

REGISTERED NUMBER: 01864755 (England and Wales)

K&C (OSPREY) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019



K&C (OSPREY) LIMITED
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FOR THE YEAR ENDED 30 JUNE 2019

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K&C (OSPREY) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2019

DIRECTORS:	D White R J Naylor R J Boon
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:	BDO LLP 55 Baker Street London W1U 7EU
SOLICITORS:	Fladgate LLP 16 Great Queen Street London WC2B 5DG
BANKERS:	Barclays Bank plc Level 25, 1 Churchill Place Canary Wharf London E14 5HP

K&C (OSPREY) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report with the financial statements of the Company for the year ended 30 June 2019.

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

The directors do not recommend payment of a dividend for the year (2018 - £nil).

DIRECTORS

The following directors served during the year to 30 June 2019 and up to the date of approval of the financial statements:

Name

Dominic White – appointed 6 August 2019
Russell Naylor – appointed 6 August 2019
Richard Boon – appointed 6 August 2019
James Cane – resigned 6 August 2019
Timothy James – resigned 6 August 2019

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, and market 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.

K&C (OSPREY) LIMITED

**REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 30 JUNE 2019**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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

On 1 February 2019, Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP resigned as auditor and the directors appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office.

POST BALANCE SHEET EVENTS

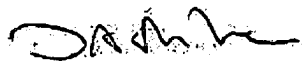
Since the balance sheet date, a flat at Heathside was sold for £538,000 in line with carrying value and £353,950 was applied for part repayment of the £1,940,138 Proplend loan.

Details of post balance sheet events, relating to the corona virus pandemic, are detailed in note 19 of these financial statements.

SMALL COMPANY PROVISION

In preparing this report, the directors have taken advantage of the small companies' exemption in Part 15 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



Dominic White
Director

30 March 2020

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

Opinion

We have audited the financial statements of K&C (Osprey) Limited ("the Company") for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the 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 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 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 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 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.

Material uncertainty relating to going concern

We draw attention to Notes 2 and 19 to the financial statements which refers to the potential impact of the issues connected to the corona virus on the going concern of the company. These events or conditions indicate that material uncertainties exist that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
K&C (OSPREY) LIMITED - continued**

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have 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 Directors' report.

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 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
K&C (OSPREY) LIMITED - continued**

Responsibilities of Directors

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

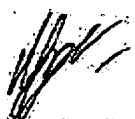
Auditor's responsibilities for the audit of the financial statements

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.



Paul Fenner (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory auditor
Birmingham
United Kingdom

31 March 2020

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

K&C (OSPREY) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 £	2018 £
Revenue	3	157,921	132,935
Cost of sales		<u>(63,766)</u>	<u>(141,298)</u>
GROSS PROFIT/(LOSS)		94,155	(8,363)
Administrative expenses		(168,004)	(225,147)
Revaluation of investment properties		<u>(27,000)</u>	<u>1,061,406</u>
OPERATING (LOSS)/PROFIT		(100,849)	827,896
Finance costs	5	(110,130)	(9,144)
Finance income	5	<u>16</u>	<u>16</u>
(LOSS)/PROFIT BEFORE TAXATION	6	(210,963)	818,768
Taxation	7	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(210,963)</u>	<u>818,768</u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		<u>(210,963)</u>	<u>818,768</u>

OTHER COMPREHENSIVE INCOME

There is no other comprehensive income and accordingly no statement of other comprehensive income is issued.

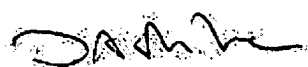
All amounts relate to continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	25,000	35,009
Investment properties	10	6,123,000	6,150,000
Investments	11	-	1
		<u>6,148,000</u>	<u>6,185,010</u>
CURRENT ASSETS			
Trade and other receivables	12	12,273	16,526
Cash and cash equivalents	13	8,804	5,974
		<u>21,077</u>	<u>22,500</u>
TOTAL ASSETS		<u>6,169,077</u>	<u>6,207,510</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	14	60,000	60,000
Retained earnings		<u>3,740,062</u>	<u>3,951,025</u>
TOTAL EQUITY		<u>3,800,062</u>	<u>4,011,025</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings	15	<u>1,940,138</u>	<u>1,940,138</u>
CURRENT LIABILITIES			
Trade and other payables	16	<u>428,877</u>	<u>256,347</u>
TOTAL LIABILITIES		<u>2,369,015</u>	<u>2,196,485</u>
TOTAL EQUITY AND LIABILITIES		<u>6,169,077</u>	<u>6,207,510</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020 and were signed on its behalf by:



.....
Dominic White
Director

K&C (OSPREY) LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Share Capital £	Retained earnings £	Total equity £
Balance at 1 July 2017	60,000	3,132,257	3,192,257
Changes in equity			
Total comprehensive income for the year	-	818,768	818,768
Balance at 30 June 2018	60,000	3,951,025	4,011,025
Changes in equity			
Total comprehensive expense for the year	-	(210,963)	(210,963)
Balance at 30 June 2019	60,000	3,740,062	3,800,062

K&C (OSPREY) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	<u>112,944</u>	<u>127,964</u>
Net cash generated from operating activities		<u>112,944</u>	<u>127,964</u>
Cash flows from investing activities			
Purchase of investment properties		-	(2,046,594)
Purchase of property, plant and equipment		-	(39,996)
Interest paid		(110,130)	(9,144)
Interest received		<u>16</u>	<u>16</u>
Net cash used in investing activities		<u>(110,114)</u>	<u>(2,095,718)</u>
Cash flows from financing activities			
Loans received		<u>-</u>	<u>1,940,138</u>
Net cash generated from financing activities		<u>-</u>	<u>1,940,138</u>
Increase/(decrease) in cash and cash equivalents		2,830	(27,616)
Cash and cash equivalents at the beginning of the year		5,974	33,590
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the year		<u>8,804</u>	<u>5,974</u>

K&C (OSPREY) LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

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

	2019	2018
	£	£
Profit before taxation	(210,963)	818,768
Depreciation charges	10,009	5,154
Revaluation of investment properties	27,000	(1,061,406)
Finance costs	110,130	9,144
Finance income	(16)	(16)
	(63,840)	(228,356)
Increase in trade and other receivables	4,254	129,779
Increase in trade and other payables	172,530	226,541
Cash generated from operations	112,944	127,964

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. PRESENTATION OF FINANCIAL STATEMENTS

Company information

K&C (Osprey) Limited is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company information page.

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 ("GBP"), which is the Company's functional and presentational currency.

Changes in accounting policies

Adoption of new and revised standards

The Company has applied the following accounting standards that are mandatorily effective for accounting periods commencing on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Clarifications to IFRS 15 (Apr 2016)	Clarifications to IFRS 15 Revenue from Contracts with Customers

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

New standards in issue but not yet effective

As at 30 June 2019, the company has not applied the following new and revised standards that have been issued but are not yet effective:

IFRS 16	Leases
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The directors do not anticipate that the adoption of IFRS 16 will have a significant impact on the financial statements of the company in future periods.

Changes in accounting policies for standards implemented in the year are as follows:

IFRS 15 Revenue from Contracts with Customers (as amended in April 2016)

The standard is effective for periods beginning on or after 1 January 2018. 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.

IFRS 15 introduces a 5-step approach to recognising revenue:

- > Identify the contract with the customer;
- > Identify the performance obligations in the contract;
- > Determine the transaction price;
- > Allocate the transaction price; and
- > Recognise revenue when a performance obligation is satisfied.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

1. PRESENTATION OF FINANCIAL STATEMENTS - continued

The Company accounting policies in relation to revenue are detailed in the accounting policies below. Apart from providing more extensive disclosures, the application of IFRS 15 has not had an impact on the financial position and/or financial performance of the Company.

IFRS 9 Financial Instruments

The standard is effective for periods beginning on or after 1 January 2018. The Company have applied the standard in the year.

Classification and measurement

The standard makes substantial changes to the classification of financial assets. 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 at amortised cost.

Classification of financial assets is based on whether the business model is to collect the contractual cashflows, sell the financial assets, or both, and whether the contractual cashflows are solely payments of principal and interest.

There is no change in the accounting for any financial liabilities.

Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. As such where there are expected to be credit losses they are recognised in the profit and loss.

The Company's assessment of this new standard is that it does not give rise to any significant adjustments in the Company financial statements.

IFRS 16 - Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Company expects to adopt IFRS 16 for the year ended 30 June 2020.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

In contrast to lessee accounting, however, IFRS 16 substantially carries forward existing lessor accounting from IAS 17. As lessor, the Company has no finance leases.

The Company has a small number of operating leases concerning office premises and plant and equipment. As set out in note 8, the minimum lease payments falling due within a year total £16,425. IFRS 16 provides an exemption for short term operating leases and leases of low value. The company will take advantage of the exemption rather than establishing a right to use asset.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

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 judgment that, as at the date of approving the financial statements, there is reasonable expectation that the Company has adequate resources and support from the Group and majority shareholder to continue in operational existence in the foreseeable future.

Various scenarios have been run on the potential impact of COVID-19, including the modelling of a worst case scenario. These cash flow projections, when considered in conjunction with the Group's facilities and cash demonstrate that the group has sufficient working capital for the foreseeable future. However, at the date of approval of these financial statements, the directors acknowledge that the issues connected to the corona virus create significant difficulties in being able to forecast future trading and cash flows and that actual results achieved might be significantly different to management's current expectations in the forecasts prepared to assess funding requirements and going concern. This indicates the existence of material uncertainties, notwithstanding this the directors are of the opinion that the company will be able to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the company is not able to achieve its forecasts or is unable to continue as a going concern.

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, KCR Residential REIT plc, 82 St John Street, London, EC1M 4JN. During the 2018 financial year, the dormant subsidiary, K&C Reit Limited was closed down.

Revenue recognition

Revenue of the Company 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 Company. This income includes rental income, management fees and sales commissions.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services net of discounts, VAT and other sales-related taxes. The Company 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. The Company does not offer an option to purchase a warranty.

Rental income 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 is recognised as the services are provided.

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES - continued

Finance costs

Finance costs comprise interest expense on borrowings.

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.

Financial assets

Recognition and derecognition

Financial assets are recognised initially on 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.

Classification and initial recognition of financial assets

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

Financial assets are classified into the following categories:

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

The classification is determined by both:

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

2. **ACCOUNTING POLICIES - continued**

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 Company's cash and cash equivalents, trade and most other receivables fall into this category.

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

Impairment of financial assets

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

The Company 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 Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are recognised initially on 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 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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES - continued

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 Company 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

2. ACCOUNTING POLICIES - continued

Employee benefit costs

The Company operates a defined contribution pension plan for certain employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions payable to the defined contribution pension plan are recognised as an employee benefit expense in the statement of comprehensive income in the period during which services are rendered by employees.

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 and the determination of their value

The Company's 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 Company's investment properties were all valued independently at 30 June 2019 at £6,123,000.

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.

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.

3. REVENUE

The Company 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 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 Company, and, in certain cases, the management of property assets owned by third parties.

The Company'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.

K&C (OSPREY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019**

3. REVENUE - continued

Revenue consists of:

	2019	2018
	£	£
Management fees	74,887	73,605
Resale commission	62,490	41,400
Ground rents	16,649	15,780
Other income	3,895	2,150
	<u>157,921</u>	<u>132,935</u>

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	60,093	60,118
Social security costs	8,416	2,189
Pension costs	2,123	1,277
	<u>70,632</u>	<u>63,584</u>

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

	2019	2018
Wages and salaries	<u>3</u>	<u>3</u>

Directors' remuneration is borne by the parent company.

The directors are considered to be key management personnel.

5. FINANCE INCOME AND COSTS

	2019	2018
	£	£
Finance income:		
Bank interest	<u>16</u>	<u>16</u>
Finance costs:		
Loan interest	<u>110,130</u>	<u>9,144</u>

K&C (OSPREY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

6. (LOSS)/PROFIT BEFORE TAXATION

The (loss)/profit before taxation is stated after charging:

	2019	2018
	£	£
Hire of plant and machinery	1,961	2,034
Other operating leases	13,052	13,140
Depreciation	10,009	5,154
Auditors' remuneration – audit services	5,000	5,000
Pension costs	<u>2,123</u>	<u>1,277</u>

7. TAXATION

Analysis of tax credit

	2019	2018
	£	£
Current tax:		
UK corporation tax	-	-
Deferred tax	<u>-</u>	<u>-</u>
Total tax credit	<u>-</u>	<u>-</u>

Factors affecting the tax expense

The tax assessed for the year is higher (2018 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(210,963)</u>	<u>818,768</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	<u>(40,083)</u>	<u>155,566</u>
Effects of		
Income not taxable	(30,008)	(226,928)
Expenses not taxable	70,091	71,362
Tax credit	<u>-</u>	<u>-</u>

8. LEASING AGREEMENTS

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

	2019	2018
	£	£
Within one year	<u>16,425</u>	<u>10,740</u>

K&C (OSPREY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 July 2018	40,996	1,579	42,575
Additions	-	-	-
At 30 June 2019	<u>40,996</u>	<u>1,579</u>	<u>42,575</u>
DEPRECIATION			
At 1 July 2018	6,000	1,566	7,566
Charge for year	<u>9,996</u>	<u>13</u>	<u>10,009</u>
At 30 June 2019	<u>15,996</u>	<u>1,579</u>	<u>17,575</u>
NET BOOK VALUE			
At 30 June 2019	<u>25,000</u>	<u>-</u>	<u>25,000</u>
At 30 June 2018	<u>34,996</u>	<u>13</u>	<u>35,009</u>

A fixed and floating charge is in place over all of the property and assets of the Company, see note 15 for further details.

10. INVESTMENT PROPERTIES

	Total £
FAIR VALUE	
At 1 July 2018	6,150,000
Revaluations	<u>(27,000)</u>
At 30 June 2019	<u>6,123,000</u>
NET BOOK VALUE	
At 30 June 2019	<u>6,123,000</u>
At 30 June 2018	<u>6,150,000</u>

A fixed and floating charge is in place over all of the property and assets of the Company, including the property known as Heathside, 562 Finchley Road, see note 15 for further details.

The properties were valued by professionally qualified independent external valuers in 2019, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards 2014, as amended, resulting in a revaluation to £6,123,000.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

10. INVESTMENT PROPERTIES - continued

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 values used are considered to be level 3 inputs under IFRS 13. The valuer visited all material properties and his valuations were based on both internal and external site visits.

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

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	3.29% - 5.39%
		Adopted rate per square foot	£332 - £825

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.

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.

The total rental income in relation to investment properties for the Company equated to £nil (2018 - £nil). The total rental expenses in relation to investment properties for the Company equated to £nil (2018 - £nil).

11. INVESTMENTS

	Shares in group undertakings £
COST	
At 1 July 2018	1
Disposals	(1)
	<hr/>
At 30 June 2019	-
	<hr/>
NET BOOK VALUE	
At 30 June 2019	-
	<hr/> <hr/>
At 30 June 2018	1
	<hr/> <hr/>

During the year the dormant 100% subsidiary of the company, K&C REIT Limited, was dissolved.

K&C (OSPREY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019**

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	£	£
Trade debtors	-	70
Other debtors	11,917	14,604
Prepayments and accrued income	356	516
VAT recoverable	-	1,336
	<u>12,273</u>	<u>16,526</u>

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 18.

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

13. CASH AND CASH EQUIVALENTS

	2019	2018
	£	£
Cash in hand	40	40
Bank accounts	<u>8,764</u>	<u>5,934</u>
	<u>8,804</u>	<u>5,974</u>

14. SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018
			£	£
60,000	Ordinary	£1	<u>60,000</u>	<u>60,000</u>

All shares rank pari passu for the purposes of dividends, voting and any return on capital.

K&C (OSPREY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019**

15. FINANCIAL LIABILITIES - BORROWINGS

	2019 £	2018 £
Non-current		
Other loans	<u><u>1,940,138</u></u>	<u><u>1,940,138</u></u>

Terms and debt repayment schedule

	1 year or less	1-2 years	2-5 years	More than 5 years	Totals
	£	£	£	£	£
Other loans	-	-	1,940,138	-	1,940,138
	-	-	1,940,138	-	1,940,138

A three-year loan of £1,995,000 was entered into during the 2018 financial year. Although the amount loaned to the Company was £1,995,000, an amount of £54,862 was withheld by the lender as an interest reserve. The loan is repayable by 36 monthly instalments of £9,144 and a final instalment of £1,940,138. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 5.50%. The loan is secured by a fixed and floating charge over all of the property and assets of the Company, including the property known as Heathside, 562 Finchley Road.

16. TRADE AND OTHER PAYABLES

	2019 £	2018 £
Other taxes and social security	11,962	2,670
Other creditors	6,920	16,328
Amount due from parent company	405,824	230,597
Deferred income	-	3,694
Accrued expenses	<u>4,171</u>	<u>3,058</u>
	<u><u>428,877</u></u>	<u><u>256,347</u></u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 18.

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

Amounts due from the parent company are unsecured, interest free and repayable on demand.

17. FINANCIAL INSTRUMENTS

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

	2019 £	2018 £
Carrying amount of financial assets at amortised cost		
Trade and other receivables	12,273	16,526
Cash at bank and in hand	<u>8,804</u>	<u>5,974</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019

18. **FINANCIAL RISK MANAGEMENT**

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 and accumulated profits.

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.

Sensitivity

Interest rate sensitivity:

At 30 June 2019, if interest rates had been 0.5 percentage point higher and all other variables were held constant, it is estimated that the Company's loss before tax would increase to £220,938 (2018 – profit reduced to £808,793). This is attributable to the Company'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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2019**

19. POST BALANCE SHEET EVENTS

Since the balance sheet date, a flat at Heathside was sold for £538,000 in line with carrying value and £353,950 was applied for part repayment of the £1,940,138 Proplend loan.

In January 2020, an outbreak of a novel coronavirus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic. At the date of signing of this report, confirmed cases were in excess of 723,000 and deaths caused by COVID-19 were in excess of 33,000. In order to stem the spread of the virus, Governments around the World are taking drastic steps which include compulsory closure of various businesses, shops and schools and are also heavily restricting of movement of people.

Due to the rapid development of COVID-19, the degree of uncertainty involved and the unprecedented nature of the challenges posed by the coronavirus situation, The Directors are of the opinion that it is too soon to quantify what financial impact that the COVID-19 pandemic will cause but are monitoring the situation closely.

20. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of KCR Residential 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.kcrreit.com.