

**Kings Hill Residential Estate
Management Company Limited**

Report and Financial Statements

Year Ended

31 December 2015

Company Number 3540322

Kings Hill Residential Estate Management Company Limited

Report and financial statements
for the year ended 31 December 2015

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Directors

A J Blevins
E S Roche
J West
D Petty

Registered office

The Control Tower, 29 Liberty Square, Kings Hill, West Malling, Kent, ME19 4RG

Company number

3540322

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Kings Hill Residential Estate Management Company Limited

Report of the directors for the year ended 31 December 2015

The directors present their report together with the audited financial statements for the year ended 31 December 2015.

Results and dividends

The surplus for the year is set out in the income and expenditure account on page 5. The Articles of Association preclude the payment of dividends to members. The memorandum of association of the company requires management fees collected from tenants (members) to be applied for the management and maintenance of the estate, consequently the company is precluded from paying dividends to its members.

Principal activity and review of the business

The company was incorporated to manage and maintain the common parts of the residential estate at Kings Hill, West Malling on a non-profit making basis. The company has continued this activity during the year.

The position of the company at the year end is shown in the balance sheet on page 7.

Future developments

The second phase of residential development is now nearly complete and we have obtained planning permission to convert 43 acres of commercial land to residential which will create 635 new homes and be called Phase 3. The company will continue to carry out estate management activities.

Directors

The directors who served during the year, together with those appointed since are:

E S Roche
A J Blevins
J West
S Barker (resigned 4th June 2015)
D Petty (appointed 18th November 2015)

Kings Hill Residential Estate Management Company Limited

Report of the directors for the year ended 31 December 2015 (*continued*)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this directors' report advantage has been taken of the small companies' exemption.

By order of the Board



A J Blevins
Director

Date 26 September 2016

Kings Hill Residential Estate Management Company Limited

Independent auditor's report

TO THE SHAREHOLDERS OF KINGS HILL RESIDENTIAL ESTATE MANAGEMENT COMPANY LIMITED

We have audited the financial statements of Kings Hill Residential Estate Management Company Limited for the year ended 31 December 2015 which comprise the income and expenditure account, the statement of changes in equity, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

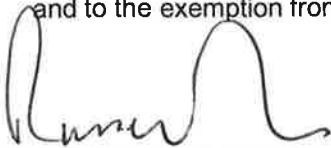
Kings Hill Residential Estate Management Company Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 prepare the directors' report in accordance with the small companies' regime and to the exemption from the requirement to prepare a strategic report.



*Russell Field (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom*

Date *27 September 2016*

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

Kings Hill Residential Estate Management Company Limited

Income and Expenditure Account for the year ended 31 December 2015

| | Note | 2015 £ | 2014 £ |
|---|------|------------------|-----------|
| Turnover | 3 | 536,538 | 501,982 |
| Cost of sales | | (322,370) | (318,615) |
| Gross surplus | | 214,168 | 183,367 |
| Administrative expenses | | (161,169) | (153,394) |
| Other operating income | | 48,400 | 38,198 |
| Operating surplus | 4 | 101,399 | 68,171 |
| Interest receivable | | 5,592 | 5,938 |
| Surplus on ordinary activities before taxation | | 106,991 | 74,109 |
| Taxation on surplus on ordinary activities | 6 | (1,132) | (1,278) |
| Surplus for the year | | 105,859 | 72,831 |
| Total comprehensive income for the year | | 105,859 | 72,831 |

The notes on pages 8 to 12 form part of these financial statements.

Kings Hill Residential Estate Management Company Limited

Statement of changes in equity for the year ended 31 December 2015 and 31 December 2014

| | Share capital | Estate expenditure reserve | Income and expenditure account | Total equity |
|---|---------------|----------------------------------|--------------------------------------|----------------|
| | £ | £ | £ | £ |
| 1 January 2015 | 1,668 | 806,968 | - | 808,636 |
| Comprehensive income for the year | | | | |
| Surplus of the year | - | - | 105,859 | 105,859 |
| Total comprehensive income for the year | - | - | 105,859 | 105,859 |
| Contributions by and distributions to owners | | | | |
| Issue of shares | 148 | | | 148 |
| Transfer to Estate expenditure reserve | - | 105,859 | (105,859) | - |
| Total contributions by and distributions to owners | 148 | 105,859 | (105,859) | 148 |
| 31 December 2015 | 1,816 | 912,827 | - | 914,643 |

| | Share capital | Estate expenditure reserve | Income and expenditure account | Total equity |
|---|---------------|----------------------------------|--------------------------------------|----------------|
| | £ | £ | £ | £ |
| 1 January 2014 | 1,591 | 734,137 | - | 735,728 |
| Comprehensive income for the year | | | | |
| Surplus of the year | - | - | 72,831 | 72,831 |
| Total comprehensive income for the year | - | - | 72,831 | 72,831 |
| Contributions by and distributions to owners | | | | |
| Issue of shares | 77 | - | - | 77 |
| Transfer to Estate expenditure reserve | - | 72,831 | (72,831) | - |
| Total contributions by and distributions to owners | 77 | 72,831 | (72,831) | 77 |
| 31 December 2014 | 1,668 | 806,968 | - | 808,636 |

The notes on pages 8 to 12 form part of these financial statements.

Kings Hill Residential Estate Management Company Limited

Balance sheet
at 31 December 2015

| Company number 3540322 | Note | 2015 £ | 2014 £ |
|---|-------------|-------------------|-------------------|
| Current assets | | | |
| Debtors | 7 | 118,162 | 116,851 |
| Cash at bank and in hand | 8 | 981,596 | 908,105 |
| | | <u>1,099,758</u> | <u>1,024,956</u> |
| Creditors: amounts falling due within one year | 9 | (185,115) | (216,320) |
| | | <u>914,643</u> | <u>808,636</u> |
| Net current assets | | | |
| | | <u>914,643</u> | <u>808,636</u> |
| Total assets less current liabilities | | <u>914,643</u> | <u>808,636</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 1,816 | 1,668 |
| Income and expenditure account | | - | - |
| Estate expenditure reserve | | 912,827 | 806,968 |
| | | <u>914,643</u> | <u>808,636</u> |
| Total reserves | | <u>914,643</u> | <u>808,636</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2016



A J Blevins
Director

The notes on pages 8 to 12 form part of these financial statements.

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements for the year ended 31 December 2015

1 Accounting policies

Company information

Kings Hill Residential Estate Management Company Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and principal activities are set out in the directors' report.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. The directors have prepared an income and expenditure account rather than a statement of comprehensive income as they feel that this better reflects the non-profit making objectives of the company.

Information on the impact of first-time adoption of FRS 102 is given in note 13.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);

This information is included in the consolidated financial statements of Liberty Property Trust as at 31 December 2015 and these financial statements may be obtained from 500 Chesterfield Parkway, Malvern, Pennsylvania 19355, United States of America.

Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the company operates and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (*continued*)

1 *Accounting policies (continued)*

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Management fees

Residents are invoiced a management fee each year as agreed in a Deed of Covenant signed with the Company at the time of purchase of their property. Fees are recognised based upon invoiced amounts.

In order to accurately reflect the purpose of the company and the restrictions on the surplus, any income in excess of that required for maintaining the residential estate is transferred to the estate expenditure reserve.

Interest

Interest is charged or credited to the income and expenditure account as it arises.

Other operating income

This amounts to one-off administration fees that are levied individual residents when particular transactions occur.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

Management income and costs - These fees are set on an annual basis by management and charged equally to the residents. There is therefore no guarantee that the amount invoiced will cover the costs incurred in any one year. Any surplus/ deficit generated in the year is transferred to the estate expenditure reserve to be utilised in future periods.

Trade debtor recoverability – The recoverability of trade debtors is regularly reviewed in the light of the available economic information specific to each receivable balance and specific provisions are recognised for balances considered to be irrecoverable.

3 Turnover

Turnover is attributable to one continuing activity, the provision of residential estate management and maintenance services at Kings Hill, in the UK.

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (continued)

| 4 | Operating surplus | 2015 £ | 2014 £ |
|---|---|------------------|------------------|
| | This has been arrived at after charging: | | |
| | Auditors' remuneration - audit services | 4,610 | 4,350 |
| | Auditors' remuneration - taxation services | 4,900 | 4,850 |
| | | 4,610 | 4,350 |
| 5 | Staff costs (including directors) | | |
| | A charge of £46,000 (2014 - £53,418) in respect of salaries and overheads has been made by Liberty Property Trust UK Limited, another group undertaking, which includes the directors' emoluments that it is not possible to identify separately. | | |
| 6 | Taxation | 2015 £ | 2014 £ |
| | <i>Current tax</i> | | |
| | UK corporation tax on surplus for the year | 1,132 | 1,278 |
| | | 1,132 | 1,278 |
| | Taxation on profit of ordinary activities | 1,132 | 1,278 |
| | | 1,132 | 1,278 |
| | The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below: | | |
| | | 2015 £ | 2014 £ |
| | Surplus on ordinary activities before tax | 106,991 | 74,109 |
| | | 106,991 | 74,109 |
| | Surplus on ordinary activities at the standard rates of corporation tax in the UK of 20.25% (2014 - 21.50%) | 21,662 | 15,928 |
| | Effects of: | | |
| | Expenses not deductible for tax purposes | - | 2,253 |
| | Adjustment - not for profit | (20,530) | (16,903) |
| | | (20,530) | (16,903) |
| | Total tax charge for year | 1,132 | 1,278 |
| | | 1,132 | 1,278 |
| 7 | Debtors | 2015 £ | 2014 £ |
| | Amounts due from shareholders | 97,135 | 95,641 |
| | Other debtors | 3,987 | 935 |
| | Other taxation and social security | 17,040 | 20,274 |
| | | 118,162 | 116,851 |

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

8 Cash

Included within the cash balance of £981,596 (2014 - £908,105) at the balance sheet date is a balance of £67,602 (2014 - £67,323), which is held on behalf of Countryside Residential (South Thames) Ltd and £26,513 (2014 - £26,513) which is held on behalf of other homebuilders. An equivalent amount is held within other creditors.

9 Creditors: amounts falling due within one year

| | 2015 £ | 2014 £ |
|------------------------------------|-----------------------|----------------|
| Trade creditors | 2,683 | 3,798 |
| Amounts owed to group undertakings | 23,674 | 37,811 |
| Corporation tax | 2,411 | 1,278 |
| Other creditors | 116,917 | 116,863 |
| Accruals | 39,430 | 56,569 |
| | <u>185,115</u> | <u>216,320</u> |

10 Financial instruments

| | 2015 £ | 2014 £ |
|---|-----------|-----------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | 548,835 | 431,100 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 233,963 | 228,560 |

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

11 Share capital

| | 2015 £ | 2014 £ |
|---|--------------|--------------|
| <i>Authorised</i> | | |
| 2,500 'A' Ordinary shares of £1 each | 2,500 | 2,500 |
| 2 'B' Ordinary shares of £1 each | 2 | 2 |
| | <hr/> | <hr/> |
| <i>Allotted, called up and fully paid</i> | | |
| 1,666 'A' Ordinary shares of £1 each | 1,814 | 1,666 |
| 2 'B' Ordinary shares of £1 each | 2 | 2 |
| | <hr/> | <hr/> |
| | 1,816 | 1,668 |
| | <hr/> | <hr/> |

Share capital represents the nominal value of shares in issue.

During the year, 148 'A' Ordinary shares (2014 - 77) were issued to residents at Kings Hill, with an aggregate nominal value of £148 (2014 - £77).

The 'B' Ordinary shares carry the exclusive right to attend and vote at meetings.

'A' Ordinary shares are issued to any person acquiring a 'residential unit' at Kings Hill, in the proportion of one 'A' Ordinary share per 'residential unit'.

The company's Memorandum of Association does not allow it to transfer its surpluses to its members by way of a dividend or any other distribution. On a winding up, any property remaining after satisfaction of all its debts and liabilities shall be transferred to another body having similar objects to the company.

Surpluses/ (deficits) collected in any year are transferred into/from the estate expenditure reserve as this more clearly presents the nature of the reserves retained.

The rights of the classes of shareholders will vary as the Kings Hill site becomes developed further. Details of the circumstances under which the shareholders' rights will change are given in the company's Articles of Association.

12 Parent undertaking and ultimate controlling party

The company's immediate parent undertaking, by virtue of owning all of the 'B' Ordinary shares, is Rouse Kent (Residential) Limited, a company registered in England & Wales.

The ultimate controlling party is Liberty Property Trust, a Maryland (USA) real estate investment trust, whose registered address is 500 Chesterfield Parkway, Malvern, Pennsylvania 19355, United States of America.

Liberty Property Trust is the smallest and largest group in which these financial statements are consolidated.

13 First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.