23 September 2022

KCR Residential REIT plc

("KCR" or the "Company")

Final Results

KCR Residential REIT Plc is pleased to announce its annual results for the year ended 30 June 2022.

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

Operational highlights

- Revenue for the financial year increased by 23.6% (to £1.28 million up from £1.04 million in 2021) - largely underpinned by the letting up of Coleherne Road during the December quarter following completion of refurbishment works to eight of the ten flats. Loss before tax was £342,081 (2021: £924,234).

- Portfolio level occupancy has remained close to 100% of all available flats (currently one flat across the portfolio is vacant and in the process of being re-let). Rental increases continue to be achieved at renewals / re-lettings.

- Total assets increased to £27.37 million (up from £24.41 million in 2021) following the partial exercise of the Torchlight option. Net asset value per share reduced to 32.82 pence (2021: 40.18 pence) primarily driven by the impact of partial option exercise.

Focus on cost management and improving operational performance continues to minimise cash burn from operating activities.

The focus of this year has been on the letting up of the Coleherne Road property following refurbishment, refurbishing the additional flat acquired at Heathside, maintaining high occupancy across the portfolio, and keeping corporate and operating costs to a minimum.

Current focus to drive value over the next financial year is:

- Conversion of Deanery Court to self-managed under the Cristal Apartments "walk in walk" out model;
- Complete Coleherne Road and let up the last two flats;
- Continuing to progress planning works at Chymedden and Ladbroke Grove;
- Roll out of property management software across the Group to provide a centralised platform to support growth and enhanced management capability;
- Control of core running costs within incremental reductions where possible; and
- Make acquisitions to increase scale (subject to pricing / value drivers).

Progress continues to be made to create a stable platform that can be successfully scaled-up.

Schedule 2(g) Update

In the announcement of 25 July 2022 "Historic Disclosures and Related Party Transactions". Richard Boon's past directorship disclosure should have stated that he was previously a director of Artefact Partners (Cayman) Limited, not Artefact Partners (Cayman) LLP.

This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

For further information please contact:

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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 seen continued growth of the business in an environment that has remained uncertain. Whilst the impact of Covid-19 appears to now be behind us, increasing interest rates, cost of living pressure and supply chain disruption bring ongoing challenges for the business.

Strategy and Operations

During the financial year, and as reported at the half year, we have been continuing with the transition of the business. As outlined in both last year's Annual Report and the Interim Report for this financial year, the strategy remains to:

- improve the rental revenue from the existing properties;
- upgrade the overall portfolio quality;
- explore the development opportunity within the portfolio; and

- focus on reducing costs.

Revenue growth for the 2022 financial year has been driven by the work completed to date on modernising and improving the standard of the property portfolio. As works have been completed and the apartments let up, enhanced rental levels have been achieved.

The Coleherne Road property was a key driver with this being let up during the December 2021 quarter. We have now obtained vacant possession in respect of the basement flat which has delayed completion of this project. We look forward to fully completing this project this financial year.

Refurbishment works in respect of the two basement flats at Coleherne Road and all external areas have now commenced. This well-located asset has been transformed from a poorly presented, bottom end rental product into modern, spacious studio apartments that have been well received by the market. The financial impact on rentals achievable has been significant and the eight fully refurbished apartments have performed well and underpinned revenue growth during the financial year.

An additional flat was acquired within Heathside, fully refurbished during the financial year and was let in July 2022. The strategy of acquiring, refurbishing and re-letting flats here has proven astute. Nine 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 Heathside.

We continue to explore development opportunities within the existing portfolio and planning works are being progressed in respect of the Chymedden property within the retirement portfolio and the Ladbroke Grove properties, however, planning costs incurred in 2022, along with legal expenses relating to refinancing, obtaining vacant possession at Coleherne Road and taking back management of Heathside have all negatively impacted administration expenses resulting in a year-on-year increase.

Core costs continue to be tightly controlled and the additional expenditure incurred is necessary as we move to continue to drive value from the existing portfolio.

Capital and Personnel

New funding arrangements entered into during the financial year have supported group activities together with the proceeds received from the partial exercise of the Torchlight option. This has resulted in the Group being well placed to continue implementation of the current strategy around driving value from the existing portfolio.

On August 6, 2022 the Torchlight option to acquire further shares in the Company lapsed.

In October last year Dominic White moved from being an Executive to a Non-Executive Director, with day-to-day management of the business overseen by Russell Naylor.

Market Conditions and Outlook for the Group

From a macro-economic perspective, cost of living pressures and supply chain disruption are likely to present ongoing challenges for the group. Solid increases in rental levels have been achieved in the post Covid-19 environment, whether they can be sustained remains to be seen as inflationary pressures impact tenants. Supply chain disruption is expected to continue to impact and extend timeframes required to complete refurbishment works. Price increases across the board for both fixtures and fittings and from contractors continue to flow through, nevertheless, existing portfolio performance remains strong with high levels of occupancy being maintained with nominal rental arrears. Rental levels for the most part continue to be increased on re-letting albeit with a marginal increase in void periods.

Fundamentals for UK residential property appear positive, and it appears that the return to London and other major international capitals trend in a post Covid-19 environment has continued.

KCR continues to actively look for acquisition opportunities and any market volatility flowing from interest rate increases and cost of living pressures has the potential to create a more attractive entry point for deploying additional capital.

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.

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

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 2022.

Our efforts in restructuring the balance sheet over the last couple of years and the implementation of an active refurbishment works programme has resulted in the Group being well positioned to continue to drive growth from the existing assets.

Operational highlights –

- Revenue for the financial year increased by 23.6% (to £1.28 million up from £1.04 million in 2021) - largely underpinned by the letting up of Coleherne Road during the December quarter following completion of refurbishment works to eight of the ten flats.

- Portfolio level occupancy has remained close to 100% of all available flats (currently one flat across the portfolio is vacant and in the process of being re-let). Rental increases continue to be achieved at renewals / re-lettings.

- Total assets increased to £27.37 million (up from £24.41 million in 2021) following the partial exercise of the Torchlight option. Net asset value per share reduced to 32.82 pence (2021: 40.18 pence) primarily driven by the impact of partial option exercise.

Focus on cost management and improving operational performance continues to minimise cash burn from operating activities.

The focus of this year has been on the letting up of the Coleherne Road property following refurbishment, refurbishing the additional flat acquired at Heathside, maintaining high occupancy across the portfolio, and keeping corporate and operating costs to a minimum.

Current focus to drive value over the next financial year is:

- conversion of Deanery Court to self-managed under the Cristal Apartments "walk in walk out" model;
- complete Coleherne Road and let up the last two flats;
- continuing to progress planning works at Chymedden and Ladbroke Grove;
- roll out of property management software across the Group to provide a centralised platform to support growth and enhanced management capability;
- control of core running costs within incremental reductions where possible; and
- make acquisitions to increase scale (subject to pricing / value drivers).

Progress continues to be made to create a stable platform that can be successfully scaled-up.

Property portfolio

Property transactions during the year

KCR acquired an additional one-bedroom flat within Heathside in October 2021. The flat was very tired and poorly presented at the time of acquisition. Full refurbishment has been completed including creation of an outdoor living area. Contractor availability and supply chain issues impacted the timing of refurbishment with works being fully completed during June 2022 and the flat being let in July.

A number of acquisitions were considered during the year, however we were unable to reach price agreement with vendors. We continue to maintain a disciplined approach to acquisitions and will only make acquisitions that offer compelling value to shareholders

Existing portfolio

KCR continues with its performance enhancement focus on its existing portfolio. The refurbishment of apartments at Coleherne Road is substantially complete. We have now obtained vacant possession to enable works to be completed on the last two unrefurbished flats and the exterior areas. We look forward to fully completing this project during the 2023 financial year.

We intend to commit more capital expenditure to positively reposition the Ladbroke Grove portfolio. Planning submission has been progressed which, if successful, will result in both an increase in the number of apartments and uplift in net lettable area. Repositioning of the rental product and materially enhancing the quality of the product on offer as part of the refurbishment works is expected to drive a material uplift in achievable rentals and capital values. The tired condition of the current presentation is also increasingly capital intensive from a repairs and maintenance perspective, but this is also expected to substantially reduce following completion of more holistic upgrade refurbishment works.

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

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

1. Cristal Apartments. Residential apartments, finished to a high modern specification, furnished and let on a Walk-In-Walk-Out (WIWO) basis (the intention is for utilities, internet, furniture, and TV licence 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. <u>Cristal Apartments (WIWO letting strategy)</u>

The Coleherne Road property has been repositioned and now delivers the higher quality style of apartments that the Cristal brand represents.

Conversion of the Southampton property to the Cristal Apartments model has commenced and is planned to be completed over the course of the 2023 financial year. This is expected to be one of the key drivers of revenue growth over the coming financial year.

If the outcome from the planning application mentioned above is positive, it is also intended to reposition the Ladbroke Grove portfolio into Cristal branded apartments which is expected to result in both enhanced rentals and a substantive reduction in ongoing repairs and maintenance.

- The property at Coleherne Road, held within K&C (Coleherne) Limited, comprises ten studio and one-bedroom flats. KCR has completed a whole-building refurbishment of the property in respect of eight of the ten apartments to a significantly higher standard. The new apartments have produced strong rental uplifts and occupancy levels since letting up during the December 2021 quarter. Works to complete the balance of this project have now commenced.

- The Ladbroke Grove portfolio (owned by KCR (Kite) Limited) consists of 16 one- and two-bedroom flats in three buildings which remain 100% occupied. The stand-alone flat in Harrow Road has been sold and settled during the financial year. Proceeds from the sale of the Harrow Road property were applied primarily to reduction of the Hodge Bank facility. Units have been lightly refurbished as tenants leave and are then re-let in the private market. Planning works have been progressed during the financial year and a planning application submitted. The Company's intention is to undertake a whole building refurbishment of the Ladbroke Grove assets subject to planning permission.

- The Southampton block of 27 residential units at Deanery Court, Chapel Riverside (owned by KCR (Southampton) Limited) is in the process of being converted to the Cristal Apartments operating model. As leases have expired the apartments have been taken back, lightly refurbished, fully furnished and are now being let under the Cristal Apartments walk in walk out operating model. As of today, around half of the apartments have been taken back with 11 apartments converted and now being managed under the Cristal Apartments model. Another 11 apartments are in the process of being converted with full conversion of this property to the Cristal Apartments model expected to be completed during the 2023 financial year. Historically the property is considered to have been under rented and we believe substantive upside in gross and net rental performance exists from the more active direct management style proposed for this asset.

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.

Whilst the proposed legislative changes in respect of ground rents have had a negative impact on portfolio valuation, overall, the portfolio has held its value mainly as a result of the acquisition strategy to acquire flats within Heathside. The nine owned flats within Heathside are delivering strong rental returns on cost and have assisted in offsetting the value decline associated with the ground rent component of the portfolio. We continue to focus on unlocking value via completion of lease extensions on the shorter dated long leasehold flats.

The key asset in the portfolio representing 71% of the Osprey portfolio value is the freehold block at Heathside, Golders Green, where 28 of the 37 residential units are held on a long leasehold basis. The strategy continues to be to selectively acquire (subject to pricing) long-leasehold units in the block, refurbish the units to a high standard and let them in the open market under assured shorthold tenancies. This strategy continues to provide strong rental returns for the Group. During the June 2022 quarter we successfully took back management of this property from the RTM Co. This will provide incremental management fee income and, more importantly, will enable us to control the future direction for positioning of this property. In this respect, design work and a tender programme have been completed for building works to enhance the internal common parts (including reconfiguration of the ground floor) and external areas. Works are planned to commence during the current financial year and are expected to extend over the next two financial years (works will be funded via sinking fund and special levies). This is expected to enhance both the market demand for our rental product and capital values within the building as a whole.

Financial

The current financial year reflects the outcome of enhanced gross revenue following letting up of Coleherne Road and ongoing cost control of core operating overhead. 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 below.

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 and look forward to delivering further improved performance from the existing portfolio.

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

Russell Naylor
Executive Director

GROUP STRATEGIC REPORT

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 2022.

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 nine 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);
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; and
5. **K&C (Newbury) Limited** owns no property and is now effectively dormant.

Throughout the year the Company remained a REIT and has complied 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 loss of £342,081 for the year to 30 June 2022 (2021 – £924,234).

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 increased by 24% to £1,280,770 (2021 – £1,036,011). Core portfolio revenue (relating to Rentals, Management fees and Ground Rent) was the primary contributor to revenue growth as Coleherne Road was let up during the year. Portfolio occupancy (excluding the planned vacancy at Coleherne Road) and rent collection remained above 95% for the whole period.

The Group recorded an Operating Profit before separately disclosed items of £340,613 (2021 £416,669). Reduction against the prior year was due to a reduced contribution from positive revaluation movements. After allowing for separately disclosed items and finance costs, the loss before taxation was £342,081 (2021 - £924,234). Separately disclosed items relating to refinancing and refurbishment works accounted for about half of the loss before taxation in the 2022 financial year. Reduction in costs associated with refurbishment accounted for the majority of the year-on-year reduction in separately disclosed items. The Group reports the operating result both before and after separately disclosed items as the costs associated with refurbishment works is expected to vary significantly year-on-year.

Total assets at 30 June 2022 increased to £27.4 million (2021 – £24.4 million). Investment property increased overall (£343,300) primarily due to the acquisition of an additional apartment at Heathside. The increase in total assets reflects the increase in cash balances as a result of the partial option exercise by Torchlight during the year.

Net assets increased to £13.68 million (2021 – £11.32 million) but net asset value per share decreased to 32.82p (2021 – 40.18p), predominantly due to the impact of a share option exercise by Torchlight.

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

In October 2021, Torchlight exercised 13,500,000 options (2021: 600,000) and converted into 10p shares at a price of 19.9821p per share (2021: 19.8079p per share), increasing Torchlight's interest in the Company to 23,100,000 shares, representing 55.4% of the Company’s enlarged issued share capital.

Post balance date the option expired with no further exercises being made by Torchlight.

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; and

   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 continues to be on reducing costs, enhancing revenue and growing the business to achieve a cash break even position (before separately disclosed capital expenditure) to provide a stable base to grow from. Solid progress in this respect is being made. In order to achieve this the Group is 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 believes it would be able to access further funding for the directors to continue to focus on selectively growing the Group’s asset base

- ***Financial instruments***

  Details of risks associated with the Group's financial instruments are given in note 20 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, or the Directors 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 and valuation principles, seek to mitigate this risk by employing independent valuation experts to complete periodic valuations of the assets in the portfolio. Valuation assumptions are reviewed and considered by the Directors for reasonableness; and

- ***COVID-19***

  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 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; and

- 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.

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 2022 financial year:

Key Decision	Stakeholders	Action and Impact
Governance Policies	Regulators / Shareholders	The Board periodically reviews governance policies for the Company and Terms of Reference for established committees to ensure they remain appropriate for the Group. A robust governance framework is an integral part of how the Company operates and ensures compliance with its listing and regulatory requirements. The Company considers that the confidence provided to all stakeholders from a robust governance framework is an important component for ongoing stakeholder support of the Company.

		During the course of the year the Board updated its governance, updating its AIM Listing Rules Compliance Board Memorandum to reflect developments in the AIM rules and reviewing its internal control systems for compliance with AIM Rule 31. Board Committee terms of reference were reviewed and updated and new policies in respect of bribery risk and social media communications adopted.
Strategy Implementation	Tenants / Shareholders	The Company continued to take actions to implement the strategy outlined in last year's Annual Report. Primary focus was – ▪ Letting up Coleherne Road following completion of refurbishment works to substantially upgrade the standard of accommodation provided to tenants. ▪ Progressing incremental refurbishment works to enhance the quality of the rental product provided. ▪ Progressing planning works to enhance value within the existing portfolio. ▪ Commencement of conversion of the Deanery Court property to the Cristal Apartments brand and operating model. ▪ Successful implementation of strategy is expected to result in continued financial performance of the Company. Improving the quality of the standard of rental accommodation provides tenants with an enhanced and hassle-free rental experience. For shareholders the investment in improving the quality and standard of the rental product is a primary driver of improved financial

		performance for the Company.

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 operational performance of the existing assets, the Group is continuing to investigate the purchase of residential property assets that are capable of supporting 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:

Russell Naylor
Executive Director

CORPORATE GOVERNANCE STATEMENT

Introduction
During the year to 30 June 2022 KCR Residential REIT plc, while an AIM quoted 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 work towards compliance and updating 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, two and three-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 in which 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 can 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 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 Chief Executive attends and presents at investor forums from time to time, as well as holding discussions with analysts, shareholders and investment managers.

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 was 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 £50m 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.

Shareholder liaison is managed though Russell Naylor Russell.Naylor@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, nominated adviser, 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 chaired by non-executive directors.

All of the directors devote such time to the Company's affairs as the board considers appropriate.

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.

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

The Board of KCR comprises:

Name	Role	Appointed	Status
Russell Naylor	Executive Director	06 August 2019	Non-independent
James Thornton	Non-Executive chairman	06 August 2019*	Independent
Richard Boon	Non-Executive director	06 August 2019	Non-independent
Dominic White	Non-Executive director	01 January 2017	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 Executive Director, Russell Naylor, 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 the Non-Executive Directors advising on matters such as 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 with many of the Company's shareholders and 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 major shareholders.

The Executive Director, Russell Naylor:

- is primarily responsible for developing the Company's strategy in consultation with 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;
- 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; and
- implements the financial and internal control decisions of the Board.

The Remuneration Committee is chaired by Richard Boon, Non-Executive Director, and comprises James Thornton and Richard Boon, and 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 Richard Boon, Non-Independent Non-Executive Director. 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; and
- 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's 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 & Risk Committee Report

The Audit & Risk committee is a Board committee delegated with responsibility to oversee and review financial and internal controls in accordance with its Terms of Reference. The Committee also makes recommendations to the Board on payment of dividends or otherwise. The Committee is also responsible for setting and agreeing Audit fees and overseeing the process for Auditor appointment.

The committee is chaired by Independent Non-Executive Chairman, James Thornton, with a quorum of a minimum of two Non-Executives. There are two Non-Executive members; James Thornton and Richard Boon.

During the 2022 financial year the Audit & Risk committee has met three times, to review and recommend the interim and year-end financial statements, and to consider the need for and to oversee the change of auditors. The chairman of the committee also attended the 2022 year end planning meeting with the new auditors and reviewed the audit plan.

In 2022, the Company conducted a tender process for the Group and subsidiary audits. This process resulted in the appointment of Grant Thornton Limited on 1 July 2022.

At the completion of the audit, the Auditor presented the Audit Completion Report to the Audit Committee, these were discussed before the financial statements were presented for Board approval.

Remuneration Committee Report

The Remuneration Committee is a Board committee of Non-Executive Directors acting within its terms of reference to execute its responsibility for the review and approval of salary and bonuses of Board Members and Senior Management personnel and related employment matters.

During 2022, the Remuneration Committee met to review and approve senior management salaries and bonus structure for staff.

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. Details of the Directors' remuneration are set out in the Report of the Directors.

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 2022.

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 20 to the financial statements.

DIVIDENDS

The directors do not recommend payment of a dividend for the year (2021 - £nil).

Political donations

The Group made no political donations during the year (2021 - £nil).

DIRECTORS

The following directors served during the year to 30 June 2022 and up to the date of approval of this Annual Report:

Name
James Thornton
Russell Naylor
Richard Boon
Dominic White

The beneficial interests of the directors holding office at 30 June 2022 in the issued share capital of the Company were as follows:

	Ordinary Shares		
	At 30 June 2021	Issued in the year	At 30 June 2022
Name	**No.**	**No.**	**No.**
James Thornton	22,222	--	22,222
Dominic White	1,287,598	--	1,287,598
Russell Naylor	--	--	--
Richard Boon	--	--	--

The beneficial interests of the directors holding office at 21 September 2022 in the issued share capital of the Company were as follows:

	At 30 June 2022	Issued in the period	At 21 September 2022
Name	**No.**	**No.**	**No.**
Dominic White	1,287,598	-	1,287,598
James Thornton	22,222	-	22,222

SUBSTANTIAL SHAREHOLDINGS

As at 21 September 2022, 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 %
Torchlight Fund LP	55.44%
Drumz plc	5.85%
Moore House Holding Ltd	5.66%
Poole Investments Ltd	4.32%
Venaglass Ltd	3.80%
Dominic White & White Amba Pension Scheme	3.09%

DIRECTORS' REMUNERATION

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

	2022		2021	
Name	Remuneration £	Benefits-in-kind £	Remuneration £	Benefits-in-kind £
Dominic White	28,292	--	94,500	-
Russell Naylor*	93,833	--	77,691	-
James Thornton	30,000	--	30,000	-
Richard Boon*	30,000	--	20,000	-
	182,125	--	222,191	-

* The remuneration paid to Russell Naylor included fees of £48,000 charged by Naylor Partners, a business in which Russell Naylor is a Director (2021 - £48,000) and the remuneration paid to Richard Boon included fees of £Nil (2021 - £18,900) charged by Artefact Partners, a business in which Richard Boon is a Director.

During the previous year, the Group was charged fees of £10,800 by DGS Capital Partners LLP, a limited liability partnership of which Michael Davies is a member. Michael Davies was a director of the Group until resigning on 3 November 2020. The fees were for making available the services of Michael Davies to the Group.

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 in which 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.

The Company has undertaken procedures to ensure that the Company has sufficient cash resources and bank facilities and sufficient covenant margin to manage its business under going concern principles.

See note 2 to the financial statements for further details.

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 Company and 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 whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless they either intend to liquidate the Group, cease operations or have no realistic alternative but to do so.

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

Following a tender process, Grant Thornton Limited were appointed as auditor to the Group. In accordance with section 489 of the Companies Act 2006, a resolution to reappoint Grant Thornton Limited as auditor will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Russell Naylor
Executive Director

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KCR RESIDENTIAL REIT PLC

Opinion

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 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement 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 their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion, the Group and Parent Company financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 30 June 2022 and of the Group's loss for the year then ended;
- are in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the 12-month going concern assessment performed by management, including the assumptions and sensitivities prepared by management;
- Challenging the appropriateness of management's forecasts by:
    - checking the mathematical accuracy of the cash flow forecast;
    - assessing the key assumptions used in the going concern assessment based on our knowledge of the Group and the current economic climate; and
    - assessing whether management has taken into account the principal and emerging risks noted in the annual report.

- We determined whether there is a material uncertainty which casts significant doubt over the ability of the Group and Parent Company to continue as a going concern; and
- We assessed the disclosures in the financial statements relating to going concern, to ensure they were in compliance with IAS 1.

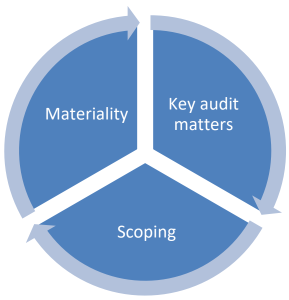
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group and Parent Company's business model, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group and Parent Company's financial resources or ability to continue operations over the going concern period.

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 Parent Company's ability to continue as a going concern for a period of at least twelve months from when the consolidated financial statements are authorised for issue.

In auditing the consolidated financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

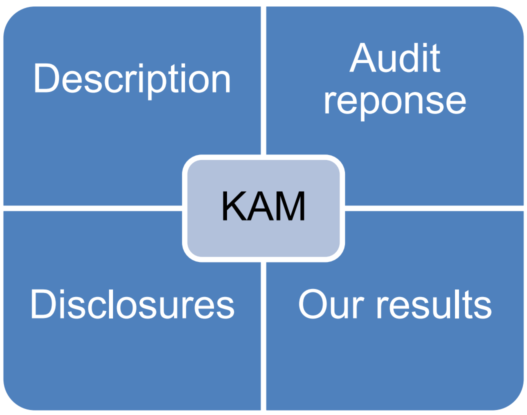
The responsibilities of the directors with respect to going concern are described in the 'Statement of directors' responsibilities' section of this report.

Our approach to the audit

Grant Thornton	Overview of our audit approach
	Overall materiality: Group: £268,000**,** which represents 2% of the Group's net assets. Parent Company: £178,000, which represents 2% of the Parent Company's net assets.
	Key audit matters were identified as**:** • Valuation of investment property Our audit approach was a risk-based substantive audit focused on the investment activities of the Group.

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. These matters included those that 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 our scope addressed the matter
Valuation of investment property (2022: £24.6m and 2021: £24.3m) 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 with reference to independent external desktop or full valuations performed. 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 and the valuation technique is Income capitalisation and/or capital value on a per square foot basis. The valuation of 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. *Refer to the Chief Executive's Letter; Accounting policies, and Note 12, Investment properties, to the Financial Statements.*	We performed the following audit procedures: • Obtained understanding of the processes, policies and methodologies, including the use of industry specific measures, and policies for valuing investment properties held and confirming our understanding by performing test of design and implementation of relevant controls. • Obtaining and inspecting the independent appraisals regarding the investment properties and supporting data to assess whether the data used is appropriate and relevant and discussing these with management to evaluate whether the fair value of the investment properties is reasonably stated, challenging the assumptions made by management. • Verifying valuation inputs to independent sources and testing the arithmetical accuracy of the calculations. • Performing the following procedures and at certain extent, engaging our own internal real estate valuation specialists to: a) assess and corroborate management's market related judgements and valuation inputs (i.e., gross yield, rate per square foot) by reference to comparable transactions, and independently compiled databases/indices. b) determine whether the methodologies used to value investment properties were consistent with methods usually used by market participants for similar types of properties; and c) Assessing the adequacy of the financial statement disclosures in relation to the use of estimates and judgements regarding the fair value of the investment properties. **Our results** Based on the procedures performed we have not identified any material issues that would suggest the valuation of investment properties is inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	**Group**	**Parent Company**
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£268,000 which is 2% of net assets.	£178,000 which is 2% of net assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: ○ Net assets is considered the most appropriate because the investors would usually track the performance of the Company by looking at the net asset value. ○ Due to the Company being listed and considering that the investors or potential investors would be sensitive to changes in the net asset value, it was deemed that 2% would be the most appropriate percentage.	
Significant revision(s) of materiality threshold	There was no significant revision of our materiality threshold as the audit progressed.	
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£174,200 which is 65% of financial statement materiality.	£115,700 which is 65% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements: ○ Our risk assessment, including our assessment of the Group and Parent Company's overall control environment.	

Materiality measure	Group	Parent Company
Significant revision(s) of performance materiality threshold	There was no significant revision of our performance materiality threshold as the audit progressed.	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£93,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£62,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's business and in particular matters related to:

- We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks; and
- For subjective estimates made by management on the valuation of the investment properties, we either performed independent searches or engaged our own internal real estate valuation specialists when necessary to confirm the appropriateness of the valuation methodology used in consideration of the comparable properties, market assumptions and other inputs used.

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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with the applicable legal requirements.

Matters on which we are required to report by under the Companies Act 2006

In light of the knowledge and understanding of the Parent Company and the Group 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; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with UK adopted International Accounting Standards, and for such internal control as management determines 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, management is responsible for assessing the Group and 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 management either intends to liquidate the Group and Parent Company or to cease operations, or has no realistic alternative but to do so.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company in which it operates. We determined that the following laws and regulations were most significant, the Companies Act 2006, and the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010.
- We understood how the company is complying with those legal and regulatory frameworks by making inquiries to management including those responsible for compliance procedures. We corroborated our inquiries through our review of board meetings, review of compliance reports, review of correspondence with the regulator and review of key regulatory requirements. We identified areas of the above laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to transactions with related parties and revenue transactions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the entity's operation, including the nature of its revenue sources and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the applicable statutory provisions
    - the entity's control environment.

  Our audit procedures involved:
    - identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud.
    - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process; and
    - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations
- These audit procedures were designed to provide reasonable assurance that the consolidated financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations from events and transactions reflected in the consolidated financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement teams:
    - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
    - Knowledge of industry in which the client operates; and
    - Understanding of the legal and regulatory requirements specific to the regulated entity including the provisions of the Companies Act 2006 and the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010.

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.

Jeremy Ellis
Senior Statutory Auditor
for and on behalf of Grant Thornton Limited
Statutory Auditor, Chartered Accountants
St Peter Port, Guernsey

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	**30 June 2022** £	30 June 2021 £
CONTINUING OPERATIONS			
Revenue	3	**1,280,770**	1,036,011
Cost of sales		**(50,525)**	(20,606)
GROSS PROFIT		**1,230,245**	1,015,405
Administrative expenses		**(1,232,932)**	(1,102,869)
Other operating income		**-**	2,803
Fair value through profit and loss - Revaluation of investment properties	12	**343,300**	501,330
OPERATING PROFIT BEFORE SEPARATELY DISCLOSED ITEMS		**340,613**	416,669
Separately disclosed items			
Costs associated with refinancing	6	**(68,234)**	-

Costs associated with refurbishment of investment properties	6	**(101,670)**	(844,200)
OPERATING PROFIT / (LOSS)		**170,709**	(427,531)
Finance costs	5	**(512,811)**	(497,432)
Finance income	5	**21**	729
LOSS BEFORE TAXATION	6	**(342,081)**	(924,234)
Taxation	7	**-**	-
LOSS FOR THE YEAR		**(342,081)**	(924,234)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(342,081)**	(924,234)
Loss attributable to owners of the parent		**(342,081)**	(924,234)
Loss per share expressed in pence per share	8		
Basic		**(0.85)**	(3.34)
Diluted		**(0.41)**	(1.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2022

	Notes	**30 June 2022 £**	30 June 2021 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**54,954**	23,378
Investment properties	12	**24,605,300**	24,262,000
		24,660,254	24,285,378
CURRENT ASSETS			
Trade and other receivables	14	**185,532**	53,375
Cash and cash equivalents	15	**2,519,346**	66,915
		2,704,878	120,290
TOTAL ASSETS		**27,365,132**	24,405,668
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	**4,166,963**	2,816,963
Share premium		**14,941,898**	13,594,317
Capital redemption reserve		**344,424**	344,424
Retained earnings		**(5,777,948)**	(5,435,867)
TOTAL EQUITY		**13,675,337**	11,319,837

LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	18	**13,274,574**	11,052,419
CURRENT LIABILITIES			
Trade and other payables	17	**415,221**	447,224
Interest-bearing loans and borrowings	18	**-**	1,586,188
		415,221	2,033,412
TOTAL LIABILITIES		**13,689,795**	13,085,831
TOTAL EQUITY AND LIABILITIES		**27,365,132**	24,405,668
Net asset value per share (pence)	8	**32.82**	40.18

The financial statements were approved and authorised for issue by the Board of Directors on 21 September 2022 and were signed on its behalf by:

Russell Naylor
Director

COMPANY STATEMENT OF FINANCIAL POSITION
30 JUNE 2022

	Notes	**30 June 2022 £**	30 June 2021 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**307**	974
Investments	13	**10,706,081**	10,706,081
		10,706,388	10,707,055
CURRENT ASSETS			
Trade and other receivables	14	**3,352,889**	3,758,378
Cash and cash equivalents	15	**2,337,349**	19,252
		5,690,238	3,777,630
TOTAL ASSETS		**16,396,626**	14,484,685
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	**4,166,963**	2,816,963
Share premium		**14,941,898**	13,594,317
Capital redemption reserve		**344,424**	344,424
Retained earnings		**(10,545,878)**	(9,930,751)
TOTAL EQUITY		**8,907,407**	6,824,953

LIABILITIES

CURRENT LIABILITIES

Trade and other payables	17	**7,489,219**	7,659,732
		7,489,219	7,659,732
TOTAL LIABILITIES		**7,489,219**	7,659,732
TOTAL EQUITY AND LIABILITIES		**16,396,626**	14,484,685

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 £(615,127) (2021 - £(782,891)).

The financial statements were approved and authorised for issue by the Board of Directors on 21 September 2022 and were signed on its behalf by:

Russell Naylor
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Share capital	**Share premium**	**Capital redemption reserve**	**Other reserve**	**Retained earnings**	**Total equity**
	£	**£**	**£**	**£**	**£**	**£**
Balance at 1 July 2020	2,756,963	13,535,468	344,424	14,930	(4,511,633)	12,140,152
Changes in equity						
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 loss	-	-	-	-	(924,234)	(924,234)
Balance at 30 June 2021	2,816,963	13,594,317	344,424	-	(5,435,867)	11,319,837
Changes in equity						
Transactions with owners:						
Issue of share capital	1,350,000	1,347,581	-	-	-	2,697,581
Total transactions with owners	1,350,000	1,347,581	-	-	-	2,697,581
Total comprehensive loss	**-**	**-**	**-**	-	(342,081)	(342,081)
Balance at 30 June 2022	**4,166,963**	**14,941,898**	**344,424**	**-**	**(5,777,948)**	**13,675,337**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

	Share capital	Share premium	Capital redemption reserve	Other reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 July 2020	2,756,963	13,535,468	344,424	14,930	(9,147,860)	7,503,925
Changes in equity						
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 loss	-	-	-	-	(782,891)	(782,891)
Balance at 30 June 2021	2,816,963	13,594,317	344,424	-	(9,930,751)	6,824,953
Changes in equity						
Transactions with owners:						
Issue of share capital	1,350,000	1,347,581	-	-	-	2,697,581
Total transactions with owners	1,350,000	1,347,581	-	-	-	2,697,581
Total comprehensive loss	-	-	-	-	(615,127)	(615,127)
Balance at 30 June 2022	**4,166,963**	**14,941,898**	**344,424**	**-**	**(10,545,878)**	**8,907,407**

FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Note	**£**	£

	Note	2022	2021
Cash flows from operating activities			
Cash used in operations	1	**(310,314)**	(822,507)
Interest paid		**(512,811)**	(497,432)
Net cash used in operating activities		**(823,125)**	(1,319,939)
Cash flows from investing activities			
Purchase of property, plant & equipment		**(53,013)**	-
Purchase of investment properties (including capital expenditure on current properties)		**(285,000)**	(168,670)
Proceeds from sale of investment property		**280,000**	-
Interest received		**21**	729
Net cash used in investing activities		**(57,992)**	(167,941)
Cash flows from financing activities			
Loan repayments in year		**(5,020,248)**	(100,000)
Proceeds from new loans in year		**5,656,215**	-
Proceeds from share issue		**2,697,581**	118,849
Net cash generated from financing activities		**3,333,548**	18,849
Increase/(decrease) in cash and cash equivalents		**2,452,431**	(1,469,031)
Cash and cash equivalents at beginning of year		**66,915**	1,535,946
Cash and cash equivalents at end of year		**2,519,346**	66,915

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Cash used in operations	1	**(648,209)**	(725,591)
Interest paid		**(39)**	(1,327)
Net cash used in operating activities		**(648,248)**	(726,918)
Cash flows from investing activities			

Interest received	-	727
Net cash generated from investing activities	-	727
Cash flows from financing activities		
Decrease in loans from group companies	**(133,909)**	(820,388)
Decrease in loans to group companies	**402,673**	70,603
Loan repayments in year	-	(100,000)
Proceeds from share issue	**2,697,581**	118,849
Net cash generated from/(used in) financing activities	**2,966,345**	(730,936)
Increase/(decrease) in cash and cash equivalents	**2,318,097**	(1,457,127)
Cash and cash equivalents at beginning of year	**19,252**	1,476,379
Cash and cash equivalents at end of year	**2,337,349**	19,252

NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

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

Group	**2022**	2021
	£	£
Loss before taxation	**(342,081)**	(924,234)
Depreciation charges	**21,437**	23,032
Revaluation of investment properties	**(343,300)**	(501,330)
Loss on disposal of investment property	**5,000**	-
Finance costs	**512,811**	497,432
Finance income	**(21)**	(729)
	(146,154)	(905,829)
(Increase)/Decrease in trade and other receivables	**(132,157)**	10,514
(Decrease)/Increase in trade and other payables	**(32,003)**	72,808
Cash used in operations	**(310,314)**	(822,507)

Company	**2022**	2021
	£	£
Loss before taxation	**(615,127)**	(782,891)

Depreciation charges	**667**	1,125
Finance costs	**39**	1,327
Finance income	**-**	(727)
	(614,421)	(781,166)
Decrease/(increase) in trade and other receivables	**2,816**	(910)
(Decrease)/increase in trade and other payables	**(36,604)**	56,485
Cash used in operations	**(648,209)**	(725,591)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

From 1 January 2021 the Company has applied UK-adopted IAS. At the date of application, the UK-adopted IAS and EU-adopted IFRS were the same.

The following accounting pronouncements and standards became effective from 1 January 2021 and have been adopted but did not have a significant impact on the Group's financial results or position:

- Covid-19 related rent concessions beyond 30 June 2021 (amendments to IFRS 16)
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

New standards in issue but not yet effective

As at 30 June 2022, the Group has not applied the following new and revised standards that have been issued but are not effective until accounting periods beginning on or after 1 January 2022 or 1 January 2023:

- 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
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Deferred Tax Related to Asset and Liabilities arising from a Single Transaction

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.

Going concern (continued)

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 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 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.

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 amortised cost.

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.

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.

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**

  The Group's investment property 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 2022 at £24,605,300. 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.

	2022	2021
	£	£
Revenue analysed by class of business		
Rental income	**933,475**	724,680
Management fees	**89,801**	81,768
Resale commission	**102,055**	114,913
Ground rents	**13,314**	13,535
Leasehold extension income	**133,500**	96,275
Other income	**8,625**	4,840
	1,280,770	1,036,011

4) EMPLOYEES AND DIRECTORS

Group

	2022	2021
	£	£
Wages and salaries	**305,858**	325,525
Social security costs	**26,179**	35,448
Pension costs	**5,420**	1,275
	337,457	362,248

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

	2022	2021
Directors and management	**4**	4
Administration	**3**	3
	7	7

	2022	2021
	£	£
Directors' remuneration (as per Report of the Directors)	**182,125**	222,191
Remuneration of the highest-paid director	**93,833**	89,375
Amounts paid into a pension scheme of the highest-paid director	**-**	-

The Group directors are considered to be key management personnel.

Company

	2022	2021
	£	£
Wages and salaries	**231,124**	264,402
Social security costs	**17,156**	30,118
Pension costs	**-**	(2,175)
	248,280	292,345

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

Directors and management	**4**	4
Administration	**-**	-
	4	4

5) FINANCE COSTS AND INCOME

	2022	2021
	£	£
Finance costs		
Loan interest	**512,811**	497,432
Finance income		
Bank interest	**21**	729

6) LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	2022	2021
	£	£
Hire of plant and machinery	**8,359**	10,002
Other operating leases	**13,365**	13,140
Depreciation - owned assets	**21,437**	23,032
Auditors' remuneration for the Group	**59,500**	55,000
Auditors' remuneration for the Group underprovided in prior year	**5,000**	-

Separately disclosed items

In the previous 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 2022 financial year amounted to £35,021 and £66,649 (2021 - £703,946 and £140,254).

Also during the year, the company incurred costs totalling £68,234 in relation to refinancing loan facilities. Further details can be found in Note 18.

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

	2022	2021
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:

	2022	2021
	£	£

	2022	2021
Loss on ordinary activities before taxation	**(342,081)**	(924,234)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	**(64,995)**	(175,604)
Effects of		
Income and expenses not taxable	**64,995**	175,604
Tax credit	**-**	-

The Group has remained under the REIT regime throughout the year and since the balance sheet 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

		2022	
	Loss	**Weighted average number of shares**	**Per share amount**
	£	**No**	**Pence**
Loss attributable to ordinary shareholders	**(342,081)**	**40,196,318**	**(0.85)**

		2021	
	Loss	Weighted average number of shares	Per share amount
	£	No	Pence
Loss attributable to ordinary shareholders	(924,234)	27,651,823	(3.34)

Diluted loss per share

		2022	
	Loss	**Weighted average number of shares**	**Per share amount**
	£	**No**	**Pence**
Loss attributable to ordinary shareholders	**(342,081)**	**82,882,619**	**(0.41)**
Effect of dilutive securities	-	-	-

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	-	-	-

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.

		2022	
	Equity	**Number of shares**	**Per share amount**
	£	**No**	**Pence**
Net asset value	**13,675,337**	**41,669,631**	**32.82**

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

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 2022	30 June 2021
	£	£
Within one year	**358,724**	414,594
Between one and five years	**58,756**	84,533
More than 5 years	**29,017**	37,263
Total	**446,497**	536,390

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 2022	30 June 2021

	£	£
Within one year	**21,499**	24,784
Between one and five years	**5,375**	10,449
Total	**26,874**	35,233

11) PROPERTY, PLANT AND EQUIPMENT

GROUP

	Fixtures, fittings & computer equipment
	£
COST	
At 1 July 2020	97,740
Additions	-
At 30 June 2021	97,740
Additions	53,013
At 30 June 2022	150,753
DEPRECIATION	
At 1 July 2020	51,330
Charge for year	23,032
At 30 June 2021	74,362
Charge for year	21,437
At 30 June 2022	95,799
NET BOOK VALUE	
At 30 June 2022	**54,954**
At 30 June 2021	23,378

COMPANY	Fixtures, fittings & computer equipment
	£
COST	
At 1 July 2020	7,516
Additions	-
At 30 June 2021	7,516
Additions	-
At 30 June 2022	7,516
DEPRECIATION	
At 1 July 2020	5,417
Charge for year	1,125
At 30 June 2021	6,542
Charge for year	667
At 30 June 2022	7,209
NET BOOK VALUE	
At 30 June 2022	**307**
At 30 June 2021	974

12) INVESTMENT PROPERTIES

GROUP	Total
	£
COST OR VALUATION	
At 1 July 2020	23,592,000
Additions	168,670
Disposals	-
Revaluations	501,330
At 30 June 2021	24,262,000
Additions	285,000
Disposals	(285,000)
Revaluations	343,300
At 30 June 2022	**24,605,300**
At 30 June 2021	24,262,000

The investment properties were valued by the Directors at 30 June 2022 with reference to independent external valuations performed in August 2022, with a valuation date as at 30 June 2022. All of the properties were subject to desktop valuations with the exception of the property at Ladbroke Grove which was subject to a full valuation. 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 2022.The valuation of the investment properties was £24,605,300, which was included in the financial statements.

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 where full valuations were carried out in the current and previous year and these 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	3.50% - 6.50%
		Adopted rate per square foot	£336 - £1,355

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 2022 would have been £22,452,913 (2021 - £22,467,913).

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 £933,475 (2021 - £724,680). The total rental expenses in relation to investment properties for the Group equated to £50,525 (2021 - £20,606).

Included within Investment Properties are leasehold properties valued at £6,150,000 and freehold properties valued at £18,455,300 (2021: £5,830,000 and £18,432,000 respectively).

13) INVESTMENTS

	Shares in group undertakings
Company	**£**

COST	
At 1 July 2021	10,706,081
Disposals	-
At 30 June 2021	10,706,081
Disposals	-
At 30 June 2022	**10,706,081**
NET BOOK VALUE	
At 30 June 2022	**10,706,081**
At 30 June 2021	10,706,081

As at 30 June 2022, 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
Nature of business	***Class of shares***	
Property letting	Ordinary	
KCR (Southampton) Limited	Registered office: UK	100.00
Nature of business	***Class of shares***	
Property letting	Ordinary	
K&C (Newbury) Limited	Registered office: UK	100.00
Nature of business	***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	
	2022	2021	**2022**	2021
	£	£	**£**	£

Trade debtors	**665**	246	**-**	-
Amounts owed by group undertakings	**-**	-	**3,338,960**	3,741,633
Other debtors	**29,434**	11,530	**-**	-
VAT	**-**	-	**-**	-
Prepayments	**155,433**	41,599	**13,929**	16,745
	185,532	53,375	**3,352,889**	3,758,378

The Group and Company's exposure to credit risk is disclosed in note 20.

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 2022. 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**	
	2022	2021	**2022**	2021
	£	£	**£**	£
Cash in hand	**40**	40	**-**	-
Bank accounts	**2,519,306**	66,875	**2,337,349**	19,252
	2,519,346	66,915	**2,337,349**	19,252

16) SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	**30 June 2022**	30 June 2021
			£	£
41,669,631	Ordinary	£0.10	4,166,963	2,816,963
(2021: 28,169,631)			4,166,963	2,816,963

	2022 Number	2022 £	2021 Number	2021 £
Ordinary shares of £0.10 each				
At 1 July	**28,169,631**	**2,816,963**	27,569,631	2,756,963
Conversion of Restricted Preference Shares	**-**	**-**	-	-
Shares issued as loan repayments	**-**	**-**	-	-
Shares issued as creditor payments	**-**	**-**	-	-
Shares issued for cash	**13,500,000**	**1,350,000**	600,000	60,000
At 30 June	**41,669,631**	**4,166,963**	28,169,631	2,816,963

The Ordinary shares issued during the year were issued at £0.199821 per share (2021 - £0.19808).

17) TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	**2022**	2021
Current	**£**	£	**£**	£
Trade creditors	**49,852**	151,100	**37,607**	64,795
Amounts owed to group undertakings	**-**	-	**7,256,613**	7,390,522
Other taxes and social security	**63,050**	22,748	**36,281**	7,032
Other creditors	**8,789**	19,180	**-**	15,468
Accruals and deferred income	**293,530**	254,196	**158,718**	181,915
	415,221	447,224	**7,489,219**	7,659,732

The Group and Company exposure to liquidity risk related to trade and other payables is disclosed in note 20.

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	
	2022	2021	**2022**	2021
	£	£	**£**	£
Current				
Other loans	**-**	1,586,188	**-**	-
	-	1,586,188	**-**	-
Non-current				
Bank loans	**9,993,359**	7,868,169	**-**	-
Other loans	**3,281,215**	3,184,250	**-**	-
	13,274,574	11,052,419	**-**	-

Terms and debt repayment schedule (including interest)

	2022				
	1 year or less	**1-2 years**	**2-5 years**	**More than 5 years**	**Totals**
Group	£	£	£	£	**£**
Bank loans	374,705	374,705	3,742,366	14,125,707	**18,617,483**
Other loans	116,483	116,483	349,449	3,436,526	**4,018,941**
	491,188	491,188	4,091,815	17,562,233	**22,636,424**

	2021				
	1 year or less	1-2 years	2-5 years	More than 5 years	Totals
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
	2,036,708	450,520	1,468,619	18,589,795	22,545,642

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 monthly repayments from that date reduced to £7,568. The monthly instalments were interest payments and did not include any capital repayments. Interest was charged at 5.50 per cent per annum. The loan was 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. The loan was repaid in August 2021 when the Company refinanced with Secure Trust Bank.

b) In August 2021, K&C (Osprey) Limited entered into a new 5 year loan of £2,375,000 with Secure Trust Bank. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 1.7 per cent above the base rate of Secure Trust Bank which is subject to variable increases. 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. The balance outstanding at 30 June 2022 was £2,375,000.

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 were interest payments and did not include any capital repayments. Interest was charged at 3.19 per cent for the first 24 months. Interest for the remainder of the term was charged at 4.79 per cent above LIBOR. The loan was refinanced in October 2021 at an amount of £3,281,215. Following the refinancing, the term of the loan was 7 years. The monthly instalments remain interest payments and do not include any capital repayments. Interest is charged at 3.55 per cent. The loan is 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 at 30 June 2022 was £3,281,215.

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 2022 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. In August 2021, the Company made a repayment of £249,810, following the sale of 9 Lomond Court. The balance outstanding at 30 June 2022 was £4,875,000.

Reconciliation of net movement in cash

Group

	Net cash at 1 July 2021	**Cash flow**	**Loans received in year**	**Repayments in year**	**Other non-cash movement**	**Net cash at 30 June 2022**
	£	**£**	**£**	**£**		**£**
Cash at bank and in hand	66,915	2,452,433	-	-	-	2,519,348
Borrowings	(12,638,607)	-	(5,656,215)	5,020,248	-	(13,274,574)
Total financial liabilities	(12,571,692)	2,452,433	(5,656,215)	5,020,248	-	(10,755,226)

	Net cash at 1 July 2020	**Cash flow**	**Loans received in year**	**Repayments in year**	**Other non-cash movement**	**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)

Company

	Net cash at 1 July 2021	**Cash flow**	**Repayments in year**	**Other non-cash movement**	**Net cash at 30 June 2022**
	£	**£**	**£**	**£**	**£**
Cash at bank and in hand	19,252	2,318,097	-	-	2,337,349
Borrowings	-	-	-	-	-

Total financial liabilities	19,252	2,318,097	-	-	2,337,349

	Net cash at 1 July 2020	**Cash flow**	**Repayments in year**	**Other non-cash movement**	**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

19) FINANCIAL INSTRUMENTS

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

	Group		**Company**	
	2022	2021	**2022**	2021
	£	£	**£**	£
Carrying amount of financial assets at amortised cost				
Trade and other receivables	**185,532**	53,375	**3,352,889**	3,758,378
Cash at bank and in hand	**2,519,346**	66,915	**2,337,349**	19,252

20) 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 2022 totalled £7,618,359. 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.

K&C (Osprey) Limited refinanced their loan portfolio in the 2022 financial year. As a result, the Group entered into a new loan agreement with Secure Trust. The total loans with Secure Trust at 30 June 2022 totalled £2,375,000. The loan agreement contains the following covenants:

- interest cover in respect of any interest period shall not be less than 1.75:1; and
- the loan to value will not at any time exceed 56%.

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.

The Group undertakes credit checks on prospective new tenants to assess and mitigate 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 mitigates credit risk with regard to cash and cash equivalents by using banks with a credit rating of B or above.

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.

Liquidity risk is not deemed to be significant as the company has a significant amount of current assets, including a balance owed by the parent company, which they can draw against as and when funds are required.

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.

The Group is exposed to interest rate risk in respect of its borrowings. The Group mitigates this risk by, where possible, securing facilities at a fixed interest rate.

Sensitivity

Interest rate sensitivity:
At 30 June 2022, 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 £410,263 (2021 - £992,377). 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.

21) RELATED PARTY TRANSACTIONS

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 (2021 - £48,000).

The remuneration paid to Richard Boon in 2022 consisted of fees of £Nil (2021 - £18,900) 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 £Nil (2021 - £9,000 plus VAT of £1,800).

Further details of total director remuneration is contained with the Report of the Directors. Christopher James is also considered as key management personnel. His remuneration in the period totalled £95,000 (2021 - £113,027), which includes a provision of £20,000 (2021 - £38,027) for a catch-up payment incentive which will be due when the business achieves cash-flow breakeven

22) ULTIMATE CONTROLLING PARTY

Following the exercise, of 13,500,000 options by Torchlight Fund LP in October 2021, Torchlight's interest in the Company increased to 23,100,000 shares, representing 55.4% of the Company's enlarged issued share capital.

The parent company of Torchlight Fund LP, and the ultimate parent company of KCR Residential REIT plc, is Pyne Gould Corporation Limited. The results of the Group are consolidated in the financial statements of Pyne Gould Corporation Limited. The financial statements are available at http://www.pgc.co.nz/

The ultimate controlling party of Pyne Gould Corporation Limited is George Kerr.

23) POST-BALANCE SHEET EVENTS

On 6 August 2022, the option agreement that the Group entered into with Torchlight in the 2020 financial year, to grant Torchlight an option to subscribe for a further 50,000,000 new Ordinary Shares, lapsed. No further options were exercised after the balance sheet date.