

30 September 2021

KCR Residential REIT plc
("KCR" or the "Company")

Annual Results for the year ended 30 June 2021

KCR Residential REIT plc, the residential REIT group, is pleased to announce its annual results for the year ended 30 June 2021.

The Annual Report will shortly be available from the Company's website, www.kcrreit.com, and will be posted to shareholders in the coming days.

Highlights

- Revenues of £1.04m (2020: £1.04m)
 - Whilst refurbishment of the Colherne asset throughout 2020 impacted revenues, the current let up will add to 2022 revenues
- Portfolio level occupancy remains high (>95%), capital values remain firm with nominal arrears across the portfolio
- Gross profit improved by 44% to £1.02m (2020: £0.88m)
- Strong action to reduce administrative costs and internalise property management activities and improve gross margin
- Secured bank borrowings at period end of £11.1 million (31 December 2020: £11.1 million)
 - Average debt cost has reduced post-period following property refinancing in August 2021
- Net total assets were marginally lower £24.4m (31 December 2020: £25.2m) and net asset value per share was lower at 40.18p (31 December 2020: 44.03p).
- Ongoing focus on achieving a cash break even position over the next 12 months from a combination of improved asset performance and continuing focus on cost reduction.

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Notes to Editors:

KCR's objective is to build a substantial residential property portfolio that generates secure income flow for shareholders. The Directors intend that the group will acquire, develop and manage residential property assets in a number of jurisdictions including the UK.

CHAIRMAN'S LETTER

Dear Shareholder

This last year has been difficult for very many as a result of Covid-19, and I should like to start by paying tribute to all our colleagues at KCR and their considerable efforts to operate flexibly and to maintain services to our residents and tenants in trying conditions. Our colleagues' safety and wellbeing and that of all our stakeholders remain a priority for us.

Strategy and Operations

During the financial year, and as reported at the interim stage, we have been continuing with the transition of the business. This has been led by a smaller executive team since the Torchlight transaction of August 2019 with a consistent strategy to:

- improve the rental revenue from the existing properties;
- upgrade the overall portfolio quality;
- explore the development opportunity within the retirement portfolio; and
- focus strongly on reducing costs.

Modernising and improving the standard of the property portfolio has been the key focus this year to increase current and future returns from the existing assets.

The primary and most substantive refurbishment works during the financial year have been in respect of the Coleherne Road property. The works here are almost fully complete and the letting up of this property currently under way will deliver rental growth for the portfolio going forward. This well-located asset has been repositioned from a poorly presented, bottom end rental product into modern, spacious studio apartments. Works to 8 of the 10 apartments are now completed and finished to a high standard. It has been necessary to enter ongoing legal processes to obtain vacant possession of one flat to complete the balance of the works.

Within our portfolio of retirement living accommodation, substantive works were completed on three of the Heathside flats during the year. This materially improved the standard and presentation of the properties. Eight flats are now owned within this property and their letting up has assisted in delivering rental growth for the portfolio. We continue to look for additional opportunities to make follow-on acquisitions of flats within this property.

This rental growth has offset the loss of income from Coleherne Road which has been vacant (aside from the flat subject to legal process to obtain possession) for most of the 2021 financial year whilst works were completed. As shown by our materially reduced administrative expenses and reduced losses, considerable progress has also been achieved towards bringing the group's cost base into line with the size of its existing portfolio.

Capital and Personnel

Post balance sheet date, new lower cost facilities have been entered into to refinance existing facilities and deliver additional capital to support the Group's ongoing activities.

During the period since August 2019, there have been a number of changes to the leadership team as part of the focus on repositioning the business and reducing the cost base to more appropriately align with the size of the business. As noted at the interim stage Michael Davies retired as Chairman in October 2020 and the board reduced from 5 to 4. The cost savings from this and other personnel changes will be further reflected in the current financial year results.

Market Conditions and Outlook for the Group

From a macro-economic perspective, Covid-19 has resulted in ongoing global disruption which has impacted markets and consumer and business confidence. The economic impact to date has been much softened by HM Government support which is now ending. During the period, the main impact for KCR has been the increased supply of rental product as properties previously used predominantly in the short-let market were repositioned into longer term letting. This has had an impact on time required to fill vacancies and achievable rental levels in some parts of the Group's portfolio. However, notwithstanding these challenges, at the accounts issue date, KCR has maintained almost full occupancy with nominal rental arrears.

In London and the South-East, there continues to be a greater supply of studio, one- and two- bed flats in the letting market which is continuing to impact timeframes for re-letting and achievable rental levels. As Covid related travel restrictions ease up we expect to see this position improve over the course of the current financial year. Fundamentals for UK residential property are positive, and it appears that people and activity are returning to London and other major international capitals. KCR is well placed to benefit as short-let supply is repositioned back into the short-let market.

The Group's overall long-standing objective remains to grow the size of its residential portfolio to deliver an increase in revenue and profitability against its central overhead base and achieve an ability to pay dividends. At the same time, we focus on growing net asset value per share. Acquisition opportunities continue to be explored and will be completed if they make sense for KCR.

On behalf of the Board and our shareholders, I would like to thank everyone at KCR for their hard work and dedication over the past year.

James Thornton

Chairman

29 September 2021

CHIEF EXECUTIVE'S LETTER

Dear Shareholder

I have pleasure in reporting to you on the progress of the Group for the year to 30 June 2021.

This has continued to be a difficult period in the UK with COVID-19 creating challenges for the whole of the year. Our efforts restructuring the balance sheet last year prepared us well for the ongoing economic difficulties in 2021. The significant efforts to reduce operating costs has continued with further reductions this year. There has been a slight revenue increase in 2021, and the imminent boost to revenue from the re-letting of the refurbishment project at Coleherne Road will take the Company closer than ever to cashflow break-even. The combination of ongoing cost management and enhanced operating performance is expected to deliver positive cashflow by the end of the current financial year.

The focus of this year has been on the completion of the Coleherne Road, London refurbishment, maintaining high occupancy across the portfolio, and keeping corporate and operating costs to a minimum. KCR is in the process of improving the quality of its existing portfolio to increase rental and capital values and reducing running costs. We are progressing well through the transition process started last year, to create a stable platform that can be successfully scaled-up.

Property portfolio

Property transactions during the year

KCR made no property acquisitions during the year.

Existing portfolio

KCR continues with its performance enhancement focus on its existing portfolio. The refurbishment of apartments at Coleherne Road is substantially complete. We intend to commit to more capital expenditure (capex) to positively reposition the Ladbroke Grove portfolio, starting this year. The objective is to lift rental and capital values and upgrade the portfolio standard so that minimal maintenance spend is required over the next five years.

We have already experienced an uplift in rental and capital values at our repositioned asset in Coleherne Road. The apartments have moved into a far higher rental bracket. The aim is for this to be repeated at Ladbroke Grove.

KCR is in the process of creating two operating lines, clearly identifiable by brand, property quality and letting strategy.

1. **Cristal Apartments.** Residential apartments, developed to a high modern specification, furnished and let on a Walk-In-Walk-Out (WIWO) basis (the intention is for utilities, internet, furniture, council tax to be included in the rental payment) for a frictionless and flexible letting experience. Rental contracts may be from a week to multi-year.
2. **Osprey Retirement Living.** 4* retirement living property rented on the same basis as above, with optionality on furniture. Rental contracts to be assured shorthold tenancies (six months plus).

1. Cristal Apartments (WIWO letting strategy)

The Coleherne Road property has been repositioned and now delivers the higher quality style of apartments that the Cristal brand represents. The Ladbroke Grove portfolio will be repositioned into Cristal branded properties following completion of planning work to explore avenues for optimization of the existing footprint. Southampton is already at the higher standard appropriate for a Cristal asset and will be bought under this brand as the apartments are progressively furnished as existing tenancies expire.

- The property at Coleherne Road, held within K&C (Coleherne) Limited, comprises ten studio and one-bedroom flats. KCR has almost completed a whole-building refurbishment of the property (eight of ten apartments are complete) to a significantly higher standard. The new apartments are available for rent. We are achieving a significant increase in gross rental income on the first lettings with reduced operating and maintenance costs expected.
- The Ladbroke Grove portfolio (owned by KCR (Kite) Limited) consists of 16 one- and two-bedroom flats in three buildings which remain more than 98% occupied. The stand-alone flat in Harrow Road has been sold. Units have been lightly refurbished as tenants leave, and are then relet in the private market. The Company's intention is to undertake a whole building refurbishment of the Ladbroke Grove assets following completion of the planning work.
- The Southampton block of 27 residential units at Deanery Court, Chapel Riverside (owned by KCR (Southampton) Limited) continues to be fully occupied. Rental demand has remained strong, particularly from short-let operator tenants. These tenants' customers are potential future occupiers at the building for Cristal Apartments as they occupy under a WIWO strategy. Since the property was constructed in 2018 there is no capital investment required at the property to bring it up to the Cristal brand standard. The letting strategy will be adjusted to implement the WIWO strategy as units are progressively furnished.

2. Osprey Retirement Living (4* retirement apartments)

The Osprey portfolio (K&C (Osprey) Limited) consists of 159 flats and 13 houses let on long leases in six locations, together with an estate consisting of 30 freehold cottages in Marlborough where Osprey delivers estate management and sales services.

The portfolio has held its value and is expected to provide a medium-term value boost opportunity as the terms of the long-leasehold flats shorten and positive asset management initiatives continue.

The key asset in the portfolio representing 68% of the Osprey portfolio value is the freehold block at Heathside, Golders Green, where 29 of the 37 residential units are held long leasehold. The strategy continues to be selectively acquire long-leasehold units in the block, subject to pricing, refurbish the units to a high level and let them in the open market subject to assured shorthold tenancies. This strategy is having good success; and post the balance sheet reporting date, Osprey has successfully also become the manager of the Heathside property, which we expect will enable Osprey to improve the quality of the overall building.

Although KCR has been focusing on refurbishment activity at Coleherne Road, we continue to have an interest in the potential to enhance value through redevelopment and roof extensions at four of the seven Osprey portfolio sites. We believe there is a significant opportunity at some of these properties. Until a planning approval has been received, any increase in value from these planning gains will not be included in the Company's accounts.

Financial

The current financial year reflects the outcome of some of the cost savings made to date with further improvement targeted during the course of the current financial year. KCR has recorded an operating profit before separately disclosed items and a significantly lower operating loss for the year. Further details regarding the financial performance of the Group can be found in the Strategic Report on the following pages.

Prospects

The business continues to be cashflow negative, however, KCR has made major steps to becoming cashflow positive. We continue to work on achieving this by the end of the current financial period.

KCR is excited about the potential for the Company to grow from a far more stable operating base, and in particular are pleased by the significant progress made this year towards Group profitability.

Dominic White

Chief executive

29 September 2021

The directors present the strategic report of KCR Residential REIT plc ('KCR' or the 'Company') and its subsidiaries (together, the 'Group') for the year ended 30 June 2021.

PRINCIPAL ACTIVITY

The Group carries on the business of acquiring, developing and managing residential property predominantly for letting to third parties on long and short leases. At the year-end, the Group consisted of the Company, which is a public Company limited by shares, and its wholly owned subsidiaries:

1. **K&C (Coleherne) Limited** owns a freehold residential property in Chelsea, London containing ten studio flats
2. **K&C (Osprey) Limited** owns eight freehold apartments and the freehold of several retirement properties let on long leases to residents and provides management services in respect of these properties and to third-party landlords
3. **KCR (Kite) Limited** owns three freehold residential properties in Ladbroke Grove, London (16 flats) and at 30 June 2021 a flat on Harrow Road, London
4. **KCR (Southampton) Limited** owns a long leasehold block of 27 two-bedroom apartments at Chapel Riverside, Southampton. The lease is a 999 lease for which the Company pays a peppercorn rent
5. **K&C (Newbury) Limited** owns no property and is now effectively dormant.

Throughout the year the company remained a REIT and has endeavoured to comply with REIT rules throughout the period and since the balance sheet date.

GROUP STRATEGY

The directors intend to build a significant presence in the residential letting market, primarily through the acquisition of land with planning permission that will be developed into residential property and the acquisition of existing residential property. Assets are predominantly acquired with the purpose of letting to third parties.

RESULTS

The Group reports a consolidated operating loss of £924,234 for the year to 30 June 2021 (2020 – £3,079,531).

REVIEW OF BUSINESS AND FINANCIAL PERFORMANCE

The Board has reviewed whether the Annual Report, taken as a whole, presents a fair, balanced and understandable 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.

In reporting financial information, KCR presents alternative performance measures, "APMs", which are not defined or specified under the requirements of IFRS. For example, portfolio occupancy and percentage of rent arrears. The Company believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The Board reminds

readers that these APMs are not GAAP measures, are not intended as a substitute for those measures, and that other companies may use different measures.

Revenue in this financial year marginally increased to £1,036,011 (2020 – £1,035,816). Core portfolio revenue (relating to Rentals, Management fees and Ground Rent) was largely flat due to Coleherne Road being vacant (aside from 1 tenancy) for the financial year. Loss of this rental income was offset by growth flowing from the letting up of Heathside and other incremental core revenue gains. Portfolio occupancy (excluding the planned vacancy at Coleherne Road) and rent collection remained above 95% for the whole period.

A large part of the year's loss (£844,200) is attributable to costs associated with refurbishing and modernizing the KCR portfolio. The prior year result also includes a number of expense items that were not related to core operating activities, including costs associated with refinancing and third-party fundraising. The Group therefore reports the operating result both before and after separately disclosed items. The Group recorded an operating profit before separately disclosed items of £416,669 (2020 – £1,024,648 loss). After separately disclosing the expensed redevelopment works at Coleherne Road and Heathside, the operating loss was £427,531, a significant improvement on the prior year (2020 – £3,079,531 loss). The loss before taxation was £924,234 (2020 – £3,560,818 loss).

Total assets at 30 June 2021 decreased to £24.4 million (2020 – £25.2 million). However, investment property increased overall (£670,000) primarily due to completion of refurbishment works to enhance asset positioning. Improved rental levels following works is reflected in valuation outcomes. The decrease in total assets reflects the reduction in cash balances as funds were used to fund operating losses and investment activities.

Net assets decreased to £11.32 million (2020 – £12.14 million) and net asset value per share decreased to 40.18p (2020 – 44.03p), predominantly due to the impact of the loss and ensuing reduction in cash balance.

Upon completion of the Torchlight transaction in the 2020 financial year, the Group entered into an option agreement to grant Torchlight an option to subscribe for a further 50,000,000 new Ordinary Shares during the Option Period (up to 6 August 2022). Torchlight has the right to subscribe for the shares at a price per share of:

- for any notice of exercise served on the Company on any date up to and including 31 December 2019, the Issue Price; and
- for any notice of exercise served on the Company from 1 January 2020 until the end of the Option Period, the higher of (i) the price per Option Share which is equivalent to 95 per cent. of the 30-Day VWAP for the Ordinary Shares and (ii) the par value of each Ordinary Share.

The Option is only exercisable by Torchlight during the Option Period and if the Option is not exercised prior to the expiry of the Option Period, it will lapse. Unless otherwise agreed, any exercise of the Option by Torchlight shall be for not less than 2,000,000 Option Shares.

In May 2021 600,000 options were exercised and converted into 10p shares at a price of 19.8079p per share, increasing Torchlight's interest in the Company to 9,600,000 shares, representing 34.08% of the Company's enlarged issued share capital.

KEY PERFORMANCE INDICATORS

The directors and management team monitor key performance indicators relevant to each of the subsidiaries to improve Group performance. Management reports to the board if data show significant variances against expected outcomes and proposes mitigation action as necessary.

Examples of the KPIs used to monitor aspects of performance include:

1. At property level:

1.1. Vacancy rate in terms of number of units available and potential rental income

Target occupancy of at least 90 per cent achieved

1.2. Outstanding rents as a percentage of rental income

Target debtor balance of less than 10 per cent of rental revenue achieved.

2. At Group Level

Near term focus is on reducing costs, enhancing revenue and growing the business to achieve a cash break even position to provide a stable base to grow from. Solid progress in this respect is being made. The Group KPI is achieving a cash break even position by focussing on optimising performance from the existing assets and incremental acquisitions where they make sense.

RISKS AND UNCERTAINTIES

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and its 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 property acquisition and development. Although there is no certainty that such funds will be available when needed, the Company has plans in place with KCR's Capital Partner regarding ongoing funding, and, the directors continue to focus on developing the Group's capital structure.
- **Financial instruments**
Details of risks associated with the Group's financial instruments are given in note 21 to the financial statements. The directors seek to mitigate these risks in manners appropriate to the risk.
- **Valuations**
The valuation of the investment property portfolio is inherently subjective as it is made on the basis of assumptions made by the valuer that may not prove to be accurate. The outcome of this judgment is significant to the Group in terms of its investment decisions and results. The directors, who have long experience of property, seek to mitigate this risk by employing independent valuation experts to complete periodic valuations of the assets in the portfolio.
- **COVID-19**
The impact of COVID-19 is widespread and continues to cause economic disruption. Governments in the UK and elsewhere around the world have taken drastic and unprecedented measures which include compulsory business closures and tight restrictions on movement of people and on their activities.

The Group seeks to preserve a safe environment within its properties for its colleagues, residents, tenants and suppliers and reviews this risk regularly, updating its procedures as required. To date COVID-19 has not materially impacted Group operations, with minimal impact on rent collections during the lockdown period. Only a minimal number of tenants were in rent arrears at the balance sheet date and up to the date of this report.

The main financial risks that the Board has identified in relation to the pandemic are the potential income reduction and bad debts as tenants have difficulty in maintaining rent payments and potential voids within the portfolio arising from tenant failures.

The actions taken to mitigate the risks are summarised below:

- The Group undertakes credit checks on prospective new tenants to assess credit risk. The checks include verification of income levels and capacity to pay, as well as checks of rental references. Any arrears are actively managed.
- The Group has continued with periodic monitoring of apartment usage for short let operators. Monitoring included car park usage (Southampton), power, water and gas readings as a proxy for occupancy. The purpose of this was to enable the directors to form a view as to the underlying occupancy profile of the short let operators as a proxy for their ability to continue to meet rent. Our sampling / testing has suggested an implied underlying occupancy rate of 80% or better which suggests adequate capacity for the short let operators to meet rent.
- Recent re-lettings and inquiries at Southampton suggests there is also solid underlying demand in this catchment for rental properties so we would reasonably expect to be able to re-let in the event that a short let operator failed and defaulted on their rental obligations.

Due to the uncertainty and unprecedented nature of the challenges posed by COVID-19 the Directors continue to monitor this situation closely.

DIRECTORS' DUTY TO PROMOTE THE SUCCESS OF THE COMPANY UNDER SECTION 172 COMPANIES ACT 2006

Section 172 (1) of the Companies Act 2006 requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders as a whole, and in doing so having regard to a diverse group of stakeholders.

The Directors continue to have regard to the impact of decisions made on all stakeholders and are aware of their responsibilities to promote the success of the Company, in accordance with section 172 of the Companies Act 2006.

We aim to work responsibly with our stakeholders and outline below the key Board decisions made during the 2021 financial year:

Key Decision	Stakeholders	Action and Impact
Coleherne Road works	Tenants / Shareholders	During the year the Company commenced a major refurbishment program to reposition this asset. This resulted in a loss of rental income during the year whilst works were ongoing and legal action being commenced to secure vacant possession for one of the flats. Whilst Section 21 notices were served on tenants to achieve vacant possession there is an abundance of readily available rental accommodation in the same geographic location. The Company is not aware of any tenants having issues in securing replacement accommodation. Loss of rental income and the costs

		associated with completion of works have impacted the financial performance of the Company, however this asset had performed very poorly for the duration of the Company's ownership. Below average standard of finish resulted in poor rental returns and high ongoing recurring maintenance expenditure. The Company considered that the interests of all stakeholders were best served by completing a substantive upgrade to the property. On completion, the property will be finished to a very high standard and should require minimal ongoing investment for the next few years.
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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

Whilst the near-term focus remains on reducing costs and improving the operations performance of the existing assets, the Group is continuing to investigate the purchase of residential property assets that will be able to support an increasing income yield. To achieve these, the Group may be required to raise more capital and it is working closely with funding sources, both equity and debt providers, to achieve this objective.

ON BEHALF OF THE BOARD:

Dominic White
Director

29 September 2021

CORPORATE GOVERNANCE STATEMENT

Introduction

During the year to 30 June 2021 KCR Residential REIT plc, while an AIM Listed Company, was operating initially with four directors and three employees. In September 2018 it adopted the QCA code but with such a tightly controlled operational and risk environment was not able to, in all areas, fully comply with the principles. During the current year the directors have continued to update the website to comply as far as possible with the following QCA code principles, noting areas where the small scope of operations limits their ability to fully comply:

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company's objective is to build a substantial property portfolio predominantly in the residential sector that generates both secure income flow from rents and increasing net asset value for shareholders. The Company acquires or develops blocks of studio, one-and two-bed apartments that are close to transport links, shopping and leisure, mostly in London, its surrounds and the South East. These blocks are focused on attracting tenants seeking affordable rental accommodation.

The Company brings its property corporate finance expertise to the identification and execution of these acquisitions.

The Company looks to acquire properties at below market value to improve yield on cost and enhance net asset value. It aims to achieve this through acquisition strategies including:

- using the REIT's inherent tax advantages; acquiring properties in corporate structures with embedded capital appreciation and deferred tax liabilities which are reduced to zero as the corporate becomes part of the REIT group, and
- acquiring permitted land, funding the development process and retaining the developer's profit.

Over the medium to long term, the Company expects rental and property values to increase in line with inflation. These increases coupled with new acquisitions are designed to enable the Company, once it has reached scale, to pay dividends from cash flow generated by rents and deliver net asset value increases through positive property revaluations. Active asset management of the properties may also deliver value increases. The Company as a REIT is required to distribute 90 per cent of its rental profits.

It is the Company's paramount intention to conduct its activities in a professional and responsible manner for the benefit of its shareholders, its employees, and the communities where it operates.

Further detail on the key challenges that the Board addresses are set out under Risks and Uncertainties in the Strategic Report.

Principle 2: Seek to understand and meet shareholder needs and expectations

In August 2019, a major equity re-capitalisation brought in £4.05m of capital and a substantial new shareholder, Torchlight Fund LP. This transaction was designed to stabilise and re-position the Company so that it could move forward in a way that all existing and new shareholders may benefit from future uplifts to profitability and increases in net asset value.

The Company remains committed to engaging with its shareholders to ensure its strategy and performance are clearly understood. Feedback from investors is obtained through direct interaction between the CEO and Executive Director and shareholders following the Company's full and half year results and certain other ad hoc meetings between executive management and shareholders that take place during the year.

The Company seeks to communicate with its shareholders on a timely and transparent basis at all times. Announcements through RNS are as comprehensive as possible. As part of the Company's repositioning, the intention is to improve the speed of reporting of the interim and full year results to shareholders.

The executive directors hold discussions with analysts, shareholders and investment managers from time to time.

It is apparent from such interaction that shareholders have several concerns, including:

- *How do the directors propose to expand operations without dilution to existing shareholdings?*
Since property companies are capital-intensive, the Company will raise equity over time to fund the acquisition of new properties. Torchlight Fund LP exercising its option rights as approved by shareholders will be dilutive to existing shareholders with this dilution having already being accepted and approved by shareholders. The board will aim to maximise the issuance price of any additional equity offerings such that issuances are accretive or, if that is not possible, offer all shareholders the opportunity to participate in the offering on an equal access.
- *When will the Company become profitable?*
Based on current overheads and interest forecasts, the Company may become profitable and cash flow positive once it has approximately £30m of investments generating satisfactory rental income. Executive management is focused on achieving this objective as soon as possible. This is naturally dependent on the availability of suitable transactions and the ability to complete the acquisitions either via raising additional equity capital or debt. Executive management are also focussed on continuing to reduce costs and optimise the performance from the existing assets such that a profitable position can be achieved from a lower level of investment.

Shareholder liaison is managed by Dominic White and Russell Naylor (info@kcrreit.com).

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company currently operates in the UK. It identifies the main stakeholders in the UK as being investors, tenants, and suppliers of services (accountant, nomad, broker, lawyers), employees, directors, third-party property managers, banks and other debt providers and property agents introducing investment opportunities.

The Company has an important social responsibility in its role as a landlord of residential housing. We commit to delivering great service to our tenants, which includes providing safe and high-quality residential units, at market prices, managed in a professional way.

Treating all our stakeholders well, and in particular our key customers - our tenants, is key to growing a sustainable business that will have long-term success.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The board is responsible for setting the risk framework within which the Company operates and ensuring that suitable risk-management controls and reporting structures are in place throughout the group.

The board seeks to minimise risk in the management of its operations. The Company uses third-party advisors to address specific issues that arise during operations where they bring complementary expertise and experience.

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Board comprises a balance of independent and non-independent directors with collective, specific and complementary skills that enable the Company to manage and direct its affairs in a professional manner, with embedded corporate governance procedures that are fit for purpose.

Full Board meetings are generally held on a quarterly basis and all necessary documentation is provided to the board in advance, so that they can understand the issues under review and make well-considered decisions. During the year, between full Board meetings, the Board convenes whenever necessary to consider and if appropriate approve the execution and completion by executive management of key matters that fall within the Board's defined remit as set out below.

The Board has audit and remuneration sub-committees that are currently chaired by the Independent Non-Executive Chairman.

All of the directors devote such time to the Company's affairs as the board considers appropriate. The involvement of non-executive directors varies month by month but is estimated at 3-5 days a month.

On 3 November 2020 Michael Davies stepped down as Chairman and James Thornton, an Independent Non-Executive Director of KCR, became the Non-Executive Chairman of the board. KCR believes that a reduced board of four members is appropriate for a business of its size and is in line with its efforts to reduce operating costs, assisting with its drive to profitability. As a result of these changes, the Company has only one Independent Non-Executive Director. The Company acknowledges the recommendations of the QCA Corporate Governance Code, which it has adopted, and it is intended at the appropriate time to seek appointment of a further Independent Non-Executive Director.

During 2021, 4 Board meetings were held, attended by all current directors.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board maintains up-to-date skills, knowledge and experience to enable it to direct and manage the Company's operations, finances and its interface with investors, the public markets and its other stakeholders.

The Board takes great care to appoint managers and staff with the appropriate skills and experience, and is aware of the importance of encouraging diversity among its workforce.

The Board works as a team and regularly reviews its procedures and composition.

The relevant experience and skills of the current directors is set out under About Us/The Board on the Company's website. Each director is involved in other organisations which keep their professional skills sharpened and up to date.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continual improvement

Following the transaction approved by the directors of KCR as at 31 July 2019, the Board of KCR now comprises:

Name	Role	Appointed	Status
James Thornton	Non-Executive chairman	06 August 2019*	Independent
Dominic White	CEO	01 January 2017	Non-independent
Russell Naylor	Executive director	06 August 2019	Non-independent
Richard Boon	Non-Executive director	06 August 2019	Non-independent

**appointed Chairman on 3 November 2020*

In accordance with its obligations under the QCA code the Board will review internally its collective performance, and the performance of its committees and Board members. At this stage of its evolution and in view of the size of the Board, the Directors do not believe that it is practical to undertake an external or a wide-ranging evaluation of the performance of Board members. The primary tasks of the chief executive have been and will continue to be to grow the Company's asset base and revenue through the delivery of additional assets to the portfolio. This has included developing capital and asset partnerships and finding ways to raise appropriately priced and structured debt finance to support transactions and equity capital in an uncertain equity market. He is a key point of contact for the capital markets.

In these tasks he will be supported by Russell Naylor, Executive Director, who is additionally responsible for internal financial controls, financial management, capital planning and overseeing the preparation of financial reports to shareholders.

The primary task of the Chairman, James Thornton is to ensure that the Board has performed its role correctly, that governance is adhered to, and that the Company works towards delivering value to shareholders in accordance with the Company's strategy. He is also a point of contact for the Company's shareholders and with its professional advisers.

Succession planning remains an important issue for the Board, and in particular the Chairman.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board strives to promote a corporate culture based on sound ethical values and behaviours.

The Company has adopted a code for directors' and employees' dealings in securities, which is appropriate for a company whose securities are traded on AIM. The code is in accordance with the requirements of the Market Abuse Regulation that came into effect in 2016.

The Board is also aware that the tone and culture it sets will greatly impact all aspects of the Company and the way that employees behave, as well as the achievement of corporate objectives. A significant part of the Company's activities is centered upon an open dialogue with shareholders, employees and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to high standards of corporate governance. No system of internal control can completely eliminate the risk of process or individual failures. To an extent the corporate governance structures which the Company is able to operate are limited by the size of the executive management team and the small number of executive directors, which is itself dictated by the current size of the Company's operations. Within this limitation necessitated by the current small size of the business, the Board is dedicated to having strong internal control systems in place to enable it to maintain the highest possible standards of governance and probity.

The chairman, James Thornton:

- leads the Board and is primarily responsible for the effective working of the Board;
- in consultation with the Board, ensures good corporate governance and sets clear expectations with regards to Company culture, values and behaviour;
- sets the Board's agenda and ensures that all Directors are encouraged to participate fully in the activities and decision-making process of the Board;
- takes responsibility for relationships with the Company's professional advisers and its major shareholders.

The chief executive, Dominic White:

- is primarily responsible for developing the Company's strategy in consultation with the Executive Director and the Board, for its implementation and for the operational management of the business;

- is primarily responsible for new projects and expansion;
- runs the Company on a day-to-day basis;
- implements the decisions of the Board;
- monitors, reviews and manages key risks;
- is the Company's primary spokesperson, communicating with external audiences, such as investors, analysts and the media.

The executive director, Russell Naylor:

- works closely with the CEO to develop and execute the Company's strategy;
- is primarily responsible for the systems of financial controls in operation for the Company and each of its subsidiaries;
- is primarily responsible for all financial management and financial planning matters;
- monitors, reviews and manages key risks as they relate to financial impact;
- implements the financial and internal control decisions of the Board.

The Remuneration Committee, since November 2020, is now chaired by James Thornton, Chairman and Independent Non-Executive Director, and comprises James Thornton and Richard Boon, Non-Independent Non-Executive Director. The Remuneration Committee meets on an ad hoc basis when required.

The Audit and Risk Committee is chaired by James Thornton, Chairman and Independent Non-Executive Director and comprises James Thornton and, since April 2021, Richard Boon. Russell Naylor is invited to attend as appropriate. It meets at least twice each financial year to consider the interim and final results. In the latter case, the auditors are present and the meeting considers and takes action on any matters raised by the auditors arising from their audit.

The chair of each of the Committees may invite executive management and Board members to attend any meeting.

Matters reserved for the Board include:

- Vision and strategy
- Review of budgets, asset plans and trading results
- Approving financial statements
- Financing strategy, including debt strategy
- Business planning relating to acquisitions, divestments and major refurbishments not already agreed in the strategy and asset plans
- Capital expenditure in excess of agreed budgets
- Corporate governance and compliance
- Risk management and internal controls
- Appointments and succession plans at senior management level
- Directors' remuneration

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company website sets out the principal approach of the Company to governance. It contains all relevant documents and information for shareholders, including all RNS announcements, Financial Reports, Shareholder Circulars, and the Company's articles.

Shareholders are additionally encouraged to participate at the AGM, to ensure that there is a high level of accountability and identification with the Group's strategy and goals.

Audit Committee Report

BDO rotated audit partners during the year, following good governance in respect of the length of time of involvement of the previous audit partner. The Executive Director and the Chair of the Audit Committee met in advance of the 2021 year end to plan the audit with the new external statutory auditor and to discuss the materiality to be used in the audit and the expected key issues to be covered. Progress of the 2021 audit was discussed with the external auditor before the year-end Audit Committee meeting.

At the completion of the audit, the auditor presented its Planning document and the Audit Completion Report to the Audit Committee before the Financial Statements were presented for Board approval.

The discussions enabled the auditor to explain the proposed work and its outcome and the Non-Executive Directors to raise any issues. It is considered that the process worked well and the audit did not raise any material issues therefore the auditors were able to issue their audit report in the usual form.

Remuneration Committee Report

During 2021, the Remuneration Committee met to review and approve salaries.

It is the Company's policy that the remuneration of Directors should be commensurate with the services provided by them to the Company and should take account of published data on reasonable market comparable Groups, where available. During the financial year, the Directors accepted reduced remuneration in line with the Company's strategy to control costs. Details of the Directors' remuneration are set out in the Directors' Report on page 18.

REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2021.

A review of the business, risks and uncertainties and future developments is included in the Chairman's Letter, the Chief Executive's Letter, the Group Strategic Report, and in note 21 to the financial statements.

DIVIDENDS

The directors do not recommend payment of a dividend for the year (2020 - £nil).

Political donations

The Group made no political donations during the year (2020 - £nil).

DIRECTORS

The following directors served during the year to 30 June 2021 and up to the date of approval of this Annual Report:

Name

Michael Davies	resigned 3 November 2020
James Thornton	
Dominic White	
Russell Naylor	
Richard Boon	

The beneficial interests of the directors holding office at 30 June 2021 in the issued share capital of the Company were as follows:

	Ordinary Shares		
	At 30 June 2020	Issued in the year	At 30 June 2021
Name	No.	No.	No.
James Thornton	22,222	--	22,222
Dominic White	1,195,932	91,666	1,287,598
Russell Naylor	--	--	--
Richard Boon	--	--	--

The beneficial interests of the directors holding office at 29 September 2021 in the issued share capital of the Company were as follows:

	At 30 June 2021	Issued in the period	At 29 September 2021
Name	No.	No.	No.
Dominic White	1,287,598	-	1,287,598
James Thornton	22,222	-	22,222

SUBSTANTIAL SHAREHOLDINGS

As at 29 September 2021, the directors had been notified that the following shareholders owned a disclosable interest of three per cent or more in the Ordinary shares of the Company:

Name	Interest %
Lynchwood Nominees Ltd	34.08%
Drumz plc	8.65%
Moore House Holding Ltd	8.38%
Poole Investments Ltd	6.39%
Venaglass Ltd	5.62%
Dominic White & White Amba Pension Scheme	4.72%
Oliver Vaughn	3.76%
Annabel Marie-Louse James	3.50%

DIRECTORS' REMUNERATION

The directors have received the following remuneration for their services during the year:

Name	2021		2020	
	Remuneration £	Benefits-in-kind £	Remuneration £	Benefits-in-kind £
Michael Davies	--	--	-	-
Dominic White	94,500	--	145,853	-
Russell Naylor*	77,691	--	44,000	-
James Thornton	30,000	--	27,192	-
Richard Boon*	20,000	--	18,130	-
James Cane	-	--	7,603	-
Timothy James	-	--	5,068	-
Oliver Vaughan	-	--	10,541	-
	222,191	--	258,387	-

In addition, during the year, the Group were charged fees of £10,800 by DGS Capital Partners LLP, a limited liability partnership of which Michael Davies is a member (2020 - £43,200) (including irrecoverable VAT) for making available the services of Michael Davies to the Group.

* The remuneration paid to Russell Naylor included fees of £48,000 charged by Naylor Partners, a business in which Russell Naylor is a Director (2020 - £44,000) and the remuneration paid to Richard Boon included fees of £18,900 (2020 - £18,130) charged by Artefact Partners, a business in which Richard Boon is a Director. The remuneration of Russell Naylor also includes a provision of £22,816 for a catch up payment incentive which will be due when the

business achieves cash-flow breakeven.

During the previous year, the capital structure of the Company was reviewed and the decision was taken to terminate the Restricted Preference shares. As a result, a number of Restricted Preference shares were converted to Ordinary shares and the remaining Restricted Preference shares were gifted to the Company and subsequently cancelled. A number of directors held Restricted Preference shares. The total gain made by the directors in the 2020 financial year, upon the conversion of Restricted Preference shares to Ordinary shares was £450,910. The gain was calculated as the market value of the Ordinary shares at the date of conversion, less the nominal value of the Restricted Preference shares. However, the loss made by the directors in the 2020 financial year, as a result of gifting a number of Restricted Preference shares to the Company was £721,493. No gains or losses were made in the 2021 financial year.

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.

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that (i) ongoing financial performance is monitored in a timely manner, (ii) where required, corrective action is taken and (iii) risk is identified as early as practically possible. The directors have reviewed the effectiveness of internal controls.

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

Details of financial risk management are included within the Risks and Uncertainties section of the Group Strategic Report.

BRIBERY RISK

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

OTHER MATTERS

i. Environmental

The Group understands the importance of operating its business in a manner that minimises any risks to the environment. Its policies seek to ensure that it achieves this goal.

ii. Group employees

The Group considers its employees to be its most valuable assets and ensures that it deals with them fairly and constructively at all times.

iii. Social matters

The Group is aware that it has a responsibility to the communities where it operates and seeks to respect them at all times.

iv. Respect for human rights

The Group always respects the human rights of its stakeholders.

v. Contributions to pension schemes

No pension scheme benefits are being accrued by the directors.

DIRECTORS' INDEMNITIES AND INSURANCE

The Company has made qualifying third-party indemnity provisions for the benefit of its directors during the year

and they 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.

The directors consider, as at the date of approving the financial statements, that there is reasonable expectation that the Group has adequate financial resources to continue to operate, and to meet its liabilities as they fall due for payment, for at least twelve months following the approval of the financial statements.

Following the declaration by the World Health Organisation of Covid-19 as a global pandemic, governments in the UK and elsewhere have taken drastic and unprecedented lockdown and other measures which include compulsory business closures and tight restrictions on movement of people and on their activities. This event has the potential to impact the Group and its business and is considered further in the Strategic Report on pages 7 to 11.

The Company has undertaken procedures to ensure that the Company has sufficient cash resources and bank facilities and sufficient covenant margin to manage the potential financial impact of the Covid-19 pandemic on its business under going concern principles.

See note 2 to the financial statements for further details of the procedures undertaken.

POST BALANCE SHEET EVENTS

Post balance sheet events are detailed further in the Chief Executive's letter and note 23 of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

In accordance with section 489 of the Companies Act 2006, a resolution to reappoint BDO LLP as auditor will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dominic White

Director

29 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

Opinion on the financial statements

In our opinion:

- 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 30 June 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of KCR Residential REIT Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 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 notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Corroborated key assumptions (eg reviewed forecasted occupancy rates to those historically achieved and loan expiries to market norms for refinancing similar properties) to underlying documentation and ensured these were consistent with our audit work in these areas;
- Considered the evidence provided to us to ensure that it was not contradictory;
- Understood and assessed the appropriateness of the key assumptions used both in the base case and in the plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Tested the integrity of the underlying formulas and calculations within the cash flow models; and
- Reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters	Valuation of investment properties was the sole key audit matter in both the audits for the year ended 30 June 2021 and 30 June 2020.
Materiality	<i>Group financial statements as a whole</i> £293,000 (2020:£306,000) based on 1.2% (2020:1.2%) of total assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

In particular, we looked at where the Directors made significant judgements, estimates and assumptions. The key judgement noted is that of determining fair value of investment properties - see key audit matters below.

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements, including those set out above.

There are four significant components in the Group, which are all registered and operate in the UK. All components of the group, and the consolidation were subject to full scope audits by BDO LLP. There were no significant changes to this approach during the year compared to the previous year's audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of investment properties <i>(see Notes 2 and 12)</i>	The Group holds investment properties which comprise properties owned by Group held for rental income and capital appreciation. Investment properties are valued by the directors and the valuation approach is disclosed in Note 12. The valuation investment properties requires significant judgement in determining the appropriate inputs to be used in the model and there is therefore a risk that the properties are incorrectly valued. We have therefore determined the valuation of investment properties to be a key audit matter.	In this area our audit procedures included: • We compared the key valuation assumptions, which we consider relate to the market yields appropriate to the sector and location of the properties, against our independently formed market expectations. Variances were evaluated through challenge of the directors and accumulated to determine whether they supported the overall valuation. • We tested the accuracy of key observable valuation inputs, primarily passing rental income and lease terms, to the information provided to the external valuers for use in their valuation for a sample of properties. • We met with the directors to discuss and challenge the valuation methodology and key assumptions, and to determine whether there were any indicators of bias on the valuations. • We assessed the competency, qualifications, independence and objectivity of the external valuers who undertook valuations of the Group's properties around the year end and reviewed the instructions provided to the valuer for completeness, unusual arrangements and to check that there was no evidence of management bias. Key observations: We did not identify any indicators to suggest that the valuation of the Group's investment properties is inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	293,000	306,000	174,000	192,000
Basis for determining materiality	1.2% of total assets	1.2% of total assets	1.2% of total assets	1.2% of total assets
Rationale for the benchmark applied	A key determinant of the Group's value is property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, and to be consistent year-on-year, we set an overall Group materiality level based on gross asset value.		The Company's main activity is the investments in subsidiaries. Given this, and to be consistent year-on-year, we set an overall Company materiality level based on total assets.	
Performance materiality	205,000	214,000	121,000	134,000
Basis for determining performance materiality	We consider a number of factors including history of misstatements, risk assessment and aggregation risk and determined that 70% was appropriate in the circumstances.		We consider a number of factors including history of misstatements, risk assessment and aggregation risk and determined that 70% was appropriate in the circumstances.	

Specific materiality

We also determined that for items within pre-tax profit, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items at £43,000 (2020 – £161,000) which represents 5% of loss before tax adjusted for fair value movements on capital items.

Component materiality

We set materiality for each component of the Group dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £79,000 to £178,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £15,000 (2020:£15,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept by the Parent Company, or 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; or - we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010 and the UK regulatory principles, such as the Companies Act 2006, to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties (see key audit matter above). Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Risk Committee and the Audit Committee;
- Challenging assumptions and judgements made by management in their significant areas of estimation; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by unexpected users and posted on unexpected days.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	30 June 2021 £	30 June 2020 £
CONTINUING OPERATIONS			
Revenue	3	1,036,011	1,035,816
Cost of sales		(20,606)	(152,605)
GROSS PROFIT		1,015,405	883,211
Administrative expenses		(1,102,869)	(1,610,547)
Other operating income		2,803	14,576
Fair value through profit and loss - Revaluation of investment properties	12	501,330	(311,888)
OPERATING PROFIT/(LOSS) BEFORE SEPARATELY DISCLOSED ITEMS		416,669	(1,024,648)
<i>Separately disclosed items</i>			
Share-based payment charge	19	-	(1,599,681)
Costs associated with third-party fundraising and issue of shares	6	-	(317,875)
Costs associated with refinancing	6	-	(137,327)
Costs associated with refurbishment of investment properties	6	(844,200)	-
OPERATING LOSS		(427,531)	(3,079,531)
Finance costs	5	(497,432)	(483,932)
Finance income	5	729	2,645
LOSS BEFORE TAXATION	6	(924,234)	(3,560,818)
Taxation	7	-	-
LOSS FOR THE YEAR		(924,234)	(3,560,818)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(924,234)	(3,560,818)
Loss attributable to owners of the parent		(924,234)	(3,560,818)
Loss per share expressed in pence per share	8		
Basic		(3.34)	(13.48)
Diluted		(1.19)	(4.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2021

	Notes	30 June 2021 £	30 June 2020 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	23,378	46,410
Investment properties	12	24,262,000	23,592,000
		<u>24,285,378</u>	<u>23,638,410</u>
CURRENT ASSETS			
Trade and other receivables	14	53,375	63,889
Cash and cash equivalents	15	66,915	1,535,946
		<u>120,290</u>	<u>1,599,835</u>
TOTAL ASSETS		<u><u>24,405,668</u></u>	<u><u>25,238,245</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	2,816,963	2,756,963
Share premium		13,594,317	13,535,468
Capital redemption reserve		344,424	344,424
Other reserves		-	14,930
Retained earnings		(5,435,867)	(4,511,633)
TOTAL EQUITY		<u><u>11,319,837</u></u>	<u><u>12,140,152</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	18	11,052,419	11,052,419
CURRENT LIABILITIES			
Trade and other payables	17	447,224	374,416
Interest-bearing loans and borrowings	18	1,586,188	1,671,258
		<u>2,033,412</u>	<u>2,045,674</u>
TOTAL LIABILITIES		<u><u>13,085,831</u></u>	<u><u>13,098,093</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>24,405,668</u></u>	<u><u>25,238,245</u></u>
Net asset value per share (pence)	8	<u><u>40.18</u></u>	<u><u>44.03</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 29 September 2021 and were signed on its behalf by:

Dominic White
Director

COMPANY STATEMENT OF FINANCIAL POSITION
30 JUNE 2021

	Notes	30 June 2021 £	30 June 2020 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	974	2,099
Investments	13	10,706,081	10,706,081
		<u>10,707,055</u>	<u>10,708,180</u>
CURRENT ASSETS			
Trade and other receivables	14	3,758,378	3,828,071
Cash and cash equivalents	15	19,252	1,476,379
		<u>3,777,630</u>	<u>5,304,450</u>
TOTAL ASSETS		<u>14,484,685</u>	<u>16,012,630</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	2,816,963	2,756,963
Share premium		13,594,317	13,535,468
Capital redemption reserve		344,424	344,424
Other reserves		-	14,930
Retained earnings		(9,930,751)	(9,147,860)
TOTAL EQUITY		<u>6,824,953</u>	<u>7,503,925</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	7,659,732	8,423,635
Interest-bearing loans and borrowings	18	-	85,070
		<u>7,659,732</u>	<u>8,508,705</u>
TOTAL LIABILITIES		<u>7,659,732</u>	<u>8,508,705</u>
TOTAL EQUITY AND LIABILITIES		<u>14,484,685</u>	<u>16,012,630</u>

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The Company's loss for the financial year was £(782,891) (2020 - £(3,154,620)).

The financial statements were approved and authorised for issue by the Board of Directors on 29 September 2021 and were signed on its behalf by:

Dominic White
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Share capital	Share premium	Capital redemption reserve	Other reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 July 2019	2,029,178	10,018,986	67,500	14,930	(2,550,496)	9,580,098
<i>Changes in equity</i>						
Transactions with owners:						
Issue of share capital	727,785	3,516,482	276,924	-	-	4,521,191
Share-based payments	-	-	-	-	1,599,681	1,599,681
Total transactions with owners	727,785	3,516,482	276,924	-	1,599,681	6,120,872
Total comprehensive expense	-	-	-	-	(3,560,818)	(3,560,818)
Balance at 30 June 2020	2,756,963	13,535,468	344,424	14,930	(4,511,633)	12,140,152
<i>Changes in equity</i>						
Transactions with owners:						
Issue of share capital	60,000	58,849	-	-	-	118,849
Equity element of loan finance	-	-	-	(14,930)	-	(14,930)
Total transactions with owners	60,000	58,849	-	(14,930)	-	103,919
Total comprehensive expense	-	-	-	-	(924,234)	(924,234)
Balance at 30 June 2021	2,816,963	13,594,317	344,424	-	(5,435,867)	11,319,837

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Share capital	Share premium	Capital redemption reserve	Other reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 July 2019	2,029,178	10,018,986	67,500	14,930	(7,592,921)	4,537,673
<i>Changes in equity</i>						
Transactions with owners:						
Issue of share capital	727,785	3,516,482	276,924	-	-	4,521,191
Share-based payments	-	-	-	-	1,599,681	1,599,681
Total transactions with owners	727,785	3,516,482	276,924	-	1,599,681	6,120,872
Equity element of loan finance	-	-	-	-	-	-
Total comprehensive expense	-	-	-	-	(3,154,620)	(3,154,620)
Balance at 30 June 2020	2,756,963	13,535,468	344,424	14,930	(9,147,860)	7,503,925
<i>Changes in equity</i>						
Transactions with owners:						
Issue of share capital	60,000	58,849	-	-	-	118,849
Equity element of loan finance	-	-	-	(14,930)	-	(14,930)
Total transactions with owners	60,000	58,849	-	(14,930)	-	103,919
Total comprehensive expense	-	-	-	-	(782,891)	(782,891)
Balance at 30 June 2021	2,816,963	13,594,317	344,424	-	(9,930,751)	6,824,953

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 £	2020 £
Cash flows from operating activities			
Cash used in operations	1	(822,507)	(1,554,962)
Interest paid		(497,432)	(483,932)
Net cash used in operating activities		(1,319,939)	(2,038,894)
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(8,178)
Repayment of other borrowings		-	(1,738,076)
Purchase of investment properties (including capital expenditure on current properties)		(168,670)	(518,888)
Disposal of investment properties		-	538,000
Interest received		729	2,645
Net cash used in investing activities		(167,941)	(1,724,497)
Cash flows from financing activities			
Loan repayments in year	18	(100,000)	(6,658,130)
New loans in year		-	7,868,169
Proceeds from share issue		118,849	4,060,000
Net cash generated from financing activities		18,849	5,270,039
Decrease in cash and cash equivalents		(1,469,031)	1,506,648
Cash and cash equivalents at beginning of year		1,535,946	29,298
Cash and cash equivalents at end of year		66,915	1,535,946

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Cash used in operations	1	(725,591)	(1,868,397)
Interest paid		(1,327)	(178,040)
Net cash generated from/(used in) operating activities		(726,918)	(2,046,437)
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(980)
Interest received		727	2,569
Net cash generated from investing activities		727	1,589
Cash flows from financing activities			
(Decrease)/Increase in loans from group companies		(820,388)	7,787,070
Increase/(Decrease) in loans to group companies		70,603	(2,024,997)
Loan repayments in year	18	(100,000)	(6,304,180)
Proceeds from share issued		118,849	4,060,000
Net cash (used in)/generated from financing activities		(730,936)	3,517,893
Decrease in cash and cash equivalents		(1,457,127)	1,473,045
Cash and cash equivalents at beginning of year		1,476,379	3,334
Cash and cash equivalents at end of year		19,252	1,476,379

**NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

1) RECONCILIATION OF LOSS BEFORE TAXATION TO CASH USED IN OPERATIONS

Group	2021	2020
	£	£
Loss before taxation	(924,234)	(3,560,818)
Depreciation charges	23,032	23,138
Revaluation of investment properties	(501,330)	311,888
Share-based payment charge	-	1,599,681
Finance costs	497,432	483,932
Finance income	(729)	(2,645)
	(905,829)	(1,144,824)
Decrease in trade and other receivables	10,514	13,189
Increase/(decrease) in trade and other payables	72,808	(423,327)
Cash used in operations	(822,507)	(1,554,962)

Company	2021	2020
	£	£
Loss before taxation	(782,891)	(3,154,620)
Depreciation charges	1,125	1,229
Share-based payment charge	-	1,599,681
Finance costs	1,327	178,040
Finance income	(727)	(2,569)
	(781,166)	(1,378,239)
Decrease/(increase) in trade and other receivables	(910)	1 0,330
Increase/(decrease) in trade and other payables	56,485	(500,488)
Cash used in operations	(725,591)	(1,868,397)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1) PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 of the Group.

Changes in accounting policies

Adoption of new and revised standards

The Group has applied the following accounting standards that are mandatorily effective for accounting periods commencing on or after 1 January 2020:

- Amendments to IAS 1 and IAS8: Definition of Material
- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 : Interest Rate Benchmark reform
- Amendments to References to the Conceptual Framework in IFRS Standards
- Covid-19 Related rent concessions (Amendment to IFRS 16)

The application of these amendments have not had a material impact on the amounts reported in these financial statements.

New standards in issue but not yet effective

As at 30 June 2021, the Group has not applied the following new and revised standards that have been issued but are not effective until 1 January 2022:

- Amendments to IAS 1: Classification of liabilities as current or non current
- Amendments to IAS 16: Property, plant and equipment: Proceeds before intended use
- Amendments to IFRS 3: Reference to the conceptual framework
- Annual improvements to IFRS Standards 2018-2020
- Amendments to IAS 37: Onerous Contracts – cost of fulfilling a contract

The directors do not anticipate that the adoption of the above amendments will have a significant impact on the financial statements of the Group in future periods.

2) ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis other than as set out in the following policies.

Going concern

The financial statements have been prepared on a going concern basis. This requires the directors to consider, as at the date of approving the financial statements, that there is reasonable expectation that the Group has adequate financial resources to continue to operate, and to meet its liabilities as they fall due for payment, for at least twelve months following the approval of the financial statements. This includes considering the borrowings of £1,586,188 which fall due for repayment during that period. The Company secured a loan of £2,375,000 post year end (note 23) that has enabled refinancing and additional capital to support Group activities.

The Group has undertaken procedures to ensure that the Group has sufficient cash resources and bank facilities and with sufficient covenant margin to manage the potential financial impact of the Covid-19 pandemic on its business under going concern principles. These procedures included the following:

- Reviewing and establishing that cash balances and bank facilities are sufficient to cover at least twelve months of operations;
- Review of financial covenant ratios and the Group's ability to meet the covenants for a period of at least twelve months of operation; and
- Reviewing cash flow forecast scenarios. Any decision on property acquisitions and developments in the next twelve months will be taken following review of revised cash flow forecasts.

Having reviewed the Company's current position and cash flow projections, including the confirmation that the Company's subsidiaries which are also creditors as at the year end will provide such financial support as is required for a period of at least 12 months from the date of signing of these financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these financial statements.

The Company has also provided an undertaking to its subsidiaries that no intra-group amounts owed to the Company will be called for repayment for a period of at least 12 months from the date of approval of these financial statements unless the Subsidiary is in a position to make payments without adversely affecting their ability to continue to trade and settle any future obligations.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

The subsidiaries included in the consolidated financial statements, from the effective date of acquisition, are K&C (Newbury) Limited, K&C (Coleherne) Limited, K&C (Osprey) Limited, KCR (Kite) Limited, KCR (Cygnet) Limited and KCR (Southampton) Limited.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group")

as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

Investments

Investments in subsidiaries are held at cost less provision for impairment.

Revenue recognition

Revenue of the Group for the year was derived mainly from its principal activity, being the letting to third parties of, and management of, property assets owned by the Group. This income includes rental income, management fees and sales commissions.

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services net of discounts, VAT and other sales-related taxes. The Group concludes that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. Contracts with customers do not contain a financing component or any element of variable consideration.

Rental income from operating leases is recognised periodically in line with the time for which the property is rented. Rental income received in advance is recognised in deferred income.

Management fees derived from the management of property assets owned by third parties are recognised as the services are provided.

Revenue from sales commissions is recognised at the point in time when control of the asset is transferred from the vendor to the buyer.

Separately disclosed items

Separately disclosed items are those that are deemed to be exceptional by size or nature in relation to the activities of the Group. In the case of share-based payment charges, these are included as a separately disclosed item as a significant non-cash item.

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 5% and 25% on cost
Computer equipment	- 25% on cost

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. Investment properties are revalued on acquisition by independent external valuers and then by the directors or independent valuers annually thereafter. Acquisitions and disposals are recognised on completion. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Further details of the investment property valuation methodology are contained in note 12 of the financial statements.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and balances held with banking institutions.

Financial assets

Recognition and derecognition

Financial assets are recognised initially on 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 assets 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.

Classification and initial recognition of financial assets

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value plus adjusted for any directly attributable transaction costs.

Financial assets are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- The entity's business model for managing the asset
- The contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;

- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where its effect is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category.

Financial assets which are designated as FVTPL are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined with reference to active market transactions or using a valuation technique where no active market exists. The Group's investment properties are designated as FVTPL assets.

Impairment of financial assets

IFRS 9's impairment requirements use forward looking information to recognise expected credit losses – the 'expected credit loss (ECL) method'. Recognition of credit losses is no longer dependent on first identifying a credit loss event, but considers a broader range of information in assessing credit risk and credit losses including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Financial liabilities

Financial liabilities are recognised initially on 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 adjusted for 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 and other short-term monetary liabilities.

Bank and other borrowings are initially recognised at the fair value of the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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.

Share capital

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

Leasing

The Company applies IFRS 16 Leases. Lessees, with certain exceptions for short term or low value leases, are required to recognise all leased assets on their Statement of Financial Position as 'right-of-use assets' with a corresponding lease liability.

The Group has a small number of operating leases concerning office premises and plant and equipment. IFRS 16 provides an exemption for short term operating leases and leases of low value. The Company has taken advantage of the exemptions rather than establishing a right to use asset.

The costs of leases of low value items and those with a short term at inception are recognised as incurred.

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 is 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 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 the 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.

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.

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.

Share-based payments

The Group allowed certain directors and other individuals to acquire shares in the parent company until the scheme was disbanded on 6 August 2019. The grant date fair value of share-based payment awards granted was recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted was measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value was charged as an expense in the income statement over the vesting period and the charge adjusted each year to reflect the expected and actual level of vesting. No adjustment is made to the charge after the vesting date.

Further details regarding the conversion and cancellation of the share-based payment awards are included in Note 19.

Critical accounting 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 amount 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 is as follows:

▪ **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.

Investment properties

The Group's investment properties are valued, on the basis of market value. The fair value of investment properties is based either on independent professional valuations in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards 2014 as amended or by the directors, based on market prices for similar items. The Group's investment properties were valued at 30 June 2021 at £24,262,000. See note 12 for further details.

The directors are of the opinion that the estimates and assumptions that they have used in the valuation of investment properties are appropriate. Further details of the valuation methodology are contained in note 12 of the financial statements.

3) REVENUE

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

The total revenue of the Group for the year was derived from its principal activities, being the letting to third parties of, and management of, property assets owned by the Group, and, in certain cases, the management of property assets owned by third parties.

The Group's investment property consists of residential housing for the private rented sector and therefore has multiple tenants and as a result does not have any significant customers.

	2021 £	2020 £
Revenue analysed by class of business		
Rental income	724,680	727,859
Management fees	81,768	74,218
Resale commission	114,913	39,043
Ground rents	13,535	13,655
Leasehold extension income	96,275	168,916
Other income	4,840	12,125
	1,036,011	1,035,816

**4) EMPLOYEES AND DIRECTORS
Group**

	2021 £	2020 £
Wages and salaries	325,525	635,023
Social security costs	35,448	69,628
Pension costs	1,275	12,732
	362,248	717,383

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

	2021	2020
Directors and management	4	7
Administration	3	3
	7	10

	2021 £	2020 £
Directors' remuneration (as per Report of the Directors)	222,191	258,387
Share-based payment charge relating to directors (see Note 19)	-	1,055,755
Remuneration of the highest-paid director	89,375	145,853
Amounts paid into a pension scheme of the highest-paid director	-	-

The Group directors are considered to be key management personnel. Certain directors and others held Restricted Preference shares in the Company until 6 August 2019, further details of which are contained in

note 19 of the financial statements.

Company

	2021	2020
	£	£
Wages and salaries	264,402	573,637
Social security costs	30,118	60,631
Pension costs	(2,175)	10,110
	<u>292,345</u>	<u>644,378</u>

The average monthly number of employees during the year was as follows

Directors and management	4	7
Administration	-	1
	<u>4</u>	<u>8</u>

5) FINANCE COSTS AND INCOME

	2021	2020
	£	£
Finance costs		
Loan interest	<u>497,432</u>	<u>483,932</u>
Finance income		
Bank interest	<u>729</u>	<u>2,645</u>

6) LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	2021	2020
	£	£
Hire of plant and machinery	10,002	10,437
Other operating leases	13,140	20,639
Depreciation - owned assets	23,032	23,138
Auditors' remuneration for the Group - audit services for parent company	40,000	40,000
- audit services for subsidiaries	15,000	20,000

Separately disclosed items

In the previous year the Group incurred significant costs relating to third-party fundraising and issue of shares. The costs to the Group totalled £317,875. The Group also incurred significant costs relating to refinancing during the second half of the previous year, these totalled £137,327.

Further information on the share-based payments, which are shown on the face of the Consolidated Statement of Comprehensive Income, can be found in note 19.

During the year, the Group commenced substantial refurbishment work to investment properties owned by K&C (Coleherne) Limited and K&C (Osprey) Limited. The costs incurred in the 2021 financial year amounted to £703,946 and £140,254 (2020 - £Nil).

It is considered that the size and nature of these costs are such that they should be disclosed on the face of the Consolidated Statement of Comprehensive Income.

7) TAXATION

Analysis of tax

	2021	2020
	£	£
Current tax		
UK corporation tax	-	-
Deferred tax	-	-
Total tax	-	-

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£	£
Loss on ordinary activities before taxation	(924,234)	(3,560,818)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	(175,604)	(676,555)

Effects of

Expenses not deductible	-	481,229
Income not taxable	175,604	(66,141)
Losses not recognised in deferred tax	-	261,467
Tax credit	-	-

The Group re-entered the REIT regime on 6 August 2019 and has remained under the REIT regime since that date.

8) LOSS PER SHARE AND NET ASSET VALUE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year.

Fully diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential Ordinary shares.

Basic loss per share

	2021		
	Loss	Weighted average number of shares	Per share amount
	£	No	Pence
Loss attributable to ordinary shareholders	(924,234)	27,651,823	(3.34)
Effect of dilutive securities	-	-	-
	2020		
	Loss	Weighted average number of shares	Per share amount
	£	No	Pence
Loss attributable to ordinary shareholders	(3,560,818)	26,411,154	(13.48)
Effect of dilutive securities	-	-	-

Diluted loss per share

	2021		
	Loss	Weighted average number of shares	Per share amount
	£	No	Pence
Loss attributable to ordinary shareholders	(924,234)	77,569,631	(1.19)
Effect of dilutive securities	-	-	-
	2020		
	Loss	Weighted average number of shares	Per share amount
	£	No	Pence
Loss attributable to ordinary shareholders	(3,560,818)	71,493,121	(4.98)
Effect of dilutive securities	-	-	-

The net asset value is calculated by dividing the equity attributable to ordinary shareholders by the number of Ordinary shares in issue at the balance sheet date.

	2021		
	Equity	Number of shares	Per share amount
	£	No	Pence
Net asset value	11,319,837	28,169,631	40.18

		2020	
	Equity	Number of shares	Per share amount
	£	No	Pence
Net asset value	12,140,152	27,569,631	44.03

9) OPERATING LEASES RECEIVABLE

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

	30 June 2021	30 June 2020
	£	£
Within one year	414,594	507,513
Between one and five years	84,533	239,355
More than 5 years	37,263	45,531
Total	536,390	792,399

Lease revenue is generated from properties owned by K&C (Coleherne) Limited, KCR (Southampton) Limited and KCR (Kite) Limited that are let on short-term tenancy agreements.

10) LEASING AGREEMENTS

Minimum lease payments, under non-cancellable operating leases, fall due as follows:

	30 June 2021	30 June 2020
	£	£
Within one year	24,784	24,784
Between one and five years	10,449	18,809
Total	35,233	43,593

11) PROPERTY, PLANT AND EQUIPMENT

GROUP

**Fixtures, fittings &
computer equipment**

£

COST

At 1 July 2019

89,562

Additions	8,178
At 30 June 2020	97,740
Additions	-
At 30 June 2021	97,740
DEPRECIATION	
At 1 July 2019	28,192
Charge for year	23,138
At 30 June 2020	51,330
Charge for year	23,032
At 30 June 2021	74,362
NET BOOK VALUE	
At 30 June 2021	23,378
At 30 June 2020	46,410

COMPANY	Fixtures, fittings & computer equipment
	£
COST	
At 1 July 2019	6,536
Additions	980
At 30 June 2020	7,516
Additions	-
At 30 June 2021	7,516
DEPRECIATION	
At 1 July 2019	4,188
Charge for year	1,229
At 30 June 2020	5,417
Charge for year	1,125
At 30 June 2021	6,542
NET BOOK VALUE	
At 30 June 2021	974
At 30 June 2020	2,099

12) INVESTMENT PROPERTIES

Group	Total £
COST OR VALUATION	
At 1 July 2019	23,923,000
Additions	518,888
Disposals	(538,000)
Revaluations	(311,888)
At 30 June 2020	23,592,000
Additions	168,670
Disposals	-
Revaluations	501,330
At 30 June 2021	24,262,000
At 30 June 2021	24,262,000
At 30 June 2020	23,592,000

The investment properties were valued by the Directors at 30 June 2021 with reference to independent external valuations performed in June and July 2021. The external valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' Valuation - Global Standards, 2020 (Red Book).

The directors determined that there were no material factors that would give rise to there being a material variance between the latest external valuation and the fair value as at 30 June 2021. The valuation of the investment properties was £24,262,000, which was included in the financial statements.

During the year to 30 June 2021 there have been additions of £168,670 due to the capitalisation of certain costs relating to the enhancement of properties at Coleherne Road and Heathside.

Fair value is based on current prices in an active market for similar properties in the same location and condition. The current price is the estimated amount for which a property could be exchanged between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuations are based on a market approach which provides an indicative value by comparing the property with other similar properties for which price information is available. Comparisons have been adjusted to reflect differences in age, size, condition, location and any other relevant factors.

The fair value for investment properties has been categorised as Level 3 inputs under IFRS 13. The valuer visited all material properties and his valuations were based on both internal and external site visits.

The valuation technique used in measuring the fair value, as well as the significant inputs and significant unobservable inputs are summarised in the table below:

Fair Value Hierarchy	Valuation Technique	Significant Inputs Used	Significant Unobservable Inputs
Level 3	Income capitalisation and or capital value on a per square foot basis	Adopted gross yield	3.00% - 5.76%

Adopted rate per
square foot

£303 - £982

The fair value would increase if market rents were higher and/or the rates per square foot were higher and/or capitalisation rates were lower.

The fair values would decrease if market rents were lower and/or the rates per square foot were lower and/or capitalisation rates were higher.

If properties had been included on a historical cost basis, the cost of the properties at 30 June 2021 would have been £22,467,913 (2020 - £22,299,243).

The revenue earned by the Group from its investment properties and all direct operating expenses incurred on its investment properties are recorded in the Consolidated Statement of Comprehensive Income.

The total rental income in relation to investment properties for the Group equated to £724,680 (2020 - £727,859). The total rental expenses in relation to investment properties for the Group equated to £20,606 (2020 - £152,605).

Included within Investment Properties are leasehold properties valued at £5,830,000 and freehold properties valued at £18,432,000 (2020: £5,830,000 and £17,762,000 respectively).

13) INVESTMENTS

Company	Shares in group undertakings £
COST	
At 1 July 2019	10,706,081
Disposals	-
At 30 June 2020	10,706,081
Disposals	-
At 30 June 2021	10,706,081
NET BOOK VALUE	
At 30 June 2021	10,706,081
At 30 June 2020	10,706,081

As at 30 June 2021, the Company's investments comprise the following:

Subsidiaries		Holding %
K&C (Coleherne) Limited	Registered office: UK	100.00
Nature of business	Class of shares	
Property letting	Ordinary	
K&C (Osprey) Limited	Registered office: UK	100.00
Nature of business	Class of shares	

Property letting	Ordinary	
KCR (Kite) Limited	Registered office: UK	100.00
<i>Nature of business</i>	Class of shares	
Dormant	Ordinary	
KCR (Southampton) Limited	Registered office: UK	100.00
<i>Nature of business</i>	Class of shares	
Property letting	Ordinary	
K&C (Newbury) Limited	Registered office: UK	100.00
<i>Nature of business</i>	Class of shares	
Dormant	Ordinary	

All of the above companies are registered at Gladstone House, 77-79 High Street, Egham, Surrey, TW20 9HY.

14) TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	246	23,460	-	-
Amounts owed by group undertakings	-	-	3,741,633	3,812,236
Other debtors	11,530	19,403	-	748
VAT	-	604	-	-
Prepayments	41,599	20,422	16,745	15,087
	53,375	63,889	3,758,378	3,828,071

The Group and Company's exposure to credit risk is disclosed in note 21.

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

All receivables are due within 12 months of 30 June 2021. None of those receivables has been subject to a significant increase in credit risk since initial recognition and, consequently, no expected credit losses have been recognised.

15) CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Cash in hand	40	40	-	-
Bank accounts	66,875	1,535,906	19,252	1,476,379
	66,915	1,535,946	19,252	1,476,379

16) SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	30 June 2021 £	30 June 2020 £
28,169,631	Ordinary	£0.10	2,816,963	2,756,963
(2020: 27,569,631)			2,816,963	2,756,963

	2021 Number	2021 £	2020 Number	2020 £
Ordinary shares of £0.10 each				
At 1 July	27,569,631	2,756,963	15,791,777	1,579,178
Conversion of Restricted Preference Shares	-	-	1,730,765	173,077
Shares issued as loan repayments	-	-	577,778	57,778
Shares issued as creditor payments	-	-	447,089	44,708
Shares issued for cash	600,000	60,000	9,022,222	902,222
At 30 June	28,169,631	2,816,963	27,569,631	2,756,963

The Ordinary shares issued during the year were issued at £0.19808 per share.

	2021 Number	2021 £	2020 Number	2020 £
Restricted Preference shares of £0.10 each				
At 1 July	-	-	4,500,000	450,000
Conversion to Ordinary shares	-	-	(1,730,765)	(173,077)
Gifted back to Company (and subsequently cancelled)	-	-	(2,769,235)	(276,923)
At 30 June	-	-	-	-

17) TRADE AND OTHER PAYABLES

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Current				
Trade creditors	151,100	112,690	64,795	80,870
Amounts owed to group undertakings	-	-	7,390,522	8,210,910
Other taxes and social security	22,748	36,043	7,032	24,819
Other creditors	19,180	28,436	15,468	6,131
Accruals and deferred income	254,196	197,247	181,915	100,905
	447,224	374,416	7,659,732	8,423,635

The Group and Company exposure to liquidity risk related to trade and other payables is disclosed in note 21.

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

Amounts owed to group undertakings are repayable on demand.

18) FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Current				
Other loans	1,586,188	1,671,258	-	85,070
	<u>1,586,188</u>	<u>1,671,258</u>	<u>-</u>	<u>85,070</u>
Non-current				
Bank loans	7,868,169	7,868,169	-	-
Other loans	3,184,250	3,184,250	-	-
	<u>11,052,419</u>	<u>11,052,419</u>	<u>-</u>	<u>-</u>

Terms and debt repayment schedule (including interest)

	2021				Totals
	1 year or less	1-2 years	2-5 years	More than 5 years	
Group	£	£	£	£	£
Bank loans	275,386	275,386	943,218	14,982,305	16,476,295
Other loans	1,761,322	175,134	525,401	3,607,490	6,069,347
	<u>2,036,708</u>	<u>450,520</u>	<u>1,468,619</u>	<u>18,589,795</u>	<u>22,545,642</u>
	2020				Totals
	1 year or less	1-2 years	2-5 years	More than 5 years	
Group	£	£	£	£	£
Bank loans	275,386	275,386	825,195	15,375,714	16,751,681
Other loans	1,891,423	175,134	525,401	3,782,624	6,374,582
	<u>2,166,809</u>	<u>450,520</u>	<u>1,350,596</u>	<u>19,158,338</u>	<u>23,126,263</u>
Company					
Other loans	85,070	-	-	-	85,070
	<u>85,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,070</u>

Details of the principal loans are as follows:

- a) A three-year loan of £1,995,000 was entered into during the 2018 financial year. The loan was repayable by 36 monthly instalments of £9,144 and a final instalment of £1,940,138. On 5 September 2019, the Company repaid £353,950. The balance outstanding at 30 June 2021 was £1,586,188. The monthly repayments from that date reduced to £7,568. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 5.50 per cent per annum. The loan is secured by a fixed and floating charge over all the property and assets of K&C (Osprey) Limited, including the property known as Heathside, 562 Finchley Road. Post balance date a new 5 year loan of £2.375 million was entered into to refinance this facility and provide additional capital to support Group activities.
- b) During 2019, the Company issued several convertible loan notes, totalling £200,000, the debt element of which totalled £185,070. The convertible loan notes had a redemption date of 30 June 2020. £100,000 of the convertible loan notes was converted to Ordinary shares on 6 August 2019. At 30 June 2020 the debt element outstanding was £85,070. The convertible loan notes were repaid in full in July 2020.
- c) On 4 December 2018, KCR (Southampton) Limited took out a new loan of £3,184,250, with Lendco Limited. The term of the loan was 10 years. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 3.19 per cent for the first 24 months. Interest for the remainder of the term will be charged at 4.79 per cent above LIBOR. The loan was secured by a first legal mortgage and a first fixed charge over the land at Block B, Chapel Riverside, Endle Street, Southampton. The balance outstanding as at 30 June 2021 was £3,184,250.
- d) On 10 February 2020, K&C (Coleherne) Limited took out a new loan of £2,743,359 with Hodge Bank. The term of the loan is 25 years. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 3.5 per cent for the first 60 months. After this period the interest rate charged will be a standard variable rate. The loan is secured by a freehold charge over 25 Coleherne Road. The balance outstanding at 30 June 2021 was £2,743,359.
- e) On 10 February 2020, KCR (Kite) Limited took out a new loan of £5,124,810 with Hodge Bank. The term of the loan is 25 years. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 3.5 per cent for the first 60 months. After this period the interest rate charged will be a standard variable rate. The loan is secured by a freehold charge over 25 Coleherne Road. The balance outstanding at 30 June 2021 was £5,124,810.

Reconciliation of net movement in cash

Group

	Net cash at 1 July 2020 £	Cash flow £	Loans received in year £	Repayments in year £	Other non- cash movements	Net cash at 30 June 2021 £
Cash at bank and in hand	1,535,946	(1,469,031)	-	-	-	66,915
Borrowings	(12,723,677)	-	-	85,070	-	(12,638,607)
Total financial liabilities	(11,187,731)	(1,469,031)	-	85,070	-	(12,571,692)

	Net cash at 1 July 2019 £	Cash flow £	Loans received in year £	Repayments in year £	Other non-cash movements	Net cash at 30 June 2020 £
Cash at bank and in hand	29,298	1,506,648	-	-	-	1,535,946
Borrowings	(11,773,638)	-	(7,868,169)	6,658,130	260,000	(12,723,677)
Total financial liabilities	(11,744,340)	1,506,648	(7,868,169)	6,658,130	260,000	(11,187,731)

Company

	Net cash at 1 July 2020 £	Cash flow £	Repayments in year £	Other non-cash movement s £	Net cash at 30 June 2021 £
Cash at bank and in hand	1,476,379	(1,457,127)	-	-	19,252
Borrowings	(85,070)	-	85,070	-	-
Total financial liabilities	1,391,309	(1,457,127)	85,070	-	19,252

	Net cash at 1 July 2019 £	Cash flow £	Repayments in year £	Other non-cash movements £	Net cash at 30 June 2020 £
Cash at bank and in hand	3,334	1,473,045	-	-	1,476,379
Borrowings	(6,649,250)	-	6,304,180	260,000	(85,070)
Total financial liabilities	(6,645,916)	1,473,045	6,304,180	260,000	1,391,309

19) SHARE-BASED PAYMENT TRANSACTIONS

Restricted Preference shares:

Restricted Preference shares had been acquired by certain directors and other senior managers. The Restricted Preference shares were purchased at nominal value. Upon the achievement by the Group of certain defined milestones, related to the NAV of the Group, the Restricted Preference shares of £0.10 were able to be converted into Ordinary shares of £0.10, for no further consideration.

The estimated fair value of each Restricted Preference share was as follows:

	Restricted Preference shares
Fair value of share	0.688-0.787

option/warrant (£)

The fair values were estimated using the Black-Scholes valuation model. The following table lists the inputs to the model used:

	Restricted Preference shares
Share price at grant date (£)	0.8-0.9
Exercise price (£)	0.1
Dividend yield (%)	0.00
Expected volatility (%)	51.86-63.79
Risk-free interest rate (%)	0.88-1.57
Expected life of share options/warrants (years)	1.3-8.8

The expected lives of the Restricted Preference shares were based on historical data and then-current expectations and were not indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility of comparator companies over the period similar to the life of the Restricted Preference shares is indicative of future trends, which may not necessarily be the actual outcome.

On 6 August 2019, 1,730,765 of the Restricted Preference shares were converted into Ordinary shares. The remaining 2,769,235 Restricted Preference shares were gifted back to the Company for no consideration as part of the Torchlight transaction. The restricted preference shares gifted back to the Company were subsequently cancelled.

The conversion and cancellation of the restricted preference shares was treated as an acceleration of vesting and therefore the amount that would have been recognised for services received over the remainder of the vesting period was recognised immediately, in the 2020 financial year. The expense is shown in the following table:

	30 June 2021	30 June 2020
	£	£
Expenses arising from Restricted Preference shares	-	1,599,681
Total expense from share-based payments	-	1,599,681

20) FINANCIAL INSTRUMENTS

The Group's financial assets, as defined under IFRS 9, and their estimated carrying amount are as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Carrying amount of financial assets at amortised cost				
Trade and other receivables	53,375	63,889	3,758,378	3,828,071
Cash at bank and in hand	66,915	1,535,946	19,252	1,476,379

21) FINANCIAL RISK MANAGEMENT

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

The Company's and Group's risk management policies are established to identify and analyse the risks faced by the Company and 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 the changes in market conditions and the Group's activities. The Company and 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.

The Company and Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Capital risk management

The Company and Group'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 and Group considers its capital to comprise equity capital less accumulated losses.

The share premium reserve includes premiums received on the issue of share capital during the year.

The Group refinanced their loan portfolio in the 2020 financial year. As a result, the Group entered into new loan agreements with Hodge Bank. The total loans with Hodge Bank at 30 June 2021 totalled £7,868,169.

The loan agreements contain the following covenants:

- The maximum available loan amount relative to the value of the properties will not be, at any time, during the term of the loan, more than 75% of the market value of the properties (as determined from time to time in accordance with the lenders requirements by a valuer appointed by the lender) ; and
- The aggregate of all rental income from the properties shall not, in any twelve month period, be less than 125% of the aggregate of all scheduled interest instalments or other payments due under the loan in that period.

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.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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 Company and Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's and 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 Company's and Group's reputation.

The contractual maturities of financial liabilities are disclosed in note 18.

Market risk

Market risk is the risk that changes in market prices, such as interest rate and equity prices will affect the Group and the 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 exposure within acceptable parameters, while optimising the return.

Sensitivity*Interest rate sensitivity:*

At 30 June 2021, if interest rates had been 0.5 percentage point higher and all other variables were held constant, it is estimated that the Group's loss before tax would increase to £992,377 (2020 - £3,604,930). This is attributable to the Group's exposure on its borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

22) RELATED PARTIES**Year Ended 30 June 2021**

During the year, remuneration paid to Russell Naylor consisted of fees of £48,000 charged by Naylor Partners, a business in which Russell Naylor is a Director (2020 - £44,000).

The remuneration paid to Richard Boon in 2021 consisted of fees of £18,900 (2020 - £18,130) charged by Artefact Partners, a business in which Richard Boon is a Director.

During the year, the Group paid DGS Capital Partners LLP, a limited liability partnership in which Michael Davies is a member, fees of £9,000 plus VAT of £1,800 (2020 - £36,000 plus VAT of £7,200).

Further details of total director remuneration is contained with the Report of the Directors on page 19. Christopher James is also considered as key management personnel. His remuneration in the period totalled £113,027 (2020 - £70,881), which includes a provision of £38,027 for a catch up payment incentive which will be due when the business achieves cash-flow breakeven

Year Ended 30 June 2020

On 24 June 2018, the Company entered into a loan agreement arranged by DGS Capital Partners LLP, a limited liability partnership in which Michael Davies is a member, with certain investors. The loan was for £1,475,000 and was subject to an interest rate of 12 per cent per annum. The loan was to be repaid within 300 days of the initial drawdown date of 29 June 2018. The loan was extended during the 2019 financial year and from 10 April 2019, the interest rate was increased to 14 per cent per annum. In the 2020 financial year, the Company incurred interest of £30,196 on the loan. On 6 August 2019 the loan and all outstanding interest and fees were repaid. The repayment consisted of £1,425,000 cash and £129,311 of Ordinary shares.

During the year ended 30 June 2019, Oliver Vaughan, an ex director of the Company, loaned the Company £150,000. The loan was unsecured and was due for repayment on 15 May 2019. The loan was extended in June 2019. Upon extension of the loan, the lender charged the Company a fee of £10,000. The loan was interest free. £110,000 of the loan was repaid via the issue of Ordinary shares in the Company on 6 August 2019. The remaining £50,000 was repaid on 8 August 2019.

During the year ended 30 June 2019, the Company issued £50,000 of convertible loan notes to Kimono Investments Limited, an entity in which Oliver Vaughan's children have a financial interest. The Company was charged £340 interest in the 2020 financial year. The principal loan was repaid on 22 August 2019. The repayment consisted of £50,000 of Ordinary shares.

During the year to 30 June 2019, the Company issued convertible loan notes to the White Amba Pension Scheme of £25,000. The Company was charged £170 interest in the 2020 financial year. The principal loan was repaid on 22 August 2019. The repayment consisted of £25,000 of Ordinary shares.

During the year to 30 June 2019, the Company issued convertible loan notes to Katie James, relative of ex director Timothy James of £25,000. The Company was charged £170 interest in the 2020 financial year. The principal loan was repaid on 22 August 2019. The repayment consisted of £25,000 of Ordinary shares.

During the previous year, Timothy Oakley, ex director of a number of subsidiary companies, received remuneration of £nil (2020 - £10,541). During the year ended 30 June 2019 Timothy Oakley also loaned the Company £50,000 as part of the loan arranged by DGS Capital Partners LLP, as detailed above. Interest of £595 was charged to the Company in the 2020 financial year. The loan was repaid on 22 August 2019. The repayment consisted of £50,000 of Ordinary shares.

23) POST-BALANCE SHEET EVENTS

After the year end a new 5 year variable rate facility of £2,375,000 was entered into with Secure Trust Bank Plc. Funds were used to refinance the existing Proplend facility and provide additional capital to support Group activities, including the acquisition of another flat within the Heathside freehold which completed on 11th September 2021.

A flat at Lomond Court which was a non-core asset with no strategic value was sold and settled post balance date for £280,000. The majority of net sale proceeds were utilized to reduce the Hodge Bank facility.