

Registered number: 696317

**CADOGAN HOLDINGS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**



# **CADOGAN HOLDINGS LIMITED**

**31 DECEMBER 2018**

## **CORPORATE INFORMATION**

**Directors:** H R Seaborn  
S Patel  
P M Loutit

**Secretary:** P M Loutit

**Registered office:** 10 Duke of York Square  
London SW3 4LY  
United Kingdom

**Registered number:** 696317

**Auditor:** Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**CADOGAN HOLDINGS LIMITED**  
**REGISTERED NUMBER: 696317**

**STRATEGIC REPORT**

The directors present their strategic report for the year ended 31 December 2018.

**REVIEW OF THE BUSINESS**

The company is a wholly owned subsidiary of Chelsea Land Limited and a review of the company's business is included within the group's consolidated financial statements of Cadogan Group Limited, Chelsea Land Limited's immediate parent undertaking.

During the year the company recorded a loss attributable to shareholders of £5,449,000 (2017 – £2,764,000).

**APPROACH TO RISK MANAGEMENT**

The company is a member of a group which is a long term property investor with a focus on high quality property assets located in central London. The group has appropriate policies in place to identify, assess and manage the risks faced by the business. Because of its private ownership and long term outlook the group aims for, and is able to achieve, a high level of resilience in all areas of its business.

A detailed review of the group's approach to dealing with its principal risks and uncertainties is set out in the consolidated financial statements of Cadogan Group Limited.

By order of the board



PM Loutit  
Secretary

24 April 2019

# **CADOGAN HOLDINGS LIMITED**

**REGISTERED NUMBER: 696317**

## **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2018.

### **PRINCIPAL ACTIVITY**

The principal activity of the company continues to be that of property investment.

### **DIVIDENDS**

An interim dividend of £14,720,000 (2017 - £9,263,000) was declared and paid during the year.

### **FUTURE DEVELOPMENTS**

The directors do not anticipate any major change in the company's principal activity outlined above in the foreseeable future.

### **FINANCIAL RISK MANAGEMENT**

A summary of approach to risk management has been included in the strategic report.

### **DIRECTORS**

The directors holding office during the financial year and up to the date of this report are listed on page 1 except Mr P M Loutit who was appointed to the board on 31 October 2018 and Mr S Patel who was appointed to the board on 18 March 2019. Mr J G Bentley resigned as a director on 31 October 2018.

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in Section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

### **GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are set out in the strategic report contained in the Cadogan Group Limited consolidated financial statements.

At 31 December 2018 the company had net current liabilities. Cadogan Group Limited has agreed to provide adequate funds for the company to meet its liabilities as they fall due for a period of not less than twelve months from the date of this report. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

# **CADOGAN HOLDINGS LIMITED**

## **DIRECTORS' REPORT (continued)**

### **DIRECTORS' RESPONSIBILITIES STATEMENT (continued)**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102.

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 those 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 to 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.

### **DISCLOSURE OF INFORMATION TO THE AUDITOR**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board



P M Loutit  
Secretary

24 April 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADOGAN HOLDINGS LIMITED**

### **Opinion**

We have audited the financial statements of Cadogan Holdings Limited for the year ended 31 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes of Equity, Statement of Financial Position 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 and Republic of Ireland" (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 loss 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADOGAN HOLDINGS LIMITED (continued)**

### **Other information**

The other information comprises the information included in the annual 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 strategic report or 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADOGAN HOLDINGS LIMITED (continued)**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 3 and 4 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



B Forsyth (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

24 April 2019



# CADOGAN HOLDINGS LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000 As restated
Turnover	2	7,184	7,164
Property expenses		(5,078)	(5,056)
Net rental income		<u>2,106</u>	<u>2,108</u>
Other income		130	131
Administrative expenses		(38)	(36)
Profit on sale of fixed assets	5	7,722	1,496
Deficit in revaluation of investment properties		<u>(24,522)</u>	<u>(8,812)</u>
<b>OPERATING LOSS</b>	4	<b>(14,602)</b>	<b>(5,113)</b>
Interest receivable		<u>4</u>	<u>4</u>
<b>LOSS BEFORE TAXATION</b>		<b>(14,598)</b>	<b>(5,109)</b>
Tax on loss	6	<u>9,149</u>	<u>2,345</u>
<b>LOSS AFTER TAXATION</b>		<b>(5,449)</b> =====	<b>(2,764)</b> =====

*Notes 1 to 12 form an integral part of these financial statements.*

# CADOGAN HOLDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

There was no other comprehensive income during the year and therefore total comprehensive income for the year equals the loss attributable to shareholders of the company of £5,449,000 in the year ended 31 December 2018 and the loss attributable to shareholders of the company of £2,764,000 in the year ended 31 December 2017.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £000	Share premium account £000	Non- distributable reserve £000	Profit and loss account £000	Shareholders' equity £000
At 1 January 2017	40,000	305	217,155	20,817	278,277
Prior period adjustment	-	-	43,776	-	43,776
At 1 January 2017 (restated)	40,000	305	260,931	20,817	322,053
Profit/(loss) for year (restated)	-	-	(12,027)	9,263	(2,764)
Total comprehensive income/ (loss) for the year	-	-	(12,027)	9,263	(2,764)
Equity dividends paid	-	-	-	(9,263)	(9,263)
At 31 December 2017 (restated)	40,000	305	248,904	20,817	310,026
At 1 January 2018	40,000	305	248,904	20,817	310,026
Profit/(loss) for year	-	-	(20,169)	14,720	(5,449)
Total comprehensive income/ (loss) for the year	-	-	(20,169)	14,720	(5,449)
Equity dividends paid	-	-	-	(14,720)	(14,720)
At 31 December 2018	40,000	305	228,735	20,817	289,857

Notes 1 to 12 form an integral part of these financial statements.

# CADOGAN HOLDINGS LIMITED

## STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2018

	Note	2018 £000	2017 £000 As restated
<b>FIXED ASSETS</b>			
Tangible assets	7	390,362	444,986
Investments	8	302	302
		<u>390,664</u>	<u>445,288</u>
<b>CURRENT ASSETS</b>			
Trade debtors		200	226
Other debtors		484	532
		<u>684</u>	<u>758</u>
<b>CREDITORS - amounts falling due within one year</b>			
Deferred income		1,431	1,721
Other creditors		1,338	1,171
Amounts owed to group undertakings		41,369	66,298
Corporation tax		318	328
		<u>44,456</u>	<u>69,518</u>
<b>NET CURRENT LIABILITIES</b>		<b>(43,772)</b>	<b>(68,760)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>346,892</b>	<b>376,528</b>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred tax	6	(57,035)	(66,502)
<b>NET ASSETS</b>		<b>289,857</b>	<b>310,026</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	40,000	40,000
Share premium account		305	305
Non-distributable reserve	10	228,735	248,904
Profit and loss account	10	20,817	20,817
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>289,857</b>	<b>310,026</b>

H R Seaborn - Director

S Patel - Director

24 April 2019

Notes 1 to 12 form an integral part of these financial statements.

# **CADOGAN HOLDINGS LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018**

### **1 ACCOUNTING POLICIES**

#### **(a) Statement of compliance**

Cadogan Holdings Limited is a private company limited by shares incorporated in England. The Registered Office is 10 Duke of York Square, London, SW3 4LY.

The financial statements have been prepared in compliance with FRS 102.

#### **Basis of preparation**

The financial statements of Cadogan Holdings Limited were authorised for issue by the Board of Directors on 24 April 2019.

The financial statements have been prepared on a historical cost basis except investment properties that have been measured at fair value. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exemption under Section 400 of the Companies Act 2006 from the requirement to prepare and delivers consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of Cadogan Group Limited.

Under the provisions of FRS 102, the company is defined as a qualifying entity and has consequently taken advantage of the disclosure exemptions set out in Section 1.12 not to:

- Provide a reconciliation of the number of shares outstanding at the beginning and end of the year;
- Prepare a statement of cash flow; and
- Disclosure of key management personnel compensation.

#### **Fundamental accounting concept**

The company has net current liabilities primarily arising from amounts owed to group undertakings. The company has received assurances from its operational parent undertaking, Cadogan Group Limited, that it will provide the financial support to meet the company's liabilities as and when they fall due for a period of not less than 12 months from the date of the approval of the financial statements and it is therefore appropriate to prepare the financial statements on the going concern basis.

# **CADOGAN HOLDINGS LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

### **1 ACCOUNTING POLICIES (continued)**

#### **(b) Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

##### **Operating lease commitments**

The company has entered into commercial property leases as a lessor on its investment property portfolio. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

#### **(c) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

##### **Revaluation of investment properties**

The company carries its investment property at fair value, with changes in fair value being recognised in the income statement. The company engaged independent valuation specialists to determine fair value at 31 December 2018. The valuers used market value, in accordance with the Appraisal of Valuation Manual of the Royal Institution of Chartered Surveyors. The determined fair value of the investment property is most sensitive to the estimated yield and estimated rental values. Investment property under construction are measured based on estimates prepared by independent real estate valuation experts. The key assumptions used to determine the fair value of investment property are further explained in note 7.

# CADOGAN HOLDINGS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018

### 1 ACCOUNTING POLICIES (continued)

#### (c) Estimates and assumptions (continued)

##### *Taxation*

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

#### (d) Turnover and revenue recognition

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, net of VAT and comprises gross rents including reverse premium received on early lease termination, commissions and other fees receivable. The following criteria must also be met before revenue is recognised:

##### *Rental income*

The company is the lessor in operating leases. Rental income arising from operating leases on investment property is recognised in the income statement on a straight-line basis over the lease term, except for contingent rental income which is recognised when it arises.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when the right to receive them arises.

##### *Interest income*

Interest income is recognised as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in interest receivable in the income statement.

# **CADOGAN HOLDINGS LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018**

### **1 ACCOUNTING POLICIES (continued)**

#### **(e) Investment property**

Investment property comprises completed property or re-development that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise, including the corresponding tax effect.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

#### **(f) Profit on sale of investment properties**

Profits or losses on the sale of investment properties are calculated by reference to the book value at the end of the previous year, adjusted for any subsequent capital expenditure. Such transactions are recognised on the exchange of contracts, providing that no material conditions remain outstanding.

#### **(g) Investments**

Investments in subsidiary undertakings are included at deemed cost, less a provision for impairment in value where applicable.

# CADOGAN HOLDINGS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018

### 1 ACCOUNTING POLICIES (continued)

#### (h) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

##### *Company as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

##### *Company as a lessor*

Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Contingent rents are recognised as revenue in the period in which they are earned.

#### (i) Taxation

Current taxation including UK corporation tax is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all material timing differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse' based on tax rates and laws enacted or substantively enacted at the balance sheet date.



# CADOGAN HOLDINGS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018

### 1 ACCOUNTING POLICIES (continued)

#### (j) Related parties

The company has taken advantage of the exemptions in FRS 102 Section 33.1A Related Party Disclosures, not to disclose related party transactions between two or more members of a group provided that any subsidiary which is party to the transaction is wholly owned by such a member.

### 2 TURNOVER

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, net of Value Added Tax.

The company operates in one principal area of activity, that of a landlord. The company operates within one geographical market, the United Kingdom.

### 3 STAFF COSTS

The company did not employ any staff during the year (2017 – nil).

The directors received no remuneration during the year (2017 – nil).

### 4 OPERATING LOSS is stated after charging:

	2018 £000	2017 £000
Auditor's remuneration – audit of the financial statements	38	36

### 5 PROFIT ON SALE OF FIXED ASSETS

	2018 £000	2017 £000
Profit on sale of freehold investment properties	7,722	1,496

# CADOGAN HOLDINGS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018

### 6 TAXATION

#### (a) Tax on loss

The tax credit is made up as follows:

	2018 £000	2017 £000 As restated
Current tax:		
UK corporation tax at 19.00% (2017: 19.25%)	364	351
Adjustments in respect of previous years	(46)	(23)
Total current tax	318	328
Deferred tax:		
Origination and reversal of timing differences	78	78
On freehold and investment properties	(9,545)	(2,751)
Total deferred tax	(9,467)	(2,673)
Total tax credit on loss	(9,149)	(2,345)
	=====	=====

#### (b) Factors affecting the total tax credit

The tax assessed on the loss for the year is more than (2017 – more than) the current standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%). The difference is explained as follows:

	2018 %	2017 %
Standard tax rate	19	19
Actual current tax rate	63	46
Difference	44	27
	===	===
Explained by		
Change in tax laws and rates	(7)	(7)
Indexation deductible for tax purposes	-	6
Gains rolled over into assets held by subsidiaries	16	27
Non-taxable inter group disposals	35	-
Over provision in respect of prior period	-	1
	44	27
	===	===

# CADOGAN HOLDINGS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018

### 6 TAXATION (continued)

#### (c) Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018 £000	2017 £000 As restated
Included in provision for liabilities and charges	57,035	66,502
	<u>57,035</u> =====	<u>66,502</u> =====
The liability for deferred taxation comprises the following:		
Accelerated capital allowances	31	20
Short lease premiums received	(88)	(154)
On freehold and investment properties	57,092	66,636
	<u>57,035</u> =====	<u>66,502</u> =====
At 1 January	66,502	112,951
Prior period adjustment	-	(43,776)
At 1 January – as restated	66,502	69,175
Deferred tax charge:		
Income statement	(9,467)	(474)
Prior period adjustment	-	(2,199)
At 31 December	<u>57,035</u> =====	<u>66,502</u> =====

The company expects no deferred tax liabilities to reverse in 2019.

Prior period adjustment:

The prior year adjustment arises from the recalculation of the deferred tax arising on freehold and investment properties stated in the accounts. The adjustment primarily relates to a restatement of the balance presented in the statement of financial position prior to 1 January 2017 and has resulted in a decrease in the deferred tax liability of £45,975,000 at the year ended 31 December 2017, increasing equity shareholders' funds by an equal amount. The issue was discovered following a detailed review of historical costs, indexation and the treatment of rolled over gains on leasehold transactions across the property portfolio where it was identified that the base cost of the portfolio used in the calculations had been understated resulting in an over provision of deferred tax recorded in the accounts.

## **CADOGAN HOLDINGS LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018**

#### **6 TAXATION (continued)**

##### **(d) Factors that may affect future tax charges**

The UK corporation tax rate for the whole of 2018 was 19%. Accordingly the company's result for the accounting period is taxed at an effective rate of 19.00% (2017 – 19.25%). The corporation tax rate will reduce to 17% from April 2020. At the balance sheet date, the reduction to 17% from April 2020 has been substantially enacted and hence in accordance with Accounting Standards, the impact of these reductions has been reflected in the company's financial statements at 31 December 2018. The rate changes will also impact the amount of future tax payments to be made by the company.

# CADOGAN HOLDINGS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018

### 7 TANGIBLE FIXED ASSETS

	Freehold investment properties £'000	Leasehold investment properties £'000	Total investment properties £000
Valuation			
At 1 January 2018	396,270	48,716	444,986
Additions	2,388	-	2,388
Disposals	(9,965)	(22,525)	(32,490)
Revaluation	(23,983)	(539)	(24,522)
<b>At 31 December 2018</b>	<b>364,710</b>	<b>25,652</b>	<b>390,362</b>
	=====	=====	=====

The valuation of the company's freehold and leasehold properties at 31 December 2018 was carried out by CBRE Limited (commercial properties) and Cluttons (residential properties), both firms are independent and regulated by the Royal Institution of Chartered Surveyors (RICS), on the basis of fair value, in accordance with The RICS Valuation – Professional Standards Global – January 2014 and the RICS Valuation Professional Standards UK January 2014 (revised 2015), ("The Red Book"). The key assumptions used to determine the fair value of investment property are set out below:

Property Type	Fair Value		Valuation Technique	Key unobservable inputs	Range (weighted average)	
	2018	2017			2018	2017
	£'000	£'000				
Residential	357,867	410,066	Direct capital comparison, investment & residual	<ul style="list-style-type: none"> <li>Freehold vacant possession values per square foot</li> <li>Discounts for nature of occupation</li> <li>Capitalisation and deferment rates</li> </ul>	<b>Average of £1,585</b>  <b>0%-25%</b>  <b>4.75%-5.50%</b>	<b>Average of £1,678</b>  <b>0%-25%</b>  <b>4.75%-5.50%</b>
Commercial	32,495	34,920	Income capitalisation	<ul style="list-style-type: none"> <li>ERV per sq. ft. Office/medical Retail (Zone A)</li> <li>Equivalent yields</li> </ul>	<b>£28-£45</b> <b>£90-£130</b> <b>4.00% - 5.00%</b> <b>(4.45%)</b>	<b>£28-£45</b> <b>£125-£130</b> <b>4.21% - 4.75%</b> <b>(4.52%)</b>

The comparable amount of these investment properties according to the historical cost accounting rules was £66,502,000 (2017 – £91,413,000).

# CADOGAN HOLDINGS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018

### 8 FIXED ASSET INVESTMENTS

	2018 £000	2017 £000
Shares in subsidiary undertaking		
Valuation		
At 1 January	302	302
At 31 December	302	302

The company owns 100% of the voting rights and ordinary issued share capital of Chelsea Land Developments Limited, a property investment company that is now dormant. The subsidiary company is incorporated in England and is a holding of ordinary shares. The registered office is located at 10 Duke of York Square, London, SW3 4LY.

### 9 CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
40,000,000 Authorised, allotted and fully paid ordinary shares of £1 each	40,000	40,000

### 10 RESERVES

Non-distributable reserve

This reserve is used to record:

- Increases in fair value of freehold and leasehold investment properties in the company's portfolio and decreases to the extent that such decreases relate to the increase on the same asset. This is offset by the removal of any historic fair value relating to leasehold investment properties which have been disposed in the year. These figures are stated net of the associated deferred tax asset or liability.
- Increases in fair value of investments previously accounted for at directors' valuation which on transition to FRS 102 has been treated as the investments' deemed cost.

Profit and loss account

This is the distributable reserve represented by the retained profit and loss.

# **CADOGAN HOLDINGS LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018**

### **11 CAPITAL COMMITMENTS**

At 31 December 2018 amounts contracted for but not provided in the financial statements were nil (2017 – £892,000).

### **12 ULTIMATE HOLDING COMPANY**

The company's immediate parent undertaking is Chelsea Land Limited. The holding company for all operational purposes is Cadogan Group Limited, Chelsea Land Limited's immediate parent undertaking. This is the smallest group which included the company's results in its consolidated financial statements.

In the directors' opinion, the company's ultimate holding company (and the largest group in which the company's results are consolidated) is Cadogan Settled Estates Limited.

The ultimate ownership of Cadogan Settled Estates Limited is vested in The Eighth Earl Cadogan's 6 December 1961 Settlement.

Group financial statements are prepared by Cadogan Settled Estates Limited and Cadogan Group Limited and can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.