

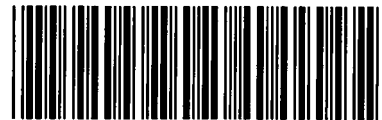
REGISTERED NUMBER: 01864755 (England and Wales)

K&C (OSPREY) LIMITED

PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

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K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

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FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

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K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

COMPANY INFORMATION
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

DIRECTORS:	J A Cane T M James
SECRETARY:	L Y Wash
REGISTERED OFFICE:	82 St. John Street London EC1M 4JN
BUSINESS ADDRESS:	44/48 Old Brompton Road South Kensington London SW7 3DY
REGISTERED NUMBER:	01864755 (England and Wales)
INDEPENDENT AUDITOR:	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB
SOLICITORS:	Fladgate LLP 16 Great Queen Street London WC2B 5DG

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

REPORT OF THE DIRECTORS
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

The directors present their report with the financial statements of the Company for the period 1 October 2015 to 30 June 2016.

CHANGE OF NAME

The Company passed a special resolution on 8 June 2016 changing its name from The Osprey Management Company Limited to K&C (Osprey) Limited.

GENERAL INFORMATION

In May 2016 the Company became a wholly owned subsidiary of K&C REIT plc ("K&C"). The ordinary shares of K&C were admitted to the London Stock Exchange's AIM on 3 July 2015. The Company therefore became part of a REIT group in May 2016.

Since its acquisition by K&C, the year-end of the Company was changed to 30 June to bring it in line with other K&C group companies.

PRINCIPAL ACTIVITY

The principal activity of the Company in the period under review was that of maintaining a property portfolio.

GOING CONCERN

The directors have adopted the going concern basis in preparing the financial statements. This is further explained in the notes to the financial statements.

DIVIDENDS

Dividends of £19,250 (2015 - £80,100) were paid during the period.

DIRECTORS

The following directors served during the year to 30 June 2016 and up to the date of approval of the financial statements:

Name	Date of appointment	Date of resignation
James Cane	26 May 2016	-
Timothy James	26 May 2016	-
Jennifer Brewer	-	26 May 2016
Valerie Hards	-	26 May 2016
Trevor Osborne	-	18 March 2016

RISK MANAGEMENT

In the normal course of the business, the Company is exposed to a variety of financial risks that have the potential to have a material effect on the Company's financial performance.

The Company's overall risk-management programme seeks to minimise the potentially adverse effect of risk on the Company's financial performance in a manner consistent with the Company's investment objective. The principal categories of risk identified by the Board are credit, liquidity, interest-rate and other price risks. The Company's financial risk management and mitigation policies are set out in the notes to the financial statements.

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

REPORT OF THE DIRECTORS
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 Financial Reporting Standards as adopted by the European Union (IFRS). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 AUDITORS

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 Company's auditors are 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 Company's auditors are aware of that information.

AUDITORS

The auditors, Moore Stephens LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



T M James
Director

22 February 2017

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF K&C (OSPREY) LIMITED

We have audited the financial statements of K&C (Osprey) Limited for the period ended 30 June 2016 which are set out on pages 6 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
K&C (OSPREY) LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Moore Stephens LLP

Ben Courts
Senior Statutory Auditor
For and on behalf of Moore Stephens LLP
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

22 February 2017

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016**

		PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
	Notes		
CONTINUING OPERATIONS			
Revenue	3	123,698	194,631
Cost of sales		<u>(25,742)</u>	<u>(21,396)</u>
GROSS PROFIT		97,956	173,235
Administrative expenses		(112,915)	(114,917)
Revaluation of investment properties		<u>2,255,339</u>	<u>-</u>
OPERATING PROFIT		2,240,380	58,318
Finance costs	5	-	(11)
Finance income	5	<u>16</u>	<u>57</u>
PROFIT BEFORE TAXATION	6	2,240,396	58,364
Taxation	7	<u>107,730</u>	<u>(11,613)</u>
PROFIT FOR THE PERIOD		2,348,126	46,751
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAXATION		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>2,348,126</u>	<u>46,751</u>

The notes form part of these financial statements

K&C (OSPREY) LIMITED (REGISTERED NUMBER: 01864755)
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
30 JUNE 2016

	Notes	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	300	399
Investment properties	10	2,876,000	620,661
Investments	11	<u>1</u>	<u>1</u>
		2,876,301	621,061
CURRENT ASSETS			
Trade and other receivables	12	15,416	20,223
Cash and cash equivalents	13	<u>15,733</u>	<u>44,709</u>
		31,149	64,932
TOTAL ASSETS		<u>2,907,450</u>	<u>685,993</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	14	60,000	60,000
Retained earnings		<u>2,821,071</u>	<u>492,195</u>
TOTAL EQUITY		<u>2,881,071</u>	<u>552,195</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred taxation	17	-	107,730
CURRENT LIABILITIES			
Trade and other payables	15	26,379	14,237
Taxation payable		<u>-</u>	<u>11,831</u>
		26,379	26,068
TOTAL LIABILITIES		<u>26,379</u>	<u>133,798</u>
TOTAL EQUITY AND LIABILITIES		<u>2,907,450</u>	<u>685,993</u>

The financial statements were approved and authorised for issue by the Board of Directors on 22 February 2017 and were signed on its behalf by:



T M James
 Director

The notes form part of these financial statements

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

	Share capital £	Retained earnings £	Total equity £
Balance at 1 October 2014	60,000	525,544	585,544
Changes in equity			
Dividends	-	(80,100)	(80,100)
Total comprehensive income	-	<u>46,751</u>	<u>46,751</u>
Balance at 30 September 2015	<u>60,000</u>	<u>492,195</u>	<u>552,195</u>
Changes in equity			
Dividends	-	(19,250)	(19,250)
Total comprehensive income	-	<u>2,348,126</u>	<u>2,348,126</u>
Balance at 30 June 2016	<u><u>60,000</u></u>	<u><u>2,821,071</u></u>	<u><u>2,881,071</u></u>

The notes form part of these financial statements

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Cash flows from operating activities		
Cash generated from operations 1	2,089	84,211
Interest paid	-	(11)
Taxation paid	<u>(11,831)</u>	<u>(23,304)</u>
Net cash used in operating activities	<u>(9,742)</u>	<u>60,896</u>
 Cash flows from investing activities		
Interest received	<u>16</u>	<u>57</u>
Net cash from investing activities	<u>16</u>	<u>57</u>
 Cash flows from financing activities		
Amount introduced by directors	-	(18)
Equity dividends paid	<u>(19,250)</u>	<u>(80,100)</u>
Net cash used in financing activities	<u>(19,250)</u>	<u>(80,118)</u>
 Decrease in cash and cash equivalents	 <u>(28,976)</u>	 <u>(19,165)</u>
Cash and cash equivalents at beginning of period	 <u>44,709</u>	 <u>63,874</u>
 Cash and cash equivalents at end of period	 <u><u>15,733</u></u>	 <u><u>44,709</u></u>

The notes form part of these financial statements

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Profit before taxation	2,240,396	58,364
Depreciation charges	99	486
Revaluation of investment properties	(2,255,339)	-
Finance costs	-	11
Finance income	(16)	(57)
	(14,860)	58,804
Decrease in trade and other receivables	4,807	27,036
Increase/(decrease) in trade and other payables	12,142	(1,629)
Cash generated from operations	2,089	84,211

The notes form part of these financial statements

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

1. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

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

These are the first set of financial statements prepared under IFRS. The date of transition was 1 October 2014. Details of the transition adjustments are shown on pages 28-30 of these financial statements.

These financial statements cover the nine month period to 30 June 2016.

Functional and presentation currency

The financial statements are presented in Pounds Sterling ("GBP"), which is the Company's functional and presentational currency.

New standards and interpretations not yet adopted

As at 30 June 2016, the following standards and interpretations were in issue but not yet adopted by the EU.

The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the Financial Statements in the period of initial application other than the following:

IFRS 9 - Financial Instruments

The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit and loss, fair value through other comprehensive income or measured amortised cost. On the adoption of the standard, the Company will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments other than reclassifications.

The standard is effective for periods beginning on or after 1 January 2018 but is yet to be endorsed by the EU.

IFRS 15 - Revenue from contracts with customers

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

IFRS 16 - Leases

The standard is effective for periods beginning on or after 1 January 2019 but is yet to be endorsed by the EU.

The directors have yet to assess the impact of this standard on the financial statements.

2. ACCOUNTING POLICIES

Basis of preparation

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

Going concern

After preparing detailed forecasts, the directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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

Investments

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

The financial statements contain information about K&C (Osprey) Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400A of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, K&C REIT plc, 82 St John Street, London, EC1M 4JN.

Revenue recognition

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

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

Also included within income is management fee income derived from the management of property assets owned by third parties.

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.

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

2. ACCOUNTING POLICIES- continued

Property, plant and equipment

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

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

Investment properties

Investment properties comprise properties owned by the Company 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 exchange of contracts. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

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

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

2. ACCOUNTING POLICIES - continued

Impairment

(i) Financial assets

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

(ii) Financial assets measured at amortised cost

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

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

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

(iii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

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

Impairment losses are recognised in profit or loss.

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

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

2. ACCOUNTING POLICIES - continued

Financial instruments

(i) Non-derivative financial assets

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

The Company 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 Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(ii) Loans and receivables

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

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

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(iv) Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise trade and other payables.

(v) Share capital

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

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

2. ACCOUNTING POLICIES - continued

Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit and 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 member of a REIT group, the Company 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 not recognised for:

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

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

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

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

Provisions

A provision is recognised if, as a result of a past event, the Company 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.

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

2. ACCOUNTING POLICIES - continued

Critical accounting estimates and judgements

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

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

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

Investment properties

The directors revalue the investment properties annually; advice is taken from experts periodically. The directors have considered the future movements on the property portfolio and have estimated the probable recoverable deferred tax.

The Companies investment properties are valued on the basis of market value, on acquisition by independent external valuers and then by the directors or independent valuers annually thereafter. The Companies investment properties are valued at £2,876,000.

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

Determination of fair values

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

(i) Investment properties

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

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

K&C (OSPREY) LIMITED
PREVIOUSLY KNOWN AS THE OSPREY MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 OCTOBER 2015 TO 30 JUNE 2016

3. REVENUE

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

The total revenue of the Company 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.

4. EMPLOYEES AND DIRECTORS

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Wages and salaries	60,879	57,929
Social security costs	<u>2,332</u>	<u>2,850</u>
	<u>63,211</u>	<u>60,779</u>

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

	PERIOD ENDED 30 JUNE 2016	YEAR ENDED 30 SEPTEMBER 2015
Directors and management	<u>3</u>	<u>3</u>

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Directors' remuneration	<u>24,996</u>	<u>11,550</u>

The directors are considered to be key management personnel.

5. FINANCE INCOME AND COSTS

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Finance income:		
Deposit account interest	<u>16</u>	<u>57</u>
Finance costs:		
Other interest charges	<u>-</u>	<u>11</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued
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6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Hire of plant and machinery	1,487	2,017
Other operating leases	2,493	204
Depreciation - owned assets	99	486
Auditors' remuneration – audit services	<u>10,000</u>	<u>-</u>

7. INCOME TAX

Analysis of tax (income)/expense

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Current tax:		
UK corporation tax	-	11,831
Deferred tax	<u>(107,730)</u>	<u>(218)</u>
Total tax (income)/expense in statement of profit or loss	<u>(107,730)</u>	<u>11,613</u>

Deferred taxation of £107,730 in the year ended 30 June 2016 relates to the reversal of the provision, made in prior years, relating to the potential tax liability that would have arisen if the investment properties were sold at their open market value.

8. DIVIDENDS

	PERIOD ENDED 30 JUNE 2016 £	YEAR ENDED 30 SEPTEMBER 2015 £
Ordinary shares of £1 each		
Interim	<u>19,250</u>	<u>80,100</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued
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9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 October 2015	121,683	8,329	130,012
Disposals	<u>(120,683)</u>	<u>(6,750)</u>	<u>(127,433)</u>
At 30 June 2016	<u>1,000</u>	<u>1,579</u>	<u>2,579</u>
DEPRECIATION			
At 1 October 2015	121,683	7,930	129,613
Charge for period	-	99	99
Eliminated on disposal	<u>(120,683)</u>	<u>(6,750)</u>	<u>(127,433)</u>
At 30 June 2016	<u>1,000</u>	<u>1,279</u>	<u>2,279</u>
NET BOOK VALUE			
At 30 June 2016	<u>-</u>	<u>300</u>	<u>300</u>
At 30 September 2015	<u>-</u>	<u>399</u>	<u>399</u>

10. INVESTMENT PROPERTIES

	Total £
FAIR VALUE	
At 1 October 2015	620,661
Revaluations	<u>2,255,339</u>
At 30 June 2016	<u>2,876,000</u>
NET BOOK VALUE	
At 30 June 2016	<u>2,876,000</u>
At 30 September 2015	<u>620,661</u>

The properties were valued at £2,876,000 by professionally qualified independent external valuers on 27 May 2016.

The directors consider that the carrying value of the investment properties at 30 June 2016 is not materially different from their market value.

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

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11. INVESTMENTS

	Shares in group undertakings £
COST	
At 1 October 2015 and 30 June 2016	<u>1</u>
NET BOOK VALUE	
At 30 June 2016	<u>1</u>
At 30 September 2015	<u>1</u>

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Newton Horner Property Limited

Registered office: 82 St. John Street, London, England, EC1M 4JN

Nature of business: Dormant company

	%
Class of shares:	holding
Ordinary	100.00

12. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Trade debtors	-	185
Other debtors	13,975	20,038
Prepayments and accrued income	<u>1,441</u>	<u>-</u>
	<u>15,416</u>	<u>20,223</u>

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 16.

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

13. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	300	300
Bank accounts	<u>15,433</u>	<u>44,409</u>
	<u>15,733</u>	<u>44,709</u>

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14. SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value: £1	2016	2015
Number:	Class:		£	£
60,000	Ordinary		<u>60,000</u>	<u>60,000</u>

The Company has one class of ordinary share, which carry no rights to fixed income.

15. TRADE AND OTHER PAYABLES

	2016	2015
	£	£
Other taxes and social security	5,150	3,911
Other creditors	16,205	4,568
Deferred income	3,294	2,058
Accrued expenses	1,272	-
Directors' current accounts	-	70
VAT	<u>458</u>	<u>3,630</u>
	<u>26,379</u>	<u>14,237</u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 16.

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

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16. FINANCIAL INSTRUMENTS

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the companies activities. The Company, 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 has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Capital management

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

Credit Risk

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

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk is as reported in the Statement of Financial Position.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash and other financial assets. The Company'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 reputation.

Market risk

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

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NOTES TO THE FINANCIAL STATEMENTS - continued
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17. DEFERRED TAXATION

	2016	2015
	£	£
Balance at 1 October	107,730	107,633
Movement in period	(80)	97
Reverse provision upon joining REIT group	<u>(107,650)</u>	<u>-</u>
Balance at 30 June	<u>-</u>	<u>107,730</u>

18. ULTIMATE PARENT COMPANY

In May 2016, the Company became a wholly owned subsidiary of K&C REIT plc.

19. RELATED PARTY DISCLOSURES

During the period, the company was in receipt of loans totalling £16,128 from a director.

At the year end this person was no longer a director so the balance has been moved to other creditors in the financial statements. Loan is non-interest bearing and repayable on demand.

K&C (OSPREY) LIMITED
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RECONCILIATION OF EQUITY
1 OCTOBER 2014
(DATE OF TRANSITION TO IFRSS)

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	885	-	885
Investment properties	620,661	-	620,661
Investments	<u>1</u>	<u>-</u>	<u>1</u>
	<u>621,547</u>	<u>-</u>	<u>621,547</u>
CURRENT ASSETS			
Trade and other receivables	47,259	-	47,259
Cash and cash equivalents	<u>63,874</u>	<u>-</u>	<u>63,874</u>
	<u>111,133</u>	<u>-</u>	<u>111,133</u>
TOTAL ASSETS	<u><u>732,680</u></u>	<u><u>-</u></u>	<u><u>732,680</u></u>
SHAREHOLDERS' EQUITY			
Called up share capital	60,000	-	60,000
Revaluation reserve	570,661	(570,661)	-
Retained earnings	<u>62,654</u>	<u>462,890</u>	<u>525,544</u>
TOTAL EQUITY	<u><u>693,315</u></u>	<u><u>(107,771)</u></u>	<u><u>585,544</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred taxation	<u>-</u>	<u>107,771</u>	<u>107,771</u>
CURRENT LIABILITIES			
Trade and other payables	39,188	-	39,188
Provisions	<u>177</u>	<u>-</u>	<u>177</u>
	<u>39,365</u>	<u>-</u>	<u>39,365</u>
TOTAL LIABILITIES	<u><u>39,365</u></u>	<u><u>107,771</u></u>	<u><u>147,136</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>732,680</u></u>	<u><u>-</u></u>	<u><u>732,680</u></u>

A deferred tax liability of £107,771 arose in 2014 upon transition to IFRS. This represents the tax that would be payable by the company if it was to sell the investment properties that it holds, at their market value as shown in the financial statements.

Also, upon transition to IFRS, the revaluation reserve of £570,661 was transferred to retained earnings.

K&C (OSPREY) LIMITED
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RECONCILIATION OF EQUITY - continued
30 SEPTEMBER 2015

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	399	-	399
Investment properties	620,661	-	620,661
Investments	<u>1</u>	<u>-</u>	<u>1</u>
	<u>621,061</u>	<u>-</u>	<u>621,061</u>
CURRENT ASSETS			
Trade and other receivables	20,223	-	20,223
Cash and cash equivalents	<u>44,709</u>	<u>-</u>	<u>44,709</u>
	<u>64,932</u>	<u>-</u>	<u>64,932</u>
TOTAL ASSETS	<u>685,993</u>	<u>-</u>	<u>685,993</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	60,000	-	60,000
Revaluation reserve	570,661	(570,661)	-
Retained earnings	<u>29,184</u>	<u>463,011</u>	<u>492,195</u>
TOTAL EQUITY	<u>659,845</u>	<u>(107,650)</u>	<u>552,195</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred taxation	<u>80</u>	<u>107,650</u>	<u>107,730</u>
CURRENT LIABILITIES			
Trade and other payables	14,237	-	14,237
Tax payable	<u>11,831</u>	<u>-</u>	<u>11,831</u>
	<u>26,068</u>	<u>-</u>	<u>26,068</u>
TOTAL LIABILITIES	<u>26,148</u>	<u>107,650</u>	<u>133,798</u>
TOTAL EQUITY AND LIABILITIES	<u>685,993</u>	<u>-</u>	<u>685,993</u>

K&C (OSPREY) LIMITED
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RECONCILIATION OF PROFIT
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
Revenue	194,631	-	194,631
Cost of sales	<u>(21,396)</u>	<u>-</u>	<u>(21,396)</u>
GROSS PROFIT	173,235	-	173,235
Administrative expenses	(114,917)	-	(114,917)
Finance costs	(11)	-	(11)
Finance income	<u>57</u>	<u>-</u>	<u>57</u>
PROFIT BEFORE TAXATION	58,364	-	58,364
Taxation	<u>(11,734)</u>	<u>121</u>	<u>(11,613)</u>
PROFIT FOR THE PERIOD	<u><u>46,630</u></u>	<u><u>121</u></u>	<u><u>46,751</u></u>

The transitional adjustment relates to the movement in the year on the deferred tax provision. The deferred tax provision represents the tax that would be payable by the company if it was to sell the investment properties that it holds, at their market value as shown in the financial statements.