REGISTERED NUMBER: 01864755 (England and Wales)

K&C (OSPREY) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

K&C (OSPREY) LIMITED

CONTENTS OF THE REPORT
FOR THE YEAR ENDED 30 JUNE 2017

K&C (OSPREY) LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017

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
BANKERS:	Barclays Bank plc

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report with the financial statements of the Company for the year ended 30 June 2017.

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.

PRINCIPAL ACTIVITY
The principal activity of the Company in the year 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 £nil (2016 - £19,250) were paid during the period.

DIRECTORS
The following directors served during the year to 30 June 2017 and up to the date of approval of the financial statements:

Name
James Cane
Timothy James

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.

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:

James Cane
Director

16 October 2017

Opinion

We have audited the financial statements of K&C (Osprey) Limited (the 'Company') for the year ended 30 June 2017 which comprise the statement of comprehensive income, the statement of financial position, statement of changes in equity and statement of cash flows for the year then ended, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year 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.

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.

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 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, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the 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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the directors.

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.
- the directors were not entitled to take advantage of the small companies exemption in preparing the report of the directors and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Moore Stephens LLP

Senior Statutory Auditor, Paul Fenner

For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

16 October 2017

K&C (OSPREY) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	YEAR ENDED 30 JUNE 2017 £	PERIOD ENDED 30 JUNE 2016 £
Revenue	3	**372,968**	123,698
Cost of sales		**(56,799)**	(25,742)
GROSS PROFIT		**316,169**	97,956
Administrative expenses		**(170,988)**	(112,915)
Revaluation of investment properties		**166,000**	2,255,339
OPERATING PROFIT		**311,181**	2,240,380
Finance income	5	**5**	16
PROFIT BEFORE TAXATION	6	**311,186**	2,240,396
Taxation	7	**-**	107,730
PROFIT FOR THE PERIOD		**311,186**	2,348,126
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**311,186**	2,348,126

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
30 JUNE 2017

	Notes	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	**167**	300
Investment properties	11	**3,042,000**	2,876,000
Investments	12	**1**	1
		3,042,168	2,876,301
CURRENT ASSETS			
Trade and other receivables	13	**146,305**	15,416
Cash and cash equivalents	14	**33,590**	15,733
		179,895	31,149
TOTAL ASSETS		**3,222,063**	2,907,450
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	15	**60,000**	60,000
Retained earnings		**3,132,257**	2,821,071
TOTAL EQUITY		**3,192,257**	2,881,071
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**29,806**	26,379
TOTAL LIABILITIES		**29,806**	26,379
TOTAL EQUITY AND LIABILITIES		**3,222,063**	2,907,450

The financial statements were approved and authorised for issue by the Board of Directors on 16 October 2017 and were signed on its behalf by:

....
James Cane
Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Share capital £	Retained earnings £	Total equity £
Balance at 30 September 2015	60,000	492,195	552,195
Changes in equity			
Dividends	-	(19,250)	(19,250)
Total comprehensive income for the period	-	2,348,126	2,348,126
Balance at 30 June 2016	60,000	2,821,071	2,881,071
Changes in equity			
Total comprehensive income for the year	-	311,186	311,186
Balance at 30 June 2017	**60,000**	**3,132,257**	**3,192,257**

The notes form part of these financial statements

K&C (OSPREY) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	YEAR ENDED 30 JUNE 2017 £	PERIOD ENDED 30 JUNE 2016 £
Cash flows from operating activities			
Cash generated from operations	1	17,852	2,089
Taxation paid		-	(11,831)
Net cash generated from/(used in) operating activities		17,852	(9,742)
Cash flows from investing activities			
Interest received		5	16
Net cash from investing activities		5	16
Cash flows from financing activities			
Equity dividends paid		-	(19,250)
Net cash used in financing activities		-	(19,250)
Increase/(decrease) in cash and cash equivalents		17,857	(28,976)
Cash and cash equivalents at beginning of period		15,733	44,709
Cash and cash equivalents at end of period		33,590	15,733

The notes form part of these financial statements

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

	YEAR ENDED 30 JUNE 2017 £	PERIOD ENDED 30 JUNE 2016 £
Profit before taxation	311,186	2,240,396
Depreciation	133	99
Revaluation of investment properties	(166,000)	(2,255,339)
Finance income	(5)	(16)
	145,314	(14,860)
(Increase)/decrease in trade and other receivables	(130,889)	4,807
Increase in trade and other payables	3,427	12,142
Cash generated from operations	17,852	2,089

The notes form part of these financial statements

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.

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

New standards and interpretations not yet adopted
As at 30 June 2017, certain 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.

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.

IFRS 16 - Leases
The standard has been developed to provide information to the users of the financial statements on the lease transactions undertaken by the entity, in order for them to assess the amount, timing and uncertainty of cash flows arising from leases.

The standard is effective for periods beginning on or after 1 January 2019.

On application of the standard, the Company will be required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

continued...

2. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared on the historical cost basis with the exception of investment properties 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.

continued...

2. **ACCOUNTING POLICIES- continued**

Property, plant and equipment
Property, plant and equipment is 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 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 profit or loss.

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.

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.

continued...

2. ACCOUNTING POLICIES - continued

(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.

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 trade and other receivables.

(iii) Cash and cash equivalents
Cash and cash equivalents comprise cash balances.

continued...

2. **ACCOUNTING POLICIES - continued**

(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.

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 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.

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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.

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 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 £3,042,000.

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

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 either 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.

continued...

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

	YEAR ENDED 30 JUNE 2017	PERIOD ENDED 30 JUNE 2016
	£	£
Wages and salaries	**58,764**	60,879
Social security costs	**219**	2,332
	58,983	63,211

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

	YEAR ENDED 30 JUNE 2017	PERIOD ENDED 30 JUNE 2016
Directors and management	**3**	3

	YEAR ENDED 30 JUNE 2017	PERIOD ENDED 30 JUNE 2016
	£	£
Directors' remuneration	**-**	24,996

The directors are considered to be key management personnel.

5. FINANCE INCOME

	YEAR ENDED 30 JUNE 2017	PERIOD ENDED 30 JUNE 2016
	£	£
Deposit account interest	**5**	16

continued...

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	YEAR ENDED 30 JUNE 2017 £	PERIOD ENDED 30 JUNE 2016 £
Hire of plant and machinery	2,018	1,487
Other operating leases	13,253	2,493
Depreciation	133	99
Auditors' remuneration – audit services	5,000	10,000

7. TAXATION

Analysis of tax credit

	YEAR ENDED 30 JUNE 2017 £	PERIOD ENDED 30 JUNE 2016 £
Current tax:		
UK corporation tax	-	-
Deferred tax	-	(107,730)
Total tax credit	-	(107,730)

Deferred taxation of £107,730 in the period 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

	YEAR ENDED 30 JUNE 2017 £	PERIOD ENDED 30 JUNE 2016 £
Ordinary shares of £1 each		
Interim	-	19,250

9. LEASING AGREEMENTS

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

	30 June 2017 £	30 June 2016 £
Within one year	10,740	12,840

continued...

10. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 July 2016 and At 30 June 2017	1,000	1,579	2,579
DEPRECIATION			
At 1 July 2016	1,000	1,279	2,279
Charge for year	-	133	133
At 30 June 2017	1,000	1,412	2,412
NET BOOK VALUE			
At 30 June 2017	-	167	167
At 30 June 2016	-	300	300

11. INVESTMENT PROPERTIES

	Total £
FAIR VALUE	
At 1 July 2016	2,876,000
Revaluations	166,000
At 30 June 2017	3,042,000
NET BOOK VALUE	
At 30 June 2017	3,042,000
At 30 June 2016	2,876,000

The total value of the properties which were valued by professionally qualified independent external valuers, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards 2014 as amended, was £2,412,000 in September 2017. The remaining £630,000 were valued by the directors as at 30 June 2017. The fair values are considered to be level 3 inputs under IFRS13.

The revenue earned by the Company from its investment properties and all direct operating expenses incurred on its investment properties are recorded in the statement of comprehensive income.

continued...

12. INVESTMENTS

	Shares in group undertakings £
COST	
At 1 July 2016 and 30 June 2017	1
NET BOOK VALUE	
At 30 June 2017	1
At 30 June 2016	1

The Company's investments in the share capital of companies relate to the following:

KCR Residential REIT Limited, previously known as 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

13. TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Trade debtors	960	-
Other debtors	54,326	13,975
Amount due from parent company	90,380	-
Prepayments and accrued income	212	1,441
VAT Recoverable	427	-
	146,305	15,416

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 17.

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

Amounts due from the parent company are repayable on demand.

14. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	40	300
Bank accounts	33,550	15,433
	33,590	15,733

continued...

15. SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2017** £	2016 £
60,000	Ordinary	£1	**60,000**	60,000

16. TRADE AND OTHER PAYABLES

	2017 £	2016 £
Other taxes and social security	-	5,150
Other creditors	**16,757**	16,205
Deferred income	**4,019**	3,294
Accrued expenses	**8,790**	1,272
VAT	**240**	458
	29,806	26,379

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 17.

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

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17. 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 Company's 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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18. DEFERRED TAXATION

	2017	2016
	£	£
Balance at 1 July	-	107,730
Movement in period	-	(80)
Reverse provision upon joining REIT group	-	(107,650)
Balance at 30 June	-	-

19. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of K&C REIT plc. The registered office of the parent company is 82 St. John Street, London EC1M 4JN.

The parent undertaking produces consolidated accounts which incorporate the results of K&C (Osprey) Limited and can be obtained from the registered office or from www.kandc-reit.co.uk.