiary	7	76,100,000	76,100,000
Current assets			
Debtors due within one year	8	<u>6,281</u>	<u>5,291</u>
		6,281	5,291
Creditors: Amounts falling due in less than one year	9	<u>(32,250,074)</u>	<u>(26,055,935)</u>
Net current liabilities		<u>(32,243,793)</u>	<u>(26,050,644)</u>
Total assets less current liabilities		43,856,207	50,049,356
Creditors: Amounts falling due after more than one year	10	<u>(78,793,847)</u>	<u>(78,793,847)</u>
Net liabilities		<u><u>(34,937,640)</u></u>	<u><u>(28,744,491)</u></u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account		<u>(34,937,740)</u>	<u>(28,744,591)</u>
Shareholders' deficit		<u><u>(34,937,640)</u></u>	<u><u>(28,744,491)</u></u>

The financial statements were approved by the board on 19 November 2020.

On behalf of the board


Mr Fraser James Kennedy
Director

KW Rock UK Limited

Statement of Changes in Equity For the year ended 31 December 2019

	Share Capital £	Profit and Loss account £	Total £
Balance as at 1 January 2018	100	(23,511,733)	(23,511,633)
Loss for the year	-	(5,232,858)	(5,232,858)
Total comprehensive loss for the year	-	(5,232,858)	(5,232,858)
Balance at 31 December 2018	100	(28,744,591)	(28,744,491)
Loss for the year	-	(6,193,149)	(6,193,149)
Total comprehensive loss for the year	-	(6,193,149)	(6,193,149)
Balance at 31 December 2019	100	(34,937,740)	(34,937,640)

KW Rock UK Limited

Notes

Forming part of the financial statements

1. Reporting entity

The Company was incorporated on 17 September 2013 and is a resident of the United Kingdom. The address of the Company's registered office is 50 Grosvenor Hill, London, W1K 3QT. The Company is a holding company for Thornfield Properties (Bury) Limited.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Kennedy Wilson Holdings Inc., the ultimate parent undertaking, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosure*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

KW Rock UK Limited

Notes

Forming part of the financial statements

2. Accounting policies (Continued)

Reporting currency

The financial statements have been prepared in British pounds.

Going concern

The Company has net liabilities of £34,937,640 (2018: £28,744,491) at 31 December 2019 which includes loans from parent undertaking of £25,820,062 (2018: £25,820,062) and a loan from subsidiary of £52,973,785 (2018: £52,973,785).

These financial statements are prepared on a going concern basis because the parent has undertaken to provide continuing financial support so that the Company is able to pay its debts as and when they fall due covering a period of not less than 12 months from the date of approval of these financial statements. See further details in note 13.

Expenses

Expenses are recognised in the profit and loss account in the period in which they are incurred, on an accruals basis.

Interest payable

Interest payable and similar charges include interest payable on borrowings and net foreign exchange losses that are recognised in the profit or loss (see foreign currency accounting policy).

Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Taxation

Current tax is provided on the Company's taxable profits at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

KW Rock UK Limited

Notes

Forming part of the financial statements

2. Accounting policies (Continued)

Investments

Investments in subsidiary and associate undertakings are stated at cost less provision for any permanent diminution in value.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If payments received from customers exceed the income recognised, then the difference is presented as deferred income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment of Financial assets (including trade and other debtors)

A financial asset not carried 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 objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a 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. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Consolidation

The Company is exempt by virtue of s400 subject to the small companies regime of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

3. Statutory and other information

None of the Directors received any remuneration or fees for their services as Directors during the current and prior year. Audit fees have been borne by a fellow group undertaking for the current and prior year.

KW Rock UK Limited

Notes

Forming part of the financial statements

4. Staff number and costs

There were no employees employed by the Company during the current and prior year.

5. Interest payable and similar charges

	2019 £	2018 £
Interest on subordinated and profit participating loan	4,486,962	3,406,635
Interest on loan from subsidiary undertaking	1,689,751	1,821,273
	<u>6,176,713</u>	<u>5,227,908</u>

6. Tax on loss on ordinary activities

There is no tax charge for the current year or prior year as noted in note 6(a) and note 6(b).

(a) Factors affecting the tax charge for the year

The tax assessed for the year is different from the standard corporation tax rate in the UK of 19% (2018: 19%).

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(6,193,149)</u>	<u>(5,232,858)</u>
UK corporation tax 19% (2018: 19%) calculated on loss on ordinary activities	(1,176,698)	(994,243)
Tax effects of:		
Group relief surrendered	859,705	712,927
Expenses disallowed	316,993	281,316
Total current tax charge	<u>-</u>	<u>-</u>

(b) Deferred tax

The Company has tax losses carried forward of £12.0 million as at 31 December 2019 (2018: £12.0 million) which can be offset against future taxable profits arising in the Company. A deferred tax asset has not been recognised in respect of these losses as it is not certain when these losses will be utilised.

KW Rock UK Limited

Notes

Forming part of the financial statements

7. Investment in subsidiary

	2019 £	2018 £
Investment in subsidiary	<u>76,100,000</u>	<u>76,100,000</u>

The Company has the following investments in subsidiaries

	Country of Incorporation	Registered office	Nature of business	Class of shares held	Ownership
Thornfield Properties (Bury) Limited	England	Same as the Company	Real Estate investment	Ordinary	100%

8. Debtors

	2019 £	2018 £
Other Debtors	<u>6,281</u>	<u>5,291</u>
	<u>6,281</u>	<u>5,291</u>

All amounts fall due within one year.

9. Creditors: amounts falling due within one year

	2019 £	2018 £
Other creditors	12,000	9,450
Accrued interest	21,336,617	15,159,904
Amounts due to group companies	<u>10,901,457</u>	<u>10,886,581</u>
	<u>32,250,074</u>	<u>26,055,935</u>

Amounts due to group companies are interest free, unsecured and are repayable on demand.

10. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Subordinated and profit participating loan	25,820,062	25,820,062
Amounts due to subsidiary undertaking	<u>52,973,785</u>	<u>52,973,785</u>
	<u>78,793,847</u>	<u>78,793,847</u>

The subordinated and profit participating loans accrue interest at 12% and are fully repayable by December 2025 to the parent undertaking.

The amount due to subsidiary undertaking, Thornfield Property (Bury) Limited ("THP"), bears interest at a fixed rate of 2.8% and is repayable on 2 February 2025.

KW Rock UK Limited

Notes

Forming part of the financial statements

11. Called up share capital

	2019	2018
	£	£
Authorised Share Capital		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Issued Share Capital		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

12. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is KW Real Estate VIII Limited, incorporated in the Republic of Ireland. The Company's ultimate parent undertakings are jointly Kennedy-Wilson Holdings Inc. and Fairfax Financial Holdings Limited incorporated in the United States of America and Canada respectively. The largest group of which the Company is a member and for which group accounts are prepared is that headed by Kennedy-Wilson Holdings Inc. whose principal place of business is at 151 S. El Camino Dr, Beverly Hills, CA 90212, USA. The consolidated financial statements of this group are available to the public and may be obtained from this address.

The Company has availed of the exemption available under FRS 101 from disclosing details of transactions with group companies. Details of the availability of the financial statements are set out above.

The following is the list of all related undertakings as defined under the Companies Act 2006:

- Thornfield Properties (Bury) Limited
- Thornfield Properties Bury (Lease) Limited

13. Post balance sheet events

No significant events have taken place since the year end that would result in adjustment to or disclosure in the financial statements other than those set out below.

Impact of coronavirus ('COVID-19')

After making enquiries, the directors have a reasonable expectation that the Company can continue its operations for the foreseeable future with any shortfall in liquidity being provided by the parent and fellow group undertakings, should it be required. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

14. Commitments and contingencies

The Company has no commitments or contingencies.

15. Approval of financial statements

These financial statements were approved by the Directors on 19 November 2020.