



K&C REIT plc

ANNUAL REPORT
2015



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COMPANY INFORMATION

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|--|--|--|
| DIRECTORS | Nigel Payne George Rolls James Cane Michael Davies Patricia Farley Christopher James Timothy James Timothy Oakley Oliver Vaughan | Chairman Chief executive Finance director Non-executive Non-executive Operations director Property director Construction director Executive director |
| COMPANY ADDRESS | 44/48 Old Brompton Road South Kensington London SW7 3DY | |
| COMPANY SECRETARY | R J Roberts | |
| NOMINATED ADVISER AND BROKER | Allenby Capital Limited 3 St Helen's Place Bishopsgate London EC3A 6AB | |
| SOLICITORS | Fasken Martineau LLP 17 Hanover Square London W1S 1HU | |
| REPORTING ACCOUNTANTS AND INDEPENDENT AUDITOR | Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB | |
| BANKERS | Metro Bank plc One Southampton Street London WC1A 5HA | |
| FINANCIAL PUBLIC RELATIONS | Yellow Jersey PR Limited South Building, Upper Farm Wootton St Lawrence, Basingstoke Hampshire RG232 8PE | |
| REGISTERED OFFICE | 82 St John Street London EC1M 4JN | |
| COMPANY NUMBER | 09080097 | |
| WEBSITE | www.kandc-reit.co.uk | |

CHAIRMAN'S STATEMENT

for the period ended 30 June 2015

This is K&C REIT plc's first annual report since it was admitted to AIM on 3 July 2015. It has been an exciting time for all of us who have been involved in creating a residential REIT (real estate investment trust) that has an excellent opportunity in the London market.

Market and strategy

The Company operates in the residential letting market, with a particular emphasis on Central London. The Company will seek to acquire property assets held within UK-incorporated holding companies, where there is an opportunity to capitalise on the advantages afforded to REITs to provide an exit route for vendors.

AIM admission

On 3 July 2015, the Group was admitted to trading on AIM and became an HM Revenue and Customs-approved REIT on admission. Shortly following admission, at which the Group issued 43,035,622 ordinary shares, including 35,663,400 shares issued at 10 pence per share, pursuant to a fundraising, generating gross cash proceeds of £3,566,340, the Company acquired the entire share capital of Silcott Properties Limited for a consideration of £3,630,000, of which £300,000 was satisfied by the issuance of 3,000,000 ordinary shares in K&C, and 4,372,222 ordinary shares in K&C were issued to satisfy liabilities of the Company. Silcott is a special purpose vehicle that owns a freehold property in Central London with ten apartments for rent.

Board changes

During the period under review, Nick Irens resigned as a non-executive director for personal reasons. I wish to thank him for his contribution to the Company during its formative stage. George Rolls and I will not be offering ourselves for re-election at the annual general meeting as we wish to devote more time to our other business interests. Tim James will assume the role of managing director. During November, we welcomed Michael Davies as a non-executive director, and he has agreed to assume the role of chairman following the annual general meeting. The Board looks forward to benefiting from Michael's wise counsel and considerable experience.

Operations

The Company has traded in line with plan and expectations during the period and since the period-end. The directors are developing a pipeline of opportunities and will bring these to the attention of shareholders at the appropriate time.

Financial

During the period, the Company reports a consolidated loss from operating activities of £144,502. The total comprehensive expense for the period was £242,618. The financial results in the annual report cover a period prior to the Company's admission to AIM and acquisition of Silcott Properties Limited, which is referred to in more detail in note 15.

Future prospects

The Company took a significant step forward through its admission to AIM and achieving REIT status. Now it needs to build a strong business with high quality assets that will be able to support an increasing income yield. To achieve this, the Company will be required to raise more capital in order to make further acquisitions and the directors look forward to working closely with funding sources, both equity and debt providers, to achieve this objective.

The Board continues to review a number of acquisition opportunities and, in this regard, we are pleased to report that we have exclusivity on a particular project, that the Board considers to have the potential to enhance NAV per share. We hope to report further on this in due course.

Nigel Payne

Chairman

7 December 2015

STRATEGIC REPORT

for the period ended 30 June 2015

The directors present the strategic report of K&C REIT plc ('K&C' or the 'Company') and its subsidiaries (together, the 'Group') for the period ended 30 June 2015. The Company was incorporated in England and Wales on 10 June 2014.

Principal activity

The Group carries on business in acquiring residential property in the UK for letting to third parties. At the period-end, the Group consisted of the Company and its subsidiary, Kensington & Chelsea REIT Limited ('K&C Ltd'), a company registered in England & Wales with company number 08654998.

On 9 July 2015, following admission to AIM, the Company acquired Silcott Properties Limited ('Silcott'), a company that owns a freehold residential property in Chelsea, London.

Group strategy

The directors intend to build a significant presence in the residential letting market, primarily through the acquisition of UK-registered special purpose vehicles that own residential property for letting to third parties.

Results

The Group reports a loss from operating activities of £144,502 for the period to 30 June 2015. This is after charging particularly high costs associated with the preparation of the Group for admission to AIM, including legal fees of £41,105 and professional fees of £75,455. No salaries were paid during the period.

Group creation

On 8 September 2014, K&C acquired the entire share capital of K&C Ltd, a company owned by the same individuals as K&C. The ordinary shares in K&C Ltd were exchanged *pari passu* for ordinary shares in the Company so that ownership of the Company was identical after the transaction to the ownership of K&C Ltd before the transaction. As explained in the notes to the financial statements, the acquisition of K&C Ltd was treated as a reconstruction for accounting purposes.

Future development of the Group

The directors intend to build a significant presence in the residential letting market primarily through the acquisition of special purpose vehicles that own residential property for letting to third parties. The acquisition of Silcott after the period end, referred to elsewhere in the annual report, is an example of the type of transaction envisaged. It is anticipated that future acquisitions will be financed by a combination of debt, equity and the Group's own resources, and the Group expects to return to the capital markets during the course of the financial year to 30 June 2016.

Post-balance sheet events

On 3 July 2015, the Group was admitted to trading on AIM and became an HM Revenue and Customs-approved REIT on admission. Shortly following admission, at which the Group issued 43,035,622 ordinary shares, including 35,663,400 shares issued pursuant to a fundraising at 10 pence per share, generating gross cash proceeds of £3,566,340, the Company acquired the entire share capital of Silcott for a consideration of £3,630,000, of which £300,000 was satisfied by the issuance of ordinary shares in K&C.

Review of business and financial performance

The Board has reviewed whether the annual report, taken as a whole, presents a fair, balanced and comprehensible summary of the Group's position and prospects, and believes that it provides the information necessary for shareholders to assess the Group's position, performance, and strategy.

Information on the financial position and development of the Group is set out in the chairman's statement, the directors' report and the annexed financial statements.

Financial key performance indicators

The directors will use a variety of key performance indicators to monitor and improve Group performance, including:

A. At property level

- 1) Rent per ft² compared with market comparables and with other units in the asset.
- 2) Vacancy rate in terms of number of units available and potential rental income.
- 3) Management costs as a percentage of rental income (including repairs and maintenance, insurance, cleaning, agents' fees, legal fees, utilities and council tax).
- 4) Gross and net yield compared with target levels.
- 5) Marginal increase in income as a percentage of capital expenditure.
- 6) Outstanding rents as a percentage of rental income.
- 7) Implementation of property plans compared with target.

B. At Group level

- 1) Assets under management compared with target
- 2) Overheads as a percentage of gross/net rental income compared with target.

No analysis of performance compared to these KPIs has been provided due to the infancy of the Group.

Risks and uncertainties

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development are:

- **Financing and liquidity risk**

The Company has an ongoing requirement to fund its activities through the equity markets and in future to obtain finance for project development. There is no certainty such funds will be available when needed.

- **Financial instruments**

Details of risks associated with the Group's financial instruments are given in Note 13 to the financial statements.

Internal controls and risk management

The directors are responsible for the Group's system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

STRATEGIC REPORT (continued)

for the period ended 30 June 2015

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner; that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal control.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

Bribery risk

The Group has adopted an anti-corruption policy and whistle-blowing policy under the Bribery Act 2010. Notwithstanding this, the Company may be held liable for offences under that Act committed by its employees or subcontractors whether or not the Company or the directors have knowledge of the commission of such offences.

Forward-looking statements

This annual report contains certain forward-looking statements that have been made by the directors in good faith based on the information available at the time of the approval of the annual report and financial statements. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements.

Outlook

As reported in the chairman's statement, the Company took a significant step forward through its admission to AIM and achieving REIT status. Now we need to build a strong business with high quality assets that will be able to support an increasing income yield. To achieve this, the Company will be required to raise more capital in order to make further acquisitions and we look forward to working closely with funding sources, both equity and debt providers, to achieve this objective.

Tim James

7 December 2015

DIRECTORS' REPORT

for the period ended 30 June 2015

The directors present their report together with the audited financial statements of the Group for the period ended 30 June 2015.

A review of the business and risks and uncertainties is included in the chairman's statement, the strategic report and in note 13 to the financial statements.

Dividends

The directors do not recommend payment of a dividend for the period.

Share buy back

On 14 May 2015, the Company repurchased all of the deferred shares in issue (see note 12).

Political donations

The Group made no political donations during the period.

Corporate governance statement

The Board is committed to maintaining high standards of corporate governance. The UK Corporate Governance Code, published by the Financial Reporting Council, sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders, providing principles of good governance and a code of best practice for listed companies. The UK Corporate Governance Code does not apply to AIM companies. However, shareholders expect companies in which they invest to be properly governed.

The Company's corporate governance procedures take due regard of the principles of good governance set out in the UK Corporate Governance Code having regard to the size and the stage of development of the Company. Nonetheless, the Company has not formally adopted any specific corporate governance code.

The Company has established audit, AIM compliance and remuneration committees, with formally delegated duties and responsibilities.

Audit committee

On admission, the audit committee comprised Nigel Payne, Patricia Farley and George Rolls, who was appointed chairman. After Mr Rolls took up an executive role, Patricia Farley became chair of the committee. The committee is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on, and for meeting the auditor and reviewing their reports relating to accounts and internal controls.

Directors

The following directors served during the period to 30 June 2015 and up to the date of approval of this annual report:

| Name | Date of appointment | Date of resignation |
|-------------------|---------------------|---------------------|
| Oliver Vaughan | 10 June 2014 | — |
| Timothy James | 10 June 2014 | — |
| Timothy Oakley | 10 June 2014 | — |
| Christopher James | 10 June 2014 | — |
| James Cane | 22 September 2014 | — |
| Nicholas Irens | 22 September 2014 | 18 March 2015 |
| Patricia Farley | 19 January 2015 | — |
| George Rolls | 31 March 2015 | — |
| Nigel Payne | 9 April 2015 | — |
| Michael Davies | 12 November 2015 | — |

DIRECTORS REPORT (continued)

for the period ended 30 June 2015

Directors' interests

The beneficial interests of the directors holding office at 30 June 2015 in the issued share capital of the Company were as follows:

| Name | Ordinary shares No. | Warrants No. |
|-------------------|------------------------|-----------------|
| James Cane | 10,000 | 10,000 |
| Patricia Farley | 20,000 | 20,000 |
| Christopher James | 100,001 | 100,000 |
| Timothy James | 175,000 | 175,000 |
| Timothy Oakley | 50,000 | 50,000 |
| Nigel Payne | – | – |
| George Rolls | 25,000 | 25,000 |
| Oliver Vaughan | 175,000 | 175,000 |

Included in the total of Oliver Vaughan's holdings above are 165,000 shares and 165,000 warrants held in the name of Grosmont Investments Ltd, a company that he controls.

Since the year-end, the holdings of certain directors have changed and the table as at the date of approval of this annual report is set out below:

| Name | Ordinary shares No. | Warrants No. | Options No. |
|-------------------|------------------------|-----------------|----------------|
| James Cane | 10,000 | 10,000 | 180,000 |
| Michael Davies | 1,250,000 | – | – |
| Patricia Farley | 220,000 | 20,000 | 144,493 |
| Christopher James | 2,250,001 | 100,000 | 600,000 |
| Timothy James | 2,175,000 | 175,000 | 810,000 |
| Timothy Oakley | 350,000 | 50,000 | 300,000 |
| Nigel Payne | – | – | – |
| George Rolls | 525,000 | 25,000 | 437,856 |
| Oliver Vaughan | 675,000 | 175,000 | 810,000 |

Substantial shareholdings

As at 2 December 2015, the directors have been notified that the following shareholders own a disclosable interest of 3% or more in the ordinary shares of the Company:

| Name | Interest % |
|--------------------------------|---------------|
| Venaglass Ltd | 22.84% |
| Tuscan Properties Ltd | 6.85% |
| Christopher James | 5.14% |
| Xiao Min | 5.08% |
| Timothy James | 4.97% |
| Michael Wellesley Wesley | 4.80% |
| Simon Wharmby | 4.61% |
| Kimono Investment Holdings Ltd | 3.43% |

Directors' remuneration

No director received any remuneration during the period.

Directors' indemnities and insurance

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of approval of this annual report.

Going concern

The directors have adopted the going concern basis in preparing the financial statements. This is further explained in note 1(b) to the financial statements.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the Group's result for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

DIRECTORS' REPORT (continued)

for the period ended 30 June 2015

The directors are responsible for K&C keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable the directors 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

Each director at the date of approval of this annual report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the Group's and Company's auditor is unaware; and
- all the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Moore Stephens LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

George Rolls
Director
7 December 2015

INDEPENDENT AUDITOR'S REPORT

for the period ended 30 June 2015

We have audited the financial statements of K&C REIT plc for the period ended 30 June 2015, which comprise the consolidated statement of comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2015 and of the Group's total comprehensive expense for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (continued)

for the period ended 30 June 2015

Matters on which we are required to report by exception:

We have nothing to report in respect of the following where, under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- we have not received all the information and explanations we require for our audit.

Ian Staunton (Senior Statutory Auditor)

for and on behalf of **Moore Stephens LLP**

Chartered Accountants and Statutory Auditor

London

7 December 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2015

| | Note | Period ended 30 June 2015 £ | Period from 19 August 2013 to 30 June 2014 £ |
|---|------|--------------------------------------|---|
| Continuing operations | | | |
| Revenue | 2 | 34,380 | 11,527 |
| Cost of sales | | (4,839) | (6,718) |
| <i>Gross profit</i> | | 29,541 | 4,809 |
| Administrative expenses | | 174,043 | 161,402 |
| <i>Loss from operating activities</i> | 3 | (144,502) | (156,593) |
| Finance costs | | (98,116) | – |
| <i>Loss before taxation</i> | | (242,618) | (156,593) |
| Taxation | 5 | – | – |
| <i>Loss for the period</i> | | (242,618) | (156,593) |
| Total comprehensive expense for the period | | (242,618) | (156,593) |
| Basic and fully diluted loss per ordinary share (pence) | 7 | (32.3) | (20.9) |

The accompanying notes are integral to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

| | Note | 30 June 2015 £ | 30 June 2014 £ |
|--------------------------------|------|----------------------|----------------------|
| Non-current assets | | | |
| Investment properties | 8 | 691,556 | 691,556 |
| Current assets | | | |
| Trade and other receivables | 10 | 245,970 | 6,462 |
| Cash and cash equivalents | | 1,732 | 8,091 |
| Total current assets | | 247,702 | 14,553 |
| Current liabilities | | | |
| Trade and other payables | 11 | 389,469 | 113,702 |
| Loan notes | 11 | 874,000 | 674,000 |
| | | 1,263,469 | 787,702 |
| Net current liabilities | | (1,015,766) | (773,149) |
| Net liabilities | | (324,211) | (81,593) |
| Equity | | | |
| Share capital | 12 | 7,500 | 75,000 |
| Capital redemption reserve | | 67,500 | – |
| | | 75,000 | 75,000 |
| Retained deficit | | (399,211) | (156,593) |
| | | (324,211) | (81,593) |

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2015. They were signed on its behalf by:

George Rolls
Director

The accompanying notes are integral to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2015

| | Share capital £ | Capital redemption reserve £ | Retained deficit £ | Total £ |
|--|-----------------------|---------------------------------------|--------------------------|------------------|
| At incorporation | – | – | – | – |
| Equity issued during the period | 75,000 | – | – | 75,000 |
| Total comprehensive expense for the period | – | – | (156,593) | (156,593) |
| Balance at 30 June 2014 | 75,000 | – | (156,593) | (81,593) |
| Total comprehensive expense for the period | – | – | (242,618) | (242,618) |
| Buyback of deferred shares (note 12) | (67,500) | 67,500 | – | – |
| Balance at 30 June 2015 | 7,500 | 67,500 | (399,211) | (324,211) |

The accompanying notes are integral to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 June 2015

| | Period ended 30 June 2015 £ | Period from 19 August 2014 to 30 June 2014 £ |
|--|--------------------------------------|---|
| <i>Cash flows from operating activities</i> | | |
| Loss for the period | (242,618) | (156,593) |
| Adjustments for | | |
| Increase in trade and other receivables | (239,508) | (6,462) |
| Increase in trade and other payables | 275,765 | 113,702 |
| Net cash flows used in operating activities | (206,359) | (49,353) |
| <i>Cash flows from investing activities</i> | | |
| Acquisition of investment properties | – | 691,556 |
| <i>Cash flows from financing activities</i> | | |
| Ordinary shares issued by K&C Ltd | – | 75,000 |
| Loan notes issued | 200,000 | 674,000 |
| Net cash flows from financing activities | 200,000 | 749,000 |
| Net (decrease)/increase in cash and cash equivalents | (6,359) | 8,091 |
| Cash and cash equivalents at beginning of period | 8,091 | – |
| Cash and cash equivalents at end of period | 1,732 | 8,091 |

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 June 2015

| | Notes | 30 June 2015 £ | 30 June 2014 £ |
|---------------------------------|-------|----------------------|----------------------|
| Non-current assets | | | |
| Investment property | 8 | 218,358 | – |
| Investment in subsidiaries | 9 | 75,000 | 75,000 |
| Current assets | | | |
| Trade and other receivables | 10 | 231,296 | – |
| Cash and cash equivalents | | 28 | – |
| Total current assets | | 231,324 | – |
| Current liabilities | | | |
| Trade and other payables | 11 | 362,684 | – |
| Loan notes | 11 | 415,000 | – |
| | | 777,684 | – |
| Net current liabilities | | (546,360) | – |
| Net (liabilities)/assets | | (253,002) | 75,000 |
| Equity | | | |
| Share capital | 12 | 7,500 | 75,000 |
| Capital redemption reserve | | 67,500 | – |
| Retained deficit | | (328,002) | – |
| | | (253,002) | 75,000 |

The accompanying notes are integral to the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2015

| | Share capital £ | Capital redemption reserve £ | Retained deficit £ | Total £ |
|--|-----------------------|---------------------------------------|--------------------------|------------------|
| At incorporation | – | – | – | – |
| Equity issued during the period | 75,000 | – | – | 75,000 |
| Balance at 30 June 2014 | 75,000 | – | – | 75,000 |
| Buyback of deferred shares (note 12) | (67,500) | 67,500 | – | – |
| Total comprehensive expense for the period | – | – | (328,002) | (328,002) |
| Balance at 30 June 2015 | 7,500 | 67,500 | (328,002) | (253,002) |

COMPANY STATEMENT OF CASH FLOWS

for the period ended 30 June 2015

| | Period ended 30 June 2015 £ | Period ended 30 June 2014 £ |
|--|--------------------------------------|--------------------------------------|
| <i>Cash flows from operating activities</i> | | |
| Loss for the period | (328,002) | – |
| Adjustments for | | |
| Increase in trade and other receivables | (231,296) | – |
| Increase in trade and other payables | 362,684 | – |
| Net cash flows used in operating activities | (196,614) | – |
| <i>Cash flows from investing activities</i> | | |
| Acquisition of investment properties | (218,358) | – |
| <i>Cash flows from financing activities</i> | | |
| Loan notes issued | 415,000 | – |
| Net increase in cash and cash equivalents | 28 | – |
| Cash and cash equivalents at beginning of period | – | – |
| Cash and cash equivalents at end of period | 28 | – |

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2015

I. Accounting policies

The accounting policies set out below have been applied in these financial statements and have been applied consistently by Group entities.

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union.

The Company's individual statement of comprehensive income has been omitted from the Group's annual financial statements as the Group has taken advantage of the exemption under Section 408(3) of the Companies Act 2006. The Company's comprehensive expense for the period ended 30 June 2015 was £328,002.

b) Going concern

Since the end of the period, the Group has raised gross proceeds of £3,566,340 from the issuance of 43,035,622 ordinary shares in the Company in conjunction with admission to AIM on 3 July 2015. Taking this into account, and after preparing detailed forecasts, the directors have formed a judgment that, as at the date of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

For this reason, the directors have adopted the going-concern basis in preparing the financial statements. The directors believe that the Company and the Group will be able to meet its liabilities as they fall due.

c) Basis of consolidation

(i) Business combinations

Acquisitions

Business combinations will be accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

I. Accounting policies (continued)

Reconstructions

The financial statements include the results of the Company and its subsidiary undertaking, Kensington & Chelsea REIT Limited, from the effective date of acquisition. The acquisition has been treated as a group reconstruction and its results included as if the acquisition had taken place at the beginning of the period under review.

(ii) *Investment in subsidiaries*

Subsidiaries are valued at cost less any provision for impairment.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

d) *Financial instruments*

(i) *Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise loans and receivables.

(ii) *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

(iii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits, and other short-term (three months or less) highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in their fair value. These are recorded at fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 30 June 2015

I. Accounting policies (continued)

(iv) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(v) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

e) *Investment properties*

(i) *Investment properties*

Investment properties comprise properties owned by the Group which are held for capital appreciation, rental income or both. Investment properties are initially measured at cost, including expenditure that is directly attributable to the acquisition of the asset. They are subsequently valued at each balance sheet date at fair value as determined by professionally qualified independent external valuers. Gains and losses arising from changes in the fair value are recognised in other comprehensive income.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) *Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

f) *Impairment*

(i) *Financial assets*

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

I. Accounting policies (continued)

(ii) *Financial assets measured at amortised cost*

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(iii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment or when there is an indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g) **Revenue**

Rental income is recognised on an accruals basis. Rental income received in advance is recognised in deferred income.

The total revenue of the Group for the period was derived from its principal activity, being the letting to third parties of property assets owned by the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 30 June 2015

I. Accounting policies (continued)

h) Finance costs

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

i) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. As a REIT, the Group and the Company are generally not liable to corporation tax.

Deferred tax would be recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

I. Accounting policies (continued)

k) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of certain assets that are held at fair value.

(ii) Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling ('GBP'), which is considered by the directors to be the functional currency.

(iii) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future years affected.

Information about critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- The Group's investment properties are valued on the basis of market value as defined in the RICS "Red Book".
- The three properties in the Newbury area were valued independently in March 2015 and one was sold subsequent to the year-end for in excess of that valuation. The property in London owned by Silcott Properties Limited and acquired after the year end was valued at £4 million by an independent valuer appointed by the Company as part of the due diligence carried out on Silcott. Silcott was acquired by the Company for £3.63 million.

The directors are of the opinion that the estimates and assumptions that they have used in the valuation of investment properties are conservative.

l) New standards and interpretations not yet adopted

As at 30 June 2015, the following standards and interpretations were in issue but not yet adopted by the EU:

- i. IFRS 9 Financial Instruments (effective 1 January 2018)
- ii. IFRS 15 Revenue from Contracts with Customers (effective 1 January 2019)

The directors do not believe that these will have a material effect on the Company or the Group.

m) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 30 June 2015

1. Accounting policies (continued)

(i) Investment properties

The fair value of investment properties is based on market prices for similar items.

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

(iii) Fixed asset investments

The fair value of fixed asset investments is based on the net assets of the group undertaking.

2. Operating segments

The Group is involved in UK property ownership and letting and is considered to operate in a single geographical and business segment.

3. Loss from operating activities

Loss from operating activities is stated after charging:

| | 2015 £ | 2014 £ |
|-------------------------------|-----------|-----------|
| Auditor's remuneration | | |
| – Parent company – audit | 25,000 | – |
| – Subsidiary – audit | 5,000 | 8,000 |
| – Tax services | 6,500 | – |

4. Staff costs

| | 2015 £ | 2014 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | – | – |
| Social security costs | – | – |

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
| The average number of employees (including directors) during the period was: | | |
| Directors and management | 7 | 4 |
| Staff of holding company | 1 | – |

There were no fees or expenses paid to key management personnel, who are considered to be the directors, during the period.

5. Taxation

| | Period ended 30 June 2015 £ | Period from 19 August 2013 to 30 June 2014 £ |
|---|--------------------------------------|---|
| Tax on profit on ordinary activities | | |
| (a) Analysis of charge in year | | |
| UK corporation tax at 20% | – | – |
| Total current tax | – | – |
| (b) Factors affecting tax credit for year | | |
| Comprehensive expense on ordinary activities before tax | (242,618) | (156,593) |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014 – 22.5%) | (50,343) | (35,233) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 16,895 | 31,439 |
| Other short-term timing differences | (18,345) | – |
| Unrelieved tax losses | 51,793 | 3,794 |
| Current tax charge for the year | – | – |

6. Future minimum lease payments receivable

The Group leases its investment properties under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

| | 30 June 2015 £ | 30 June 2014 £ |
|----------------------------|----------------------|----------------------|
| Within one year | 13,599 | 16,575 |
| Between one and five years | 121,567 | 147,300 |
| At 30 June | 135,166 | 163,875 |

The properties at 10 Glebelands and 24 Martingale Chase, Newbury were let on short-term tenancy agreements as at 30 June 2015. Since the period-end, 10 Glebelands was vacated and subsequently sold.

The property at 49/50 Cheap Street is let on a ten-year lease expiring in January 2024.

7. Basic and fully diluted loss per share

The calculation of loss per share for the period to 30 June 2015 is based on the loss for the period from operating activities attributable to ordinary shareholders of £242,618 divided by a weighted average number of ordinary shares in issue of 750,000 (2014 – £156,593/750,000).

In the opinion of the directors, the warrants are anti-dilutive and, hence, basic and fully diluted loss per share are the same.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 30 June 2015

8. Investment properties

| | 2015 £ | 2014 £ |
|-------------------|----------------|----------------|
| Group | | |
| <i>Valuation</i> | | |
| At 1 July | 691,556 | – |
| Additions | – | 691,556 |
| At 30 June | 691,556 | 691,556 |
| Company | | |
| <i>Valuation</i> | | |
| At 1 July | – | – |
| Additions | 218,358 | – |
| At 30 June | 218,358 | – |

On 19 September 2014, the investment properties were valued by an independent valuer who is a Member of the Royal Institution of Chartered Surveyors (MRICS) on an 'open market value' basis. In aggregate, the valuations of the properties exceeded the carrying value by £13,444. The valuations were subsequently reviewed by the same independent valuer in March 2015 and there was no change in the valuations.

For this reason, the directors consider that the carrying value of the investment properties at 30 June 2015 is not materially different from their market value.

9. Fixed asset investment in subsidiary

The Company's investment in subsidiary undertakings represents a 100% holding in K&C Ltd.

On 8 September 2014, K&C acquired the entire share capital of K&C Ltd, a company owned at that time by the same individuals as K&C. The ordinary shares in K&C Ltd were exchanged pari passu for ordinary shares in the Company so that ownership of the Company was identical after the transaction to the ownership of K&C Ltd before the transaction. The acquisition of K&C Ltd was treated as a reconstruction for accounting purposes.

10. Trade and other receivables

| | 2015 £ | 2014 £ |
|--------------------------------|-----------|-----------|
| Group | | |
| Prepayments and accrued income | 245,970 | 6,462 |
| Company | | |
| Prepayments | 231,296 | – |

The Group and Company's exposure to credit risk is disclosed in note 13.

There is no material difference between the fair value of trade and other receivables and their book value.

11. Trade and other payables

| | 2015 | 2014 |
|-----------------------------------|-----------|---------|
| | £ | £ |
| Group | | |
| Trade payables | 240,518 | 45,702 |
| Accruals | 148,951 | 68,000 |
| Loan notes | 874,000 | 674,000 |
| | 1,263,469 | 787,702 |
| <hr/> | | |
| | 2015 | 2014 |
| | £ | £ |
| Company | | |
| Trade payables and accruals | 308,136 | – |
| Loan notes | 415,000 | – |
| Amounts due to group undertakings | 54,548 | – |
| | 777,684 | – |

The loan notes are secured on the investment properties and are due for redemption on the earlier of the business day following the first anniversary of admission to AIM and 31 July 2016, although, in certain circumstances, a holder may demand early repayment. At redemption or on early repayment, the amount to be repaid will include interest on the outstanding amount at the rate of 17.5 per cent of the principal borrowed.

The amounts due to group undertakings are denominated in GBP, interest free and subordinated in favour of other creditors of the subsidiary undertaking.

The Group's and Company's exposure to liquidity risk related to trade and other payables is disclosed in note 13.

There is no material difference between the fair value of trade and other payables and their book value.

12. Share capital

| | 2015 | 2014 |
|---|-------|--------|
| | £ | £ |
| Issued | | |
| 15,000,000 ordinary shares of £0.005 each | – | 75,000 |
| 750,001 ordinary shares of £0.01 each | 7,500 | – |

During the period, the Company was incorporated with an issued share capital of £2 divided into 400 pre-reconstruction ordinary shares of £0.005 each, of which 200 were held by Timothy James and 200 were held by Timothy Oakley, the subscribers to the Company's memorandum of association.

On 8 September 2014, the Company issued 14,999,600 pre-reconstruction ordinary shares pursuant to a share exchange agreement. Following completion of the share exchange agreement, there were 15,000,000 pre-reconstruction ordinary shares in issue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 30 June 2015

12. Share capital (continued)

Pursuant to resolutions passed at a duly convened general meeting of the Company held on 14 May 2015:

- a) the pre-reconstruction shares were consolidated into ordinary shares of £0.10 each ("interim ordinary shares") in the capital of the Company on a 20 for 1 basis; and
- b) each such interim ordinary share was sub-divided into one ordinary share of £0.01 each and one deferred share of £0.09 each, in each case having the rights and restrictions set out in the Articles.

Immediately following the reconstruction, there were 750,000 ordinary shares and 750,000 deferred shares in issue.

On 14 May 2015, shortly following the reconstruction, the Company issued and allotted one ordinary share to Christopher James for cash at £0.10, which proceeds were then (in part) used to finance the purchase by the Company of all of the 750,000 deferred shares in issue for an aggregate purchase price of £0.01 pursuant to the terms of the buyback agreement.

Following completion of the buyback agreement, each of the deferred shares was cancelled and the nominal value of £67,500 was transferred to the capital redemption reserve.

Founder warrants

On 18 December 2013, K&C Ltd executed a warrant instrument constituting founder warrants to subscribe for 15,000,000 ordinary shares. Pursuant to a share exchange agreement entered into on 8 September 2014, each of the founder warrants was cancelled in exchange for the issue of a founder warrant to subscribe for one ordinary share of £0.005 in the Company at par. Following a reconstruction of the share capital of the Company, such founder warrants were adjusted so that they were, in aggregate, warrants to subscribe for 750,000 ordinary shares of £0.01 each in the Company at £0.10 per share.

Share options

On admission, subsequent to the period end, options were granted and the interests of the directors in the options of the Company were as follows:

| Director | Executive options | Non-executive options |
|-------------------|-------------------|-----------------------|
| | No. | No. |
| Nigel Payne | – | – |
| George Rolls | – | 437,856 |
| Patricia Farley | – | 144,493 |
| James Cane | 180,000 | – |
| Christopher James | 600,000 | – |
| Timothy James | 810,000 | – |
| Timothy Oakley | 300,000 | – |
| Oliver Vaughan | 810,000 | – |

The executive options have performance criteria attached to them and are exercisable at nominal value (being 1p per ordinary share). Any future tranches of executive options will also be exercisable at nominal value. The non-executive options do not have any performance criteria attached to them, are exercisable at £0.10 per ordinary share and may be exercised at any time during the period commencing one year from the date of admission and ending on the date immediately preceding the date of the tenth anniversary of the date of admission.

13. Financial instruments and financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments.

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Company's directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as reported in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Capital management

The Group's and Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations. The Company considers its capital to comprise equity capital less accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 30 June 2015

14. Related parties

During the period, the Group was in receipt of loans totalling £465,000 from directors. The loans were subject to an interest charge for the period from receipt to redemption of 17.5 per cent of the principal amount, payable in full at the earlier of admission to AIM or 31 July 2016. Since the period-end, on admission to AIM, one of the loans (£215,000) was converted into ordinary shares of the Company at par. Following admission to AIM on 3 July 2015, interest of £47,600 was paid to directors of the Company. The remaining loans are repayable from the net proceeds of sale of the Newbury properties as and when the realisations take place. The loan note holders are to be repaid pro rata to the amount outstanding on their respective loan notes. Since the year-end, a part-repayment totalling £68,000 has been made to a director.

15. Subsequent events

Admission to AIM

On 3 July 2015, the Company was admitted to AIM and issued 43,035,622 ordinary shares, of which 35,663,400 ordinary shares were issued at 10 pence per share generating gross cash proceeds of £3,566,340, 3,000,000 ordinary shares were issued in part-consideration of the acquisition of Silcott (as described below), and 4,372,222 ordinary shares were issued to satisfy liabilities of the Company.

Acquisition of Silcott

On 9 July 2015, the Company acquired the entire issued share capital of Silcott for £3,630,000, satisfied by cash and the issuance of ordinary shares to the value of £300,000. In the directors' opinion, the net assets of Silcott, consisting solely of an investment property in London that was independently valued on 22 June 2015 at £4 million, are worth in excess of the amount paid.

The abbreviated balance sheet of Silcott, extracted from the audited financial statements of the company at 30 June 2015, was as follows:

| | 30 June 2015 |
|--|------------------|
| Issued | £ |
| Investment properties (at current valuation) | 4,000,000 |
| Amounts owed by group companies | 365,118 |
| Net current liabilities | (8,091) |
| Non-current liabilities | (489,200) |
| Net assets | 3,867,827 |
| Share capital | 1,000 |
| Revaluation reserve | 3,853,780 |
| Retained earnings | 13,047 |
| Total equity | 3,867,827 |

15. Subsequent events (continued)

Combined results of the Company and Silcott

The table below shows the annualised results of Silcott based on the financial statements for the eight-month period to 30 June 2015 combined with the results of the Company in this report:

| Twelve months to 30 June 2015 | The Company £ | Silcott £ | Combined entity £ |
|-------------------------------|------------------|--------------|-------------------------|
| Revenue | 34,380 | 117,809 | 152,189 |
| Profit /(loss) | (242,618) | 33,785 | (208,833) |

Sale of investment property

On 6 November, 2015, the Company sold one of its investment properties in Newbury for net proceeds of £236,277. The property was acquired for £218,358 in March 2014 by the Company's subsidiary and transferred at cost to the Company in June 2015, at which time the Company acquired a loan note of £215,000 secured on the property. Most of the proceeds of sale were used to part-repay the loan notes.

