

**Kings Hill Residential Estate
Management Company Limited**

Report and Financial Statements

Year Ended

31 December 2018

Company Number 3540322

Kings Hill Residential Estate Management Company Limited

Report and financial statements
for the year ended 31 December 2018

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Directors

A J Blevins
E S Roche
J J West
D A Petty
J Harrison

Registered office

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

Company number

3540322

Auditors

Ernst & Young LLP, 1 More London Place, London SW1 2AF

Kings Hill Residential Estate Management Company Limited

Report of the directors for the year ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Results and dividends

The deficit for the year is set out in the income and expenditure account. The Articles of Association preclude the payment of dividends to members. The memorandum of association of the company requires management fees collected from 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.

Future developments

The second phase of residential development is now nearly complete. Planning permission was obtained to convert 43 acres of commercial land to residential which will create 635 new homes and is called Phase 3. The company will continue to carry out estate management activities across Phase 2 and Phase 3.

Directors

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

E S Roche
A J Blevins
J J West
D A Petty
J Harrison

Kings Hill Residential Estate Management Company Limited

Report of the directors for the year ended 31 December 2018 (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). 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 income and expenditure 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

Ernst & Young LLP were appointed in the year following the resignation of BDO LLP.

All 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 auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

In preparing this directors' report and in not preparing a strategic report, advantage has been taken of the small companies' exemption set out in section 415a of the companies act 2006.

Going concern

The directors note the significant positive cash position of the company at 31 December 2018 and their ability to charge members a surplus over estate management costs. The directors therefore consider that the company will continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Therefore, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

On behalf of the Board



A Blevins
Director

Date 10 JAN 2020

Independent auditors report to the members of Kings Hill Residential Estate Management Limited

Opinion

We have audited the financial statements of Kings Hill Residential Estate Management Limited for the year ended 31 December 2018 which comprise the income and expenditure account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its deficit 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.

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 below. 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 other information comprises the information included in the Directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 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.
- We have not received all the information and explanations we require for our audit
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and 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' responsibilities statement set out on page 2 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 on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

10 JAN 2020

Kings Hill Residential Estate Management Company Limited

Income and Expenditure Account for the year ended 31 December 2018

| | Note | 2018 £ | 2017 £ |
|--|------|------------------|----------------|
| Turnover | 3 | 580,650 | 562,294 |
| Cost of sales | | (591,109) | (393,850) |
| Gross (deficit) / surplus | | <u>(10,459)</u> | <u>168,444</u> |
| Administrative expenses | | (174,908) | (135,444) |
| Other operating income | | 45,865 | 31,887 |
| Operating (deficit) / surplus | 4 | <u>(139,502)</u> | <u>64,887</u> |
| Interest receivable | | 5,778 | 2,405 |
| (Deficit) / surplus before taxation | | <u>(133,724)</u> | <u>67,292</u> |
| Taxation | 6 | 1,705 | (815) |
| (Deficit) / surplus for the year | | <u>(132,019)</u> | <u>66,477</u> |
| Total (deficit) / income for the year | | <u>(132,019)</u> | <u>66,477</u> |

Kings Hill Residential Estate Management Company Limited

Statement of changes in equity for the year ended 31 December 2018 and 31 December 2017

| | Share capital £ | Estate expenditure reserve £ | Income and expenditure account £ | Total equity £ |
|---|-----------------------|---------------------------------------|---|----------------------|
| 1 January 2018 | 1,911 | 1,083,672 | - | 1,085,583 |
| Comprehensive loss for the year | - | - | (132,019) | (132,019) |
| Contributions by and distributions to owners | | | | |
| Issue of shares | 37 | - | - | 37 |
| Transfer to Estate expenditure reserve | - | (132,019) | 132,019 | - |
| 31 December 2018 | 1,948 | 951,653 | - | 953,601 |
| | | | | |
| | Share capital £ | Estate expenditure reserve £ | Income and expenditure account £ | Total equity £ |
| 1 January 2017 | 1,881 | 1,017,195 | - | 1,019,076 |
| Comprehensive income for the year | - | - | 66,477 | 66,477 |
| Contributions by and distributions to owners | | | | |
| Issue of shares | 30 | - | - | 30 |
| Transfer to Estate expenditure reserve | - | 66,477 | (66,477) | - |
| 31 December 2017 | 1,911 | 1,083,672 | - | 1,085,583 |

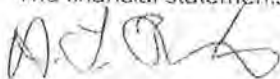
Kings Hill Residential Estate Management Company Limited

Balance sheet
at 31 December 2018

| <i>Company number 3540322</i> | Note | 2018 £ | 2017 £ |
|---|------|-----------|-----------|
| Current assets | | | |
| Debtors | 7 | 164,211 | 84,549 |
| Cash at bank and in hand | 8 | 1,119,575 | 1,194,762 |
| | | 1,283,786 | 1,279,310 |
| Creditors: amounts falling due within one year | 9 | (330,185) | (193,727) |
| | | 953,601 | 1,085,583 |
| Net current assets | | 953,601 | 1,085,583 |
| Total assets less current liabilities | | 953,601 | 1,085,583 |
| Capital and reserves | | | |
| Called up share capital | 11 | 1,948 | 1,911 |
| Income and expenditure account | | - | - |
| Estate expenditure reserve | | 951,653 | 1,083,672 |
| | | 953,601 | 1,085,583 |
| Total reserves | | 953,601 | 1,085,583 |

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



A Blevins
Director

10 JAN 2020

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018

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 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).

Going concern

The directors note the significant positive cash position of the company at 31 December 2018 and their ability to charge members a surplus over estate management costs. The directors therefore consider that the company will continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Therefore, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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);
- the requirement of Section 4 Statement of Financial Position - Reconciliation of the opening and closing number of shares;
- the requirements of Section 33 Related Party Disclosures - Compensation for key management personnel.

This information is included in the consolidated financial statements of Liberty Property Trust as at 31 December 2018 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 tax. Tax is recognised on interest income, 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.

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*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

Management fees are recognised as turnover over the period in which the estate management services are provided.

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

Administration fees represents fees charged to residents when particular transactions occur. These fees are recognised at the later of (1) the date that transaction occurs; and (2) the date that any services required are provided by the Company.

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

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

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 2018 *(continued)*

4 Operating surplus

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| This has been arrived at after charging | | |
| Auditors' remuneration - audit services | 4,000 | 4,790 |
| Taxation services | 3,600 | 3,600 |
| | 7,600 | 8,390 |

5 Staff costs (including directors)

A charge of £52,312 (2017 - £49,120) in respect of salaries 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

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| <i>Current tax</i> | | |
| UK corporation tax on (deficit) / surplus for the year | 1,098 | 815 |
| Adjustments in respect of prior periods | (2,803) | - |
| | (1,705) | 815 |

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

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| (Deficit) / surplus before tax | (133,724) | 67,291 |
| At the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%) | (25,407) | 12,953 |
| Effects of: | | |
| Losses not available to offset taxable profits | 26,505 | - |
| Non-taxable income | (2,803) | (12,138) |
| | (1,705) | 815 |

Kings Hill Residential Estate Management Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

7 Debtors

| | 2018 £ | 2017 £ |
|------------------------------------|-----------|-----------|
| Amounts due from shareholders | 148,180 | 43,669 |
| Other debtors | 3,251 | 1,954 |
| Other taxation and social security | 12,780 | 38,925 |
| | <hr/> | <hr/> |
| | 164,211 | 84,548 |
| | <hr/> | <hr/> |

8 Restricted cash

Included within the cash balance of £1,119,575 (2017 - £1,194,762) is a balance of £68,215 (2017 - £67,122), which is held on behalf of Countryside Residential (South Thames) Ltd. An equivalent amount is held within other creditors.

9 Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|-----------|-----------|
| Trade creditors | 29,710 | 27,880 |
| Amounts owed to group undertakings | 19,391 | 12,919 |
| Corporation tax | 1,561 | 3,266 |
| Other creditors | 90,415 | 90,415 |
| Accruals | 189,108 | 59,247 |
| | <hr/> | <hr/> |
| | 330,185 | 193,727 |
| | <hr/> | <hr/> |

10 Financial instruments

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | 1,283,786 | 1,240,386 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 330,185 | 190,461 |
| | <hr/> | <hr/> |

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts due from shareholders.

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 2018 (continued)

11 Share capital

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| <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> | | |
| 2,022 'A' Ordinary shares of £1 each | 1,946 | 1,909 |
| 2 'B' Ordinary shares of £1 each | 2 | 2 |
| | <hr/> | <hr/> |
| | 1,948 | 1,911 |
| | <hr/> | <hr/> |

Share capital represents the nominal value of shares in issue.

During the year, 37 'A' Ordinary shares (2017 - 30) were issued to residents at Kings Hill, with an aggregate nominal value of £37 (2017 - £30).

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.

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.