

Registered number: 11747541

HK PROPERTY ENTERPRISES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



HK PROPERTY ENTERPRISES LIMITED

COMPANY INFORMATION

Directors R W Hitchcock (appointed 3 January 2019)
R G Hitchcock (appointed 3 January 2019)
A E King (appointed 3 January 2019)

Registered number 11747541

Registered office 74-86 Carnwath Road
Fulham
London
SW6 3HW

Independent auditor Blick Rothenberg Audit LLP
Chartered Accountants & Statutory Auditor
1st Floor
7 - 10 Chandos Street
London
W1G 9DQ

HK PROPERTY ENTERPRISES LIMITED

CONTENTS

	Page
Group strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated Statement of cash flows	13 - 14
Notes to the financial statements	15 - 32

HK PROPERTY ENTERPRISES LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Introduction

The directors present their strategic report for the Group for the year ended 31 March 2019.

Business review

The principal activity of the Group during the year continued to be that of timber and builders merchants.

The Group retains a unique position in the London Timber & Builders Merchant market and looks forward to improved market conditions as political and economic uncertainty abate.

Turnover in the year to March 2019 was affected by a weaker London residential housing market and general political uncertainty. Such factors affect the appetite of homeowners to move or improve their properties and this affects building activity and associated demand for timber and building materials.

The Group has taken action to reduce costs and has restructured to simplify the group structure and aid succession planning. Whilst our new auditors were unable to undertake a year end stock count as they were appointed post year end, the directors are satisfied with the stock levels, which remain consistent, and this facilitates healthy stock turn and cashflow management.

The Group believes such measures, combined with its unique market locations, position it well for an improvement in market conditions and associated demand for its products and services.

Principal risks and uncertainties

The Group uses various financial instruments including items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are adverse cash flow and customer bad debts. The directors review and agree policies for managing each of these risks and they are summarised as follows;

Liquidity

The Group manages its cash and borrowing requirements in order to ensure the Group has sufficient liquid resources to meet the operating needs of the business. This is reviewed on a very regular basis and as part of the Board meeting agenda in order to ensure all requirements, projections and trends are properly and professionally planned and reflected.

Credit risk

The Group's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties are commercial banks. The principal credit risk arises therefore from its trade debtors which are reviewed on a regular basis to ensure credit terms are adhered to. Credit risk is reviewed on a regular basis and as part of the Board meeting agenda whereby provision is made for doubtful debts as necessary.

Market risk

The UK economy faces challenges and uncertainties. The directors closely monitor general economic developments and this influences overall strategy.

These policies remain unchanged from previous years.

HK PROPERTY ENTERPRISES LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Financial key performance indicators

The directors consider that the key financial performance indicators of the Group are those that communicate the financial performance of the Group as a whole, being turnover and gross profit margin.

The turnover of the Group in 2019 was £17,750,399, a decrease of 5.6% compared to the previous year.

The gross profit margin has increased from 37.4% in 2018 to 38.7% in 2019.

Stock days have increased in 2019 to 87.2 from 80.2 in 2018.

This report was approved by the board and signed on its behalf.


.....
R W Hitchcock
Director

Date: 19.12.19

HK PROPERTY ENTERPRISES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Results and dividends

The loss for the year, after taxation, amounted to £112,482 (2018 - profit £28,097).

No dividends were declared in the current financial year (2018: £300,000).

Directors

The directors who served during the year were:

R W Hitchcock (appointed 3 January 2019)

R G Hitchcock (appointed 3 January 2019)

A E King (appointed 3 January 2019)

Future developments

Future developments are covered in the strategic report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

Following the year end, a demerger of the Group's activities was undertaken. The transactions were effected by way of a corporate restructuring involving a share-for-share exchange and a demerger by way of capital reduction under section 641 Companies Act 2006. The freehold premises held by Hitchcock & King Limited were retained by HK Property Enterprises Limited and Hitchcock & King Enterprises Limited and its subsidiaries were transferred to a company under the same ownership, HK Trading Enterprises Limited.

Subsequent to the restructuring, a rationalisation of the group of which HK Trading Enterprises is parent commenced. Hitchcock & King transferred its trade and assets to Hitchcock & King Enterprises Limited in anticipation of a winding up of group companies are superfluous to the Group's trading requirements. This process is ongoing.

This report was approved by the board and signed on its behalf.



.....
R W Hitchcock
Director

Date: 19.12.19

HK PROPERTY ENTERPRISES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HK PROPERTY ENTERPRISES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HK PROPERTY ENTERPRISES LIMITED FOR THE YEAR ENDED 31 MARCH 2019

Qualified opinion

We have audited the financial statements of HK Property Enterprises Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019, which comprise the Group profit and loss account, the Group and Company balance sheets, the Group statement of cash flows, the Group and Company statement of changes in equity and the notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's 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 qualified opinion

We were not appointed as auditor of the Group until after 31 March 2019 and thus did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 March 2019, which are included in the consolidated balance sheet at £4,238,716, by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount was necessary.

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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 qualified 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 Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the

HK PROPERTY ENTERPRISES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HK PROPERTY ENTERPRISES LIMITED (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £4,238,716 held at 31 March 2019. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales and key performance indicators determined from inventory, they may be materially misstated for the same reason.

Opinion 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 group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

HK PROPERTY ENTERPRISES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HK PROPERTY ENTERPRISES LIMITED (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 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 Group's and the parent 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 Group or the parent 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: 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.



Daniel Burke (senior statutory auditor)

for and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants

Statutory Auditor

1st Floor

7 - 10 Chandos Street

London

W1G 9DQ

Date: 20/12/2019

HK PROPERTY ENTERPRISES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Turnover		17,750,399	18,812,220
Cost of sales		(10,881,333)	(11,773,260)
Gross profit		6,869,066	7,038,960
Administrative expenses		(6,968,836)	(6,960,007)
Operating (loss)/profit		(99,770)	78,953
Interest receivable and similar income		-	(102)
Interest payable and similar expenses		(17,189)	(19,254)
(Loss)/profit before tax		(116,959)	59,597
Tax on (loss)/profit		4,477	(31,500)
(Loss)/profit for the financial year		(112,482)	28,097
(Loss)/profit for the year attributable to:			
Owners of the parent		(112,482)	28,097
		(112,482)	28,097

There are no items of other comprehensive income for either the year or the prior year other than the loss or profit for the year. Accordingly, no consolidated statement of other comprehensive income has been presented.

The notes on pages 15 to 32 form part of these financial statements.

HK PROPERTY ENTERPRISES LIMITED**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019**

	Note	2019 £	2018 £
Fixed assets			
Tangible assets		3,859,067	3,906,274
Investments	14	53,000	18,000
		<u>3,912,067</u>	<u>3,924,274</u>
Current assets			
Stocks		4,238,716	4,133,689
Debtors: amounts falling due within one year		3,217,627	2,961,253
Cash at bank and in hand		19,826	126,293
		<u>7,476,169</u>	<u>7,221,235</u>
Creditors: amounts falling due within one year		(5,433,444)	(4,847,087)
Net current assets		<u>2,042,725</u>	<u>2,374,148</u>
Total assets less current liabilities		<u>5,954,792</u>	<u>6,298,422</u>
Creditors: amounts falling due after more than one year		(115,211)	(208,559)
Provisions for liabilities			
Other provisions		-	(138,000)
		<u>-</u>	<u>(138,000)</u>
Net assets		<u><u>5,839,581</u></u>	<u><u>5,951,863</u></u>
Capital and reserves			
Called up share capital	22	750	400
Other reserves		9,650	9,800
Profit and loss account		5,829,181	5,941,663
Equity attributable to owners of the parent Company		<u><u>5,839,581</u></u>	<u><u>5,951,863</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
R W Hitchcock
Director


.....
A E King
Director

Date: 19.12.19

The notes on pages 15 to 32 form part of these financial statements.

HK PROPERTY ENTERPRISES LIMITED**COMPANY BALANCE SHEET
AS AT 31 MARCH 2019**

	Note	2019 £	2018 £
Fixed assets			
Investments	14	750	-
		<u>750</u>	<u>-</u>
Total assets less current liabilities		750	-
Net assets		<u>750</u>	<u>-</u>
Capital and reserves			
Called up share capital	22	750	-
		<u>750</u>	<u>-</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
R W Hitchcock
 Director

.....
A E King
 Director

Date: 19.12.19

The notes on pages 15 to 32 form part of these financial statements.

HK PROPERTY ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £	Other reserves £	Profit and loss account £	Equity attributable to owners of parent Company £	Total equity £
At 1 April 2017	400	9,800	6,213,566	6,223,766	6,223,766
Comprehensive income for the year					
Profit for the year	-	-	28,097	28,097	28,097
Total comprehensive income for the year	-	-	28,097	28,097	28,097
Dividends: Equity capital	-	-	(300,000)	(300,000)	(300,000)
Total transactions with owners	-	-	(300,000)	(300,000)	(300,000)
At 1 April 2018	400	9,800	5,941,663	5,951,863	5,951,863
Comprehensive income for the year					
Loss for the year	-	-	(112,482)	(112,482)	(112,482)
Total comprehensive income for the year	-	-	(112,482)	(112,482)	(112,482)
Shares issued during the year	350	-	-	350	350
Movement on merger reserve	-	(150)	-	(150)	(150)
Total transactions with owners	350	(150)	-	200	200
At 31 March 2019	750	9,650	5,829,181	5,839,581	5,839,581

The notes on pages 15 to 32 form part of these financial statements.

HK PROPERTY ENTERPRISES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £	Total equity £
Other comprehensive income for the year	-	-
Contributions by and distributions to owners		
Shares issued during the year	750	750
Total transactions with owners	750	750
At 31 March 2019	750	750

The notes on pages 15 to 32 form part of these financial statements.

HK PROPERTY ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(112,482)	28,097
Adjustments for:		
Depreciation of tangible assets	159,498	268,536
Loss on disposal of tangible assets	(53)	(535)
Interest paid	17,189	19,254
Interest received	-	102
Taxation charge	(4,477)	31,500
(Increase) in stocks	(105,027)	(480,963)
(Increase) in debtors	(62,233)	(280,198)
Increase in creditors	591,087	179,622
(Decrease)/increase in provisions	(138,000)	-
Corporation tax (paid)	(311,791)	(39,500)
Net cash generated from operating activities	33,711	(274,085)
Cash flows from investing activities		
Purchase of tangible fixed assets	(112,988)	(105,917)
Sale of tangible fixed assets	750	4,100
Purchase of unlisted and other investments	(35,000)	-
Interest received	-	(102)
HP interest paid	(14,091)	(14,220)
Net cash from investing activities	(161,329)	(116,139)
Cash flows from financing activities		
Issue of ordinary shares	350	-
Repayment of/new finance leases	(114,378)	(262,956)
Dividends paid	-	(300,000)
Interest paid	(3,098)	(5,034)
Introduced by directors	-	348,088
Net cash used in financing activities	(117,126)	(219,902)
Net (decrease) in cash and cash equivalents	(244,744)	(610,126)
Cash and cash equivalents at beginning of year	(912,694)	(302,568)
Cash and cash equivalents at the end of year	(1,157,438)	(912,694)

HK PROPERTY ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	19,826	126,293
Bank overdrafts	(1,177,264)	(1,038,987)
	<u>(1,157,438)</u>	<u>(912,694)</u>

The notes on pages 15 to 32 form part of these financial statements.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

HK Property Enterprises Limited is a private company limited by shares and incorporated in England and Wales. The address of its registered office and principal place of business is 74-86 Carnwath Road, Fulham, London, SW6 3HW.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements have been prepared in respect of the group of companies headed by HK Property Enterprises Limited. The entities within this group were subject to reorganisation during the period and they satisfy the conditions for merger accounting.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2014.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination, and which was adjusted in respect of a business reorganisation in the current period. The earlier business combination was accounted for as a merger in accordance with UK GAAP as applied at that time.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.3 Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved.

The Group has banked with its current bankers for ten years and a good relationship exists. The bank overdraft was renewed in November 2019 and the directors believe that the facility is adequate for the working capital and cash-flow requirements of the Group. If, in the unlikely event the Group was required to refinance, the directors believe this would not be difficult given its well established position. In addition the Group is able to obtain support from related parties if required.

However the directors believe no further support in addition to the overdraft should be needed, and accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the consolidated profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.6 Interest income

Interest income is recognised in the consolidated profit and loss account using the effective interest method.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.7 Finance costs

Finance costs are charged to the consolidated profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in the consolidated profit and loss account in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the consolidated profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.10 Taxation

Tax is recognised in the consolidated profit and loss account, except that a charge attributable to an item of income and 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 balance sheet date in the countries where the Company and the Group operate and generate income.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 1% straight line
Long-term leasehold property	- over the length of the lease
Short-term leasehold property	- 25% reducing balance over the length of the lease
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 25% reducing balance
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the consolidated profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated profit and loss account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.19 Financial instruments

The Group has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

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

The Group's policies for its major classes of financial assets and financial liabilities are set out below.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the following judgements and key estimates have been made by the directors:

Stock provision

The carrying value of stock, at the lower of cost and net realisable value, is dependent on key judgements and estimates that are made by management. The judgements relating to stock include an estimation of future expected average sales prices and disposal costs. A provision is included in the financial statements for all stock lines which have not sold in the 6 months prior to the reporting date. Actual outcomes could be different to the assumptions used in determining the estimates.

Estimated useful life of tangible fixed assets

At the date of capitalising tangible fixed assets, the Group estimates the useful economic life of the asset based on management's judgement and experience. Due to the significance of the capital investment to the Group, variance between actual and estimated useful economic lives could impact results both positively and negatively.

Bad debt provision

Due to the nature of the industry in which the Group operates, the Group incurs bad debts. Accumulated experience is used to estimate and provide for bad debts at the reporting date.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

4. Turnover

The whole of the turnover is attributable to the principal activity of the business.

All turnover arose within the United Kingdom.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2019 £	2018 £
Other operating lease rentals	<u>1,147,101</u>	<u>967,360</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>33,050</u>	<u>27,915</u>

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	3,513,060	3,462,355	-	-
Social security costs	325,115	314,002	-	-
Cost of defined contribution scheme	43,054	21,602	-	-
	3,881,229	3,797,959	-	-

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Directors	3	3	3	-
Administration	14	17	-	-
Sales and distribution	124	128	-	-
	141	148	3	0

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	299,854	182,000
	299,854	182,000

The highest paid director received remuneration of £163,639 (2018 - £102,930).

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

9. Interest receivable

	2019 £	2018 £
Other interest receivable	-	(102)
	<u>-</u>	<u>(102)</u>
	<u>-</u>	<u>(102)</u>

10. Interest payable and similar charges

	2019 £	2018 £
Bank interest payable	51	2
Finance leases and hire purchase contracts	14,091	14,220
Other interest payable	3,047	5,032
	<u>17,189</u>	<u>19,254</u>
	<u>17,189</u>	<u>19,254</u>

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	(4,477)	31,500
	<u>(4,477)</u>	<u>31,500</u>
Total current tax	<u>(4,477)</u>	<u>31,500</u>

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	(116,959)	59,597
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(22,222)	11,323
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,304	8,633
Capital allowances for year in excess of depreciation	10,327	11,544
Unrelieved tax losses carried forward	3,114	-
Total tax charge for the year	(4,477)	31,500

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2019 £	2018 £
Dividends declared and paid	-	300,000
	-	300,000

HK PROPERTY ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

13. Tangible fixed assets

Group

	Freehold property £	Long-term leasehold property £	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation							
At 1 April 2018	2,750,000	515,960	204,161	1,877,027	542,399	370,868	6,260,415
Additions	-	-	90,889	14,500	3,125	4,474	112,988
Disposals	-	-	-	(34,350)	-	-	(34,350)
At 31 March 2019	2,750,000	515,960	295,050	1,857,177	545,524	375,342	6,339,053
Depreciation							
At 1 April 2018	91,182	109,922	14,548	1,319,753	477,792	340,944	2,354,141
Charge for the year on owned assets	10,591	20,638	6,833	85,662	17,165	18,609	159,498
Disposals	-	-	-	(33,653)	-	-	(33,653)
At 31 March 2019	101,773	130,560	21,381	1,371,762	494,957	359,553	2,479,986
Net book value							
At 31 March 2019	2,648,227	385,400	273,669	485,415	50,567	15,789	3,859,067
At 31 March 2018	2,658,818	406,038	189,613	557,274	64,607	29,924	3,906,274

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

13. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Freehold	2,648,227	2,658,818
Long leasehold	385,400	406,038
Short leasehold	273,669	189,613
	<u>3,307,296</u>	<u>3,254,469</u>

The net book value of assets held under finance leases or hire purchase contracts, included in motor vehicles is £273,623 (2018: £321,910).

14. Fixed asset investments

Group

	Unlisted investments £	Other fixed asset investments £	Total £
Cost or valuation			
At 1 April 2018	18,000	-	18,000
Additions	-	35,000	35,000
At 31 March 2019	<u>18,000</u>	<u>35,000</u>	<u>53,000</u>

Company

	Investments in subsidiary companies £
Cost or valuation	
Additions	750
At 31 March 2019	<u>750</u>

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

14. Fixed asset investments (continued)

Direct subsidiary undertaking

The following was a direct subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Hitchcock & King Enterprises Limited	74-86 Carnwath Road, London, SW6 3HW	Ordinary	100%

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
H & K Holdings Limited	74-86 Carnwath Road, London, SW6 3HW	Ordinary	100%
Hitchcock & King Limited	74-86 Carnwath Road, London, SW6 3HW	Ordinary	100%
Hitchcock & King Properties Limited	74-86 Carnwath Road, London, SW6 3HW	Ordinary	100%

15. Stocks

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Finished goods	4,238,716	4,133,689	-	-
	<u>4,238,716</u>	<u>4,133,689</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment loss of £179,698 (2018: £312,224) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Stock recognised as an expense during the year was £10,881,333 (2018: £11,773,260).

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

16. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	896,895	872,973	-	-
Other debtors	1,513,988	1,252,868	-	-
Prepayments and accrued income	806,744	835,412	-	-
	<u>3,217,627</u>	<u>2,961,253</u>	<u>-</u>	<u>-</u>

17. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank overdrafts	1,177,264	1,038,987	-	-
Trade creditors	3,148,226	3,014,827	-	-
Corporation tax	(4,477)	117,500	-	-
Other taxation and social security	590,661	353,337	-	-
Obligations under finance lease and hire purchase contracts	95,502	116,532	-	-
Other creditors	356,078	55,897	-	-
Accruals and deferred income	70,190	150,007	-	-
	<u>5,433,444</u>	<u>4,847,087</u>	<u>-</u>	<u>-</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

The bank overdraft is secured by a legal charge over the freehold land and buildings held by the Group and a fixed and floating charge over the assets of the Group.

18. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £
Net obligations under finance leases and hire purchase contracts	115,211	208,559
	<u>115,211</u>	<u>208,559</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 £	Group 2018 £
Within one year	95,502	116,532
Between 1-5 years	115,211	208,559
	<u>210,713</u>	<u>325,091</u>

20. Financial instruments

	Group 2019 £	Group 2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>2,408,731</u>	<u>2,093,690</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(4,827,480)</u>	<u>(4,430,294)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, obligations under finance lease and hire purchase contracts, other creditors and accruals.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

21. Provisions

Group

	Other provisions £
At 1 April 2018	138,000
Charged to profit or loss	(138,000)
At 31 March 2019	-

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
750 (2018 - 400) Ordinary shares of £1.00 each	750	400

On 30 November 2018 200 Ordinary £1 shares were issued in Hitchcock & King Enterprises Limited, the previous ultimate parent company of the Group.

On 31 January 2019 750 Ordinary £1 shares were issued in HK Property Enterprises Limited by way of a share for share exchange for the 600 Ordinary £1 shares in Hitchcock & King Enterprises Limited.

23. Reserves

Other reserves

Other reserves consists of a merger reserve created on consolidation.

Profit and loss account

The profit and loss account consists of fully-distributable reserves.

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £43,054 (2018: £21,602). Contributions totalling £5,310 (2018: £nil) were payable to the fund at the balance sheet date.

HK PROPERTY ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

25. Commitments under operating leases

At 31 March 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	940,800	923,156
Later than 1 year and not later than 5 years	2,869,304	2,989,504
Later than 5 years	8,466,301	8,367,287
	<u>12,276,405</u>	<u>12,279,947</u>

26. Related party transactions

As at the balance sheet date directors of the Group owed amounts totalling £954,560 (2018: £627,845) to the Group. These amounts are interest-free and repayable on demand.

During the year the Group was charged rent totalling £175,000 (2018: £175,000) to Kindsolve Limited Pension Scheme, a scheme in which the directors are members. At the balance sheet date the Pension Scheme was owed £272,194 (2018: £145,001) by the Group in relation to rent arrears. These amounts are interest-free and repayable on demand.

During the year the Group made purchases totalling £99,000 (2018: £30,000) from, and received amounts totalling £43,000 (2018: £nil) from Hitchcock & King Partnership, in which A E King and R G Hitchcock are partners. At the balance sheet date Hitchcock & King Partnership owed the Group £18,574 (2018: £116,890). These amounts are interest-free and repayable on demand.

During the year the Group paid rent totalling £16,800 (2018: £16,800) and service charges of £5,830 (2018: £5,960) to The Hitchcock & King Employment Benefit Trust. During the year the Group made sales to the Trust amounting to £119,829 (2018: £383,795). At the balance sheet date The Hitchcock & King Employment Benefit Trust owed the Group £314,650 (2018: £230,094). These amounts are interest-free and repayable on demand.

27. Post balance sheet events

Following the year end, a demerger of the Group's activities was undertaken. The transactions were effected by way of a corporate restructuring involving a share-for-share exchange and a demerger by way of capital reduction under section 641 Companies Act 2006. The freehold premises held by Hitchcock & King Limited were retained by HK Property Enterprises Limited and Hitchcock & King Enterprises Limited and its subsidiaries were transferred to a company under the same ownership, HK Trading Enterprises Limited.

Subsequent to the restructuring, a rationalisation of the group of which HK Trading Enterprises is parent commenced. Hitchcock & King transferred its trade and assets to Hitchcock & King Enterprises Limited in anticipation of a winding up of group companies are superfluous to the Group's trading requirements. This process is ongoing.

28. Controlling party

There was no ultimate controlling party of the Group in the current or the preceding year.