REGISTERED NUMBER: 09080097 (England and Wales)

KCR RESIDENTIAL REIT plc

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2024

KCR RESIDENTIAL REIT plc

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FOR THE YEAR ENDED 30 JUNE 2024

KCR RESIDENTIAL REIT plc

COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2024

DIRECTORS	James F Thornton	Non-Executive Chairman
	Russell J Naylor	Executive Director
	Richard J Boon	Non-Executive Director
	Gordon D Robinson *(appointed 1 April 2024)*	Non-Executive Director
	Dominic A White *(resigned 1 April 2024)*	Non-Executive Director
SECRETARY	Azets (CHBS) Limited	
REGISTERED OFFICE	Gladstone House, 77-79 High Street Egham Surrey TW20 9HY	
BUSINESS ADDRESS	c/o Gladstone House, 77-79 High Street Egham Surrey TW20 9HY	
REGISTERED NUMBER	09080097 (England and Wales)	
INDEPENDENT AUDITOR	Grant Thornton Limited St James Place St James Street St Peter Port Guernsey GY1 2NZ	
SOLICITORS	Bryan Cave Leighton Paisner LLP Governor's House 5 Laurence Pountney Hill London EC4R 0BR Blake Morgan LLP 6 New Street Square London EC4A 3DJ	
NOMINATED ADVISER	Cairn Financial Advisers LLP Ninth Floor 107 Cheapside London EC2V 6DN	
BROKER	Zeus Capital Limited 125 Old Broad Street London EC2N 1AR	
REGISTRARS	Share Registrars Limited 3 The Millenium Centre Crosby Way Farnham Surrey GU9 7XX	
WEBSITE	www.kcrreit.com	

CHAIRMAN'S LETTER
FOR THE YEAR ENDED 30 JUNE 2024

Dear Shareholder

This year we have continued to implement the strategy we have applied since 2020 to deliver further growth of the business in an environment that has been increasingly challenging. Sustained higher interest rates, cost of living pressure and underlying cost escalation have presented ongoing challenges for the business. Pleasingly, notwithstanding the inflationary pressures across most aspects of the economy that resulted in ongoing cost increases, management's active targeting of costs delivered a reduction in administrative expenses in what can only be described as an adverse operating environment.

Whilst solid progress has been made in reducing cash burn, the business continues to be cash negative, albeit at the lowest level to date in the Company's history.

The continued improvement in operating performance during the year was offset by the impact of weaker property market conditions and continuing expansion in yields resulting in a non-cash impairment of £679k which impacted the profit and loss account and balance sheet.

Market conditions remain soft; however if interest rates continue to reduce over the medium term we reasonably expect this will result in tightening of yields which will have a positive impact on valuations.

Strategy and Operations

During the financial year, and as reported at the half year, we have been continuing to focus on optimising the performance of the existing assets whilst continuing to control costs to achieve a cash neutral position. Solid progress has been made in this regard over the 2024 financial year and the strategy remains to:

- improve the rental revenue from the existing properties;
- progressively upgrade the overall portfolio quality;
- explore the development opportunity within the portfolio; and
- focus on controlling and reducing costs where possible.

It is worth reflecting that this operating strategy consistently applied over the five years since the Torchlight transaction of August 2019, to what is essentially the same property footprint, has delivered a five year revenue increase of an average of 15% per annum, from £1.04 million in 2020 to £1.8 million in 2024, and a reduction in administrative costs from the 2020 level of £1.61 million (including resizing of existing remuneration cost) to £1.33 million in 2024, a reduction of an average of 5% per annum. over the five year period. This reduction in costs has been achieved in inflationary times for all of labour, material and utility costs and reflects the strong management focus on controlling costs throughout this period.

Revenue growth for the 2024 financial year has been driven by the work completed over the last couple of years to modernise and improve the standard of the property portfolio. As works have been completed and the apartments let up, in particular at Coleherne Road and Deanery Court, enhanced operating performance has been achieved.

Deanery Court, which was converted to the Cristal Apartments operating model during the last financial year, has been a core driver of revenue growth over the 2024 financial year and is expected to deliver additional growth in the current financial year.

The works programme outlined in prior periods within the retirement portfolio to substantially upgrade the internal and external common parts of a number of the freehold properties for the benefits of residents was successfully completed during the financial year.

Development opportunities within the existing portfolio continue to be explored, with costs associated with this being closely managed. We have evaluated options for the Ladbroke Grove properties and are progressing a preferred planning outcome there. We are also considering testing the market with completion of a more holistic refurbishment of a selected number of flats as they become vacant to assess market outcomes for repositioned product in this location.

Capital

The existing floating rate Secure Trust facility was refinanced during the financial year into a new fixed rate facility with increased funding primarily to provide support for incremental acquisitions within the Heathside property. Details of this refinanced facility are set out in note 18 to the financial statements.

Market Conditions and Outlook for the Group

From a macro-economic perspective, sustained higher interest rates and cost of living pressures have continued to present ongoing challenges for the Group. The strong growth in Group rental levels that has been achieved over the last five financial years, up to and including 2024, is expected to continue over the 2025 financial year.

However, softer residential property market conditions flowing from the impact of sustained higher interest rates and tighter debt markets has seen a reduction in capital values and an expansion in yields which have negatively impacted carrying values for the 2024 financial year.

Whilst in the prior financial year rental growth outstripped yield expansion, further easing in yields has resulted in rental growth being insufficient to fully offset the impact on values.

Yield expansion is seen as cyclical however any tightening is expected to lag an improvement in property market conditions.

The rental market remains tight and we reasonably expect rents to continue to increase over the current financial year reflecting tightness in supply and underlying cost pressure for landlords more generally.

Following completion of the planned capital works programme within the retirement portfolio there are no major works planned for the current financial year. Our focus is on optimising performance from the existing Group assets whilst controlling costs. Selective acquisitions at Heathside will also be considered given their accretive nature and strong market demand.

Existing portfolio performance remains strong, with continued growth being delivered over the 2024 financial year. Increased focus on the Cristal Apartments' walk in walk out model has increased tenancy churn with more void periods. This is however compensated for via the substantially higher rentals being achieved overall. Nominal rental arrears have been experienced with no write off's incurred over the 2024 financial year.

KCR continues to look for acquisitions on a disciplined basis and whilst softer market conditions are presenting better opportunities, tightness in debt markets and the higher cost of debt have made it challenging to support both the investment and the capital raising that would be required to complete a transaction.

The Group's overall long-standing objective remains to grow the size of its residential portfolio to deliver an increase in revenue and profitability against its central overhead base and achieve an ability to pay dividends. At present, while we continue to focus on growing net asset value per share, we anticipate that with improving cash characteristics and the potential for yield compression, we will to be able to achieve this in the coming periods.

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

James Thornton

James Thornton

Chairman

18 September 2024

CHIEF EXECUTIVE'S LETTER
FOR THE YEAR ENDED 30 JUNE 2024

Dear Shareholder

I have pleasure in reporting to you on the progress of the Group for the year to 30 June 2024.

Our efforts over the last couple of years to restructure the balance sheet and to modernise and improve the standard of the property portfolio together with the introduction of the Cristal Apartments operating model, has resulted in the Group being well positioned to continue to drive growth from its existing assets.

Operational highlights –

- Revenue for the financial year increased by 14% (to £1.80 million up from £1.58 million in 2023) - largely underpinned by the modernisation and improvement in the standard of the rental product offered combined with the introduction of the Cristal Apartments operating model at Coleherne Road and Deanery Court.

- Portfolio level occupancy has remained strong over the financial year with rental increases continuing to be achieved at renewals / re-lettings. The introduction of the Cristal Apartments operating model has resulted in more volatility in occupancy levels within properties operated on this basis, however this is offset by substantially improved overall rental income being generated. The Cristal Apartments operating model inherently comes with more occupancy volatility levels; however this is compensated by the fact that it generates substantially more revenue.

- Active focus on cost management resulted in administrative expenses reducing by 7% to £1.33 million (down from £1.43 million in 2023). Given the ongoing cost pressure across the business as a whole this is a particularly pleasing result. Costs continued to be tightly controlled and whilst the current underlying inflationary environment continues to present challenges, we continue to look for avenues to reduce or maintain costs at current levels.

- Cash used in operations reduced by 81% to £75k (down from £387k in 2023). Whilst the business remains cash negative, the cash burn has reduced to the lowest level in the Company's history. After allowing for financing charges, net cash used in operating activities reduced by 29% to £659k (down from £934k in 2023).

The ongoing focus on improving operational performance and control of costs continues to minimise the cash burn from operating activities. Whilst the business has not yet achieved a cash neutral position, progress continues to be made in achieving this aim.

Deanery Court is expected to be a primary contributor to revenue growth over the course of the 2025 financial year as we continue to focus on improving performance from this asset. We will also be looking to achieve reductions in operating costs associated with this asset over the current financial year to enhance the net contribution from this asset.

Focus to drive value over the next financial year is:

- optimising performance from existing assets by improving average occupancy under the Cristal Apartments operating model and ongoing focus on repricing rents as tenancies expire;
- reducing operating costs associated with Deanery Court to further enhance the net contribution from this asset;
- continuing to progress planning works at Ladbroke Grove;
- control of core running costs with incremental reductions where possible; and
- acquisitions to increase scale (subject to pricing / value drivers).

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

Property portfolio

Property transactions during the year

Acquisition opportunities were considered during the year, however, none were progressed. We continue to maintain a disciplined approach to acquisitions and will only pursue those that we believe will offer compelling value to shareholders. As outlined above, higher debt costs have made it challenging to support both the investment and capital raising that would be required to support any acquisitions.

Existing portfolio

KCR continues to focus on improving performance from its existing portfolio. The investment over recent years in improving the quality of the portfolio has continued to deliver revenue growth and we reasonably expect to continue to drive further growth from the existing assets over the course of the current financial year.

The conversion of Deanery Court to the Cristal Apartments operating model during the 2023 financial year has resulted in improved performance from this asset which has been a key contributor towards revenue growth during the 2024 financial year. This property is well positioned to continue to deliver further improvements in operational performance during the current financial year.

We are continuing to progress our preferred planning outcome for the Ladbroke Grove properties and are considering testing the market with the completion of more substantive refurbishment works, as flats become vacant to test market acceptance of a repositioned product.

As outlined in prior annual reports, KCR has created two operating lines, clearly identifiable by brand, property quality and letting strategy.

1. Cristal Apartments. Residential apartments, finished to a high modern specification, furnished and let on a Walk-In-Walk-Out (WIWO) basis (utilities subject to fair usage caps, internet, furniture, and TV licence included in the rental agreement) for a frictionless and flexible letting experience. Rental contracts may be from a week to multi-year.

2. Osprey Retirement Living. 4* retirement living property rented on the same basis as above, with optionality on furniture. Rental contracts via standard AST (six months plus).

1. <u>Cristal Apartments (WIWO letting strategy)</u>

The Coleherne Road and Deanery Court properties are both branded and operated under the Cristal Apartments brand. Both have delivered substantially improved performance following the repositioning of the rental product offered and conversion to the WIWO operating model.

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

- The Ladbroke Grove portfolio (owned by KCR (Kite) Limited) consists of 16 studio, one and two-bedroom flats in three buildings which remain 100% occupied. Units are being lightly refurbished as tenants leave and are then re-let in the private market. Planning works continue to be progressed and options for this property evaluated, but progress is slow. Consideration is being given to testing market for repositioned product by completing a more holistic refurbishment if a flat becomes available.

- The Southampton block of 27 residential units at Deanery Court, Chapel Riverside (owned by KCR (Southampton) Limited) has been converted to the WIWO operating model and has been a key driver of growth over the 2024 financial year. We believe this asset will continue to be a key driver of growth over the current financial year as we focus on continuing to optimise performance of this asset.

2. *Osprey Retirement Living (4* retirement apartments)*

The Osprey portfolio (K&C (Osprey) Limited) consists of 153 flats and 13 houses let on long leases in six locations, together with an estate consisting of 30 freehold cottages in Marlborough, where Osprey delivers estate management and sales services.

Whilst there remains some uncertainty over the future value of ground rents, this makes up a minor part of the overall portfolio valuation. Heathside at Golders Green remains the most substantive asset within the portfolio and the Company's strategy remains to continue to acquire flats within this property. The ten flats now owned within Heathside are delivering strong rental returns on cost and have assisted in supporting Group revenue growth. We continue to focus on unlocking value via completion of lease extensions on the shorter dated long leasehold flats.

Heathside situated at Golders Green represents 75% of the Osprey portfolio value, where 27 of the 37 residential units are held on a long leasehold basis. The strategy continues to be to selectively acquire (subject to pricing) long-leasehold units in the block, refurbish them to a high standard and let them in the open market under assured shorthold tenancies. This strategy continues to provide strong rental returns for the Group. Since successfully taking back management of this property from the RTM Co in 2022, a substantive upgrade to all of the interior common parts and a large component of the exterior has been completed. The works programme has enhanced both the aesthetics and liveability of the property for the benefit of residents and is considered positive for both future capital values and achievable rentals for the apartments owned within the freehold.

Financial

The current financial year reflects continued solid growth in gross revenue and further improved operating performance. following the refurbishment works and asset repositioning programme that has been implemented together with the ongoing focus on cost control of core operating overheads. Negative impact of fair value movements following deterioration in market conditions largely reversed prior year valuation gains. KCR has recorded an operating loss of £555k after a non-cash revaluation loss of £679k before separately disclosed items.

As at the year end the Group had approximately £932k in cash and cash equivalents (2023: £981k). Further details regarding the financial performance of the Group can be found in the Strategic Report on the following pages.

Prospects

KCR continues to make progress towards becoming cashflow positive. We continue to work on achieving this and look forward to delivering further improved performance from the existing portfolio over the current financial year.

I am pleased by the ongoing progress made this year towards achieving a cash positive position which will provide the Company with a stable operating base from which to grow.

Strong underlying rental growth was outstripped by the expansion in capitalisation rates / yields reflecting the higher interest rate environment and softer residential property market conditions. This resulted in a non cash fair value loss being recorded which largely unwound last year's valuation gains. This is considered to be cyclical in nature rather than a permanent loss of value. Residential property market conditions are expected to continue to fluctuate over time, however there remains a structural undersupply across the United Kingdom which is viewed as positive for both future rental levels and capital values.

Russell Naylor
Executive Director

18 September 2024

The Directors present the strategic report of KCR Residential REIT plc ('KCR' or the 'Company') and its subsidiaries (together, the 'Group') for the year ended 30 June 2024.

PRINCIPAL ACTIVITY

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

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

Throughout the year the Company remained a REIT and has complied with REIT rules throughout the period and since the balance sheet date.

GROUP STRATEGY

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

RESULTS

The Group reports a consolidated loss of £1,186,075 for the year to 30 June 2024 (2023: a consolidated loss of £166,136).

REVIEW OF BUSINESS AND FINANCIAL PERFORMANCE

The Board has reviewed whether the Annual Report, taken as a whole, presents a fair, balanced and understandable summary of the Group's position and prospects, and believes that it provides the information necessary for shareholders to assess the Group's position, performance, and strategy.

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

Revenue in this financial year increased by 14% to £1,796,106 (2023: £1,575,482). Core portfolio revenue (relating to rentals) was the primary contributor to revenue growth with the Deanery Court property being a key driver.

The Cristal Apartments operational model is expected to result in lower levels of occupancy but enhanced revenue. We will be revisiting the APM in respect of occupancy given this.

The Group recorded an operating loss before separately disclosed items of £554,677 (compared to an operating profit of £718,546 in 2023). Deterioration against the prior year was due to a reversal of prior year valuation gains with a negative revaluation movement of £679,000 (compared to a positive contribution of £831,800 in 2023). After allowing for separately disclosed items and finance costs, the loss before taxation was £1,186,075 (2023: loss of £166,136). The negative fair value movement and separately disclosed items relating to financing accounted for the majority of the loss before taxation in the 2024 financial year. The Group reports the operating result both before and after separately disclosed items as the costs associated with refurbishment works is expected to vary significantly year-on-year.

Total assets at 30 June 2024 decreased to £26,711,116 (2023: £27,239,937). This decrease was mainly due to a reduction in the valuation of the investment properties of £679,000.

Net assets decreased to £12,323,126 (2023: £13,509,201) and net asset value per share decreased to 29.57p (2023: 32.42p).

KEY PERFORMANCE INDICATORS

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

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

1. **At property level:**

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

    Target occupancy of at least 90% achieved for the non walk in walk out apartments; and

    1.2. Outstanding rents as a percentage of rental income

    Target debtor balance of less than 10% of rental revenue achieved.

    Now that Deanery Court is being operated under the Cristal Apartments operating model, target vacancy rate for this property will be reviewed over the course of the current financial year. Deanery Court achieved an average occupancy rate of 61% over the 2024 financial year which is considered a solid result for its first full year of operation under the Cristal Apartments operating model.

2. **At Group level:**

    Near term focus continues to be on reducing costs, enhancing revenue and growing the business to achieve a cash break-even position (before separately disclosed capital expenditure), to provide a stable base from which to grow. Good progress in this respect is being made. In order to achieve this, the Group is focusing on optimising performance from the existing assets and incremental acquisitions where they make sense.

RISKS AND UNCERTAINTIES

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and its regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development are:

- ***Financing and liquidity risk***
  The Company has an ongoing requirement to fund its activities through the equity markets and in the future to obtain finance for property acquisition and development. Although there is no certainty that such funds will be available when needed, the Company believes it would be able to access further funding for the Directors to continue to focus on selectively growing the Group's asset base;

- ***Financial instruments***
  Details of risks associated with the Group's financial instruments are given in note 20 to the financial statements. The Directors seek to mitigate these risks in manners appropriate to the risk; and

- ***Valuations***
  The valuation of the investment property portfolio is inherently subjective as it is made on the basis of assumptions made by the valuer or the Directors, that may not prove to be accurate. The outcome of this judgment is significant to the Group in terms of its investment decisions and results. The Directors, who have long experience of property and valuation principles, seek to mitigate this risk by employing independent valuation experts to complete periodic valuations of the assets in the portfolio. Valuation assumptions are reviewed and considered by the Directors for reasonableness.

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

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

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

We aim to work responsibly with our stakeholders and outline below the key Board decisions made during the 2024 financial year:

Key Decision	Stakeholders	Action and Impact
Governance Policies	Regulators / Shareholders	The Board periodically reviews governance policies for the Company and terms of reference for established committees to ensure they remain appropriate for the Group. A robust governance framework is an integral part of how the Company operates and ensures compliance with its AIM quotation and regulatory requirements, including compliance with REIT regulations.

<table>
<tr><td></td><td></td><td>The Company considers that the confidence provided to all stakeholders from a robust governance framework is an important component for ongoing stakeholder support of the Company.</td></tr>
<tr><td>Strategy Implementation</td><td>Tenants / Shareholders</td><td>The Company continued to take actions to implement the strategy outlined in last year’s Annual Report.

Primary focus was –
▪ Optimising revenue from Deanery Court following the transition to the Cristal Apartments operating model.

▪ Progressing incremental refurbishment works to enhance the quality of the rental product provided.

▪ Progressing planning works to enhance value within the existing portfolio.

▪ Successful implementation of strategy is expected to result in continued improved financial performance of the Company.

Improving the quality of the standard of rental accommodation provides tenants with an enhanced and hassle-free rental experience. For shareholders, the investment in improving the quality and standard of the rental product is a primary driver of improved financial performance for the Company.

Within the Residential portfolio, completion of extensive works on the central internal areas and the external fabric of the buildings, particularly at Heathside and Challoner Court, provided benefit to the residents in 2024 and moving forward.</td></tr>
</table>

FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements which have been made by the Directors in good faith, based on the information available at the time of the approval of the Annual Report and financial statements. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements.

OUTLOOK

Whilst the near-term focus remains on improving the operational performance of the existing assets and containing or reducing costs, the Group is continuing to investigate the purchase of residential property assets that are capable of supporting an increasing income yield. It may be necessary for the Group to raise more capital in order to achieve this objective.

ON BEHALF OF THE BOARD:

Russell Naylor
Executive Director

18 September 2024

Compliance with the QCA code

During the year to 30 June 2024 KCR Residential REIT plc, while an AIM quoted Company, was operating with four directors and four employees. In September 2018, it adopted the QCA Code but with such a tightly controlled operational and risk environment was not able to, in all areas, fully comply with the principles. During the current year, the Directors have continued to work towards compliance and updating the website to comply as far as possible with the following QCA Code principles, noting areas where the small scope of operations limits their ability to fully comply:

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

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

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

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

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

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

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

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

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

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

The Company seeks to communicate with its shareholders on a timely and transparent basis at all times. Announcements through Regulatory News Services (‘RNS’) are as comprehensive as possible. As part of the Company's repositioning, the speed of reporting of the interim and full year results to shareholders has substantially improved.

The Chief Executive attends and presents at investor forums from time to time, as well as holding discussions with analysts, shareholders and investment managers on an ad hoc basis.
It is apparent from such interaction that shareholders have several concerns, including:

- How do the Directors propose to expand operations without dilution to existing shareholdings?

  Since property companies are capital-intensive, the Company will raise equity over time to fund the acquisition of new properties. Torchlight Fund LP exercising its option rights as accepted and approved by shareholders was dilutive to shareholders. Going forward, the Board will aim to maximise the issuance price of any additional equity offerings such that issuances are accretive or, if that is not possible, they will aim to offer all shareholders the opportunity to participate in the offering on a pre-emptive basis.

- When will the Company become profitable?

  Historically the Company has advised that it may become profitable and cash flow positive once it has approximately £50m of investments generating satisfactory rental income. In view of the improved operational performance and cost reductions, it is now considered likely that the Company may become profitable with less than £50m of income generating investments. Executive management is focused on achieving this objective as soon as possible. This is naturally dependent on the availability of suitable transactions and the ability to complete the acquisitions either via additional equity capital or debt.

Shareholder liaison is managed though Russell Naylor Russell.Naylor@kcrreit.com.

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

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

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

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

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

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

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

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

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

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

The Board has audit and remuneration sub-committees that are chaired by non-executive directors.

All of the Directors devote such time to the Company's affairs as the Board considers appropriate.

KCR believes that a board of four members is appropriate for a business of its size and is in line with its efforts to reduce operating costs, assisting with its drive to profitability. Following the resignation of Dominic White and subsequent appointment of Gordon Robinson on 1 April 2024, the Company has two Independent Non-Executive Directors.

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

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

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

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

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

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

The Board of KCR comprises:

Name	**Role**	**Appointed**	**Status**
Russell Naylor	Executive Director	06 August 2019	Non-independent
James Thornton	Non-Executive Chairman	06 August 2019	Independent
Richard Boon	Non-Executive Director	06 August 2019	Non-independent
Gordon Robinson	Non-Executive Director	01 April 2024	Independent

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

In these tasks, Russell Naylor will be supported by the Non-Executive Directors advising on matters such as internal financial controls, financial management, capital planning and overseeing the preparation of financial reports to shareholders.

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

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

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

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

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

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

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

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

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

The Executive Director, Russell Naylor:
- is primarily responsible for developing the Company's strategy in consultation with the Board, for its implementation and for the operational management of the business;
- is primarily responsible for new projects and expansion;
- runs the Company on a day-to-day basis;
- implements the decisions of the Board;
- monitors, reviews and manages key risks;

- is the Company's primary spokesperson, communicating with external audiences, such as investors, analysts and the media;
- is primarily responsible for the systems of financial controls in operation for the Company and each of its subsidiaries;
- is primarily responsible for all financial management and financial planning matters;
- monitors, reviews and manages key risks as they relate to financial impact; and
- implements the financial and internal control decisions of the Board.

The Remuneration Committee is chaired by Richard Boon, Non-Independent Non-Executive Director, and also comprises Richard Boon, James Thornton and Gordon Robinson, both Independent Non-Executive Directors. The remuneration committee meets on an ad hoc basis when required.

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

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

Matters reserved for the Board include:
- vision and strategy;
- review of budgets, asset plans and trading results;
- approving financial statements;
- financing strategy, including debt strategy;
- business planning relating to acquisitions, divestments and major refurbishments not already agreed in the strategy and asset plans;
- capital expenditure in excess of agreed budgets;
- corporate governance and compliance;
- risk management and internal controls;
- appointments and succession plans at senior management level; and
- Directors' remuneration.

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

The Company’s website sets out the principal approach of the Company to governance. It contains all relevant documents and information for shareholders, including all RNS announcements, financial reports, shareholder circulars, and the Company's articles.

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

Audit & Risk Committee Report

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

The Audit & Risk Committee is chaired by Independent Non-Executive Chairman, James Thornton, with a quorum of a minimum of two Non-Executive Directors. There are three Non-Executive Director members; James Thornton, Gordon Robinson and Richard Boon.

During the 2024 financial year the Audit & Risk Committee met four times to review and recommend the interim and year-end financial statements and separately in 2023 and 2024 to review risk issues and regulatory and governance matters.

Remuneration Committee Report

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

During 2024, the Remuneration Committee met to review and approve senior management salaries and bonus structure for staff.

It is the Company's policy that the remuneration of Directors should be commensurate with the services provided by them to the Company and should take account of published data on reasonable market comparable groups, where available. Details of the Directors' remuneration are set out in the Report of the Directors on page 20.

The Directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2024.

A review of the business, risks and uncertainties and future developments is included in the Chairman's Letter, the Chief Executive’s Letter, the Group Strategic Report, and in note 20 to the financial statements.

DIVIDENDS

The Directors do not recommend payment of a dividend for the year (2023: £nil).

POLITICAL DONATIONS

The Group made no political donations during the year (2023: £nil).

DIRECTORS

The following Directors served during the year to 30 June 2024 and up to the date of approval of this Annual Report:

Name	
James Thornton	
Russell Naylor	
Richard Boon	
Dominic White	Resigned 1 April 2024
Gordon Robinson	Appointed 1 April 2024

The beneficial interests of the Directors holding office at 30 June 2024 in the issued share capital of the Company were as follows:

	Ordinary Shares		
	At 30 June 2023	Issued in the year	At 30 June 2024
Name	**No.**	**No.**	**No.**
James Thornton	22,222	--	22,222

The beneficial interests of the directors holding office at 18 September 2024 in the issued share capital of the Company were as follows:

	At 30 June 2024	Issued in the period	At 18 September 2024
Name	**No.**	**No.**	**No.**
James Thornton	22,222	-	22,222

SUBSTANTIAL SHAREHOLDINGS

As at 18 September 2024, the Directors had been notified that the following shareholders owned a disclosable interest of three percent or more in the Ordinary Shares of the Company:

Name	Interest %
Torchlight Fund LP	55.44%
Acuity RM Group Plc	5.85%
Moore House Holding Ltd	5.66%
Poole Investments Ltd	4.32%
Venaglass Ltd	3.80%

DIRECTORS' REMUNERATION

The Directors received the following remuneration for their services during the year:

Name	2024 Remuneration £	2023 Remuneration £
Dominic White	13,500	18,000
Russell Naylor*	115,000	115,000
James Thornton	30,000	30,000
Richard Boon	30,000	30,000
Gordon Robinson	4,500	--
	193,000	193,000

* The remuneration paid to Russell Naylor included fees of £48,000 charged by Naylor Partners, a business in which Russell Naylor is a director (2023 - £48,000).

INTERNAL CONTROLS AND RISK MANAGEMENT

The Directors are responsible for the Group's system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

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

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

Details of financial risk management are included within the Risks and Uncertainties section of the Group Strategic Report, on page 10.

BRIBERY RISK

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

OTHER MATTERS

i. ***Environmental***

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

ii. ***Group employees***

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

iii. ***Social matters***

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

iv. ***Respect for human rights***

The Group always respects the human rights of its stakeholders.

v. ***Contributions to pension schemes***

No pension scheme benefits are being accrued by the Directors.

DIRECTORS' INDEMNITIES AND INSURANCE

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors during the year and they remain in force at the date of approval of this Annual Report.

GOING CONCERN

The Directors have adopted the going concern basis in preparing the financial statements.

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

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

See note 2 to the financial statements for further details.

POST BALANCE SHEET EVENTS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- assess the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless they either intend to liquidate the Group, cease operations or have no realistic alternative but to do so.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

ON BEHALF OF THE BOARD

Russell Naylor
Executive Director

18 September 2024

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

Opinion

We have audited the financial statements of **KCR Residential REIT Plc** (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK Adopted International Accounting Standards (UK Adopted IASs).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2024 and of the Group's loss for the year then ended;
- are in accordance with UK Adopted IASs; and
- have been prepared in accordance with the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed entities/ public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

- Obtaining the 12-month going concern assessment performed by management, including the assumptions and sensitivities prepared by management;
- Challenging the appropriateness of management's forecasts by:
  - checking the mathematical accuracy of the cash flow forecast;
  - assessing the key assumptions used in the going concern assessment based on our knowledge of the Group and the current economic climate; and
  - assessing whether management has taken into account the principal and emerging risks noted in the annual report.
- We determined whether there is a material uncertainty which casts significant doubt over the ability of the Group and the Parent Company to continue as a going concern; and
- We assessed the disclosures in the financial statements relating to going concern, to ensure they were in compliance with IAS 1.

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

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

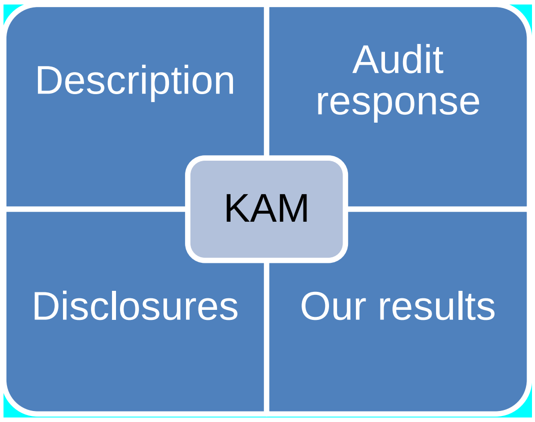
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our approach to the audit

Grant Thornton 	Overview of our audit approach
	Overall materiality: Group: £246,000, which represents 2% of the Group's net assets. Parent Company: £154,000, which represents 2% of the Parent Company's net assets.
	Key audit matters were identified as: Valuation of Investment Properties (same as previous year) Our audit approach was a risk-based substantive audit focused on the investment activities of the Group.

Key audit matters

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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

Key Audit Matter - Group	How our scope addressed the matter- Group
Valuation of Investment Properties (2024: £25.2m and 2023: £25.8m) The Group holds investment properties which comprise properties owned by the Group held for rental income and capital appreciation. Investment properties are measured at fair value with reference to full and desktop valuation reports being prepared by the management expert while directors' valuation specific to the Osprey portfolio. Various assumptions are used in the valuation based on a market approach which provides an indicative value by comparing the property with other similar properties for which price information is publicly available and other relevant factors. Hence, there is subjectivity involved and an opportunity to manipulate the fair values and related assumptions. The valuation of investment properties requires significant judgement in determining the appropriate inputs to be used in the model and there is a risk that the properties are incorrectly valued.	In responding to the key audit matter, we performed the following audit procedures: ○ Updated our understanding of the processes, policies and methodologies, including the use of industry specific measures, and policies for valuing investment properties held and performed test of design and implementation of relevant controls; ○ Obtained a copy of the valuation reports prepared by the management expert and directors' valuations and confirmed that these reports are reviewed and approved by management through the review of board minutes; ○ Assessed the independence, competence and objectivity of the management expert; ○ Assessed and corroborated market related judgements and valuation inputs (i.e., gross yield, rate per square foot) by reference to comparable transactions, and independently compiling databases/indices; ○ Determined whether the methodologies used to value the investment properties were consistent with methods usually used by market participants for similar types of properties; and ○ Assessed the adequacy of the financial statement disclosures in relation to the use of estimates and judgements regarding the fair value of the investment properties. **Our results** Based on the procedures performed we have not identified any material issues that would suggest the valuation of investment properties is inappropriate.

Our application of materiality

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

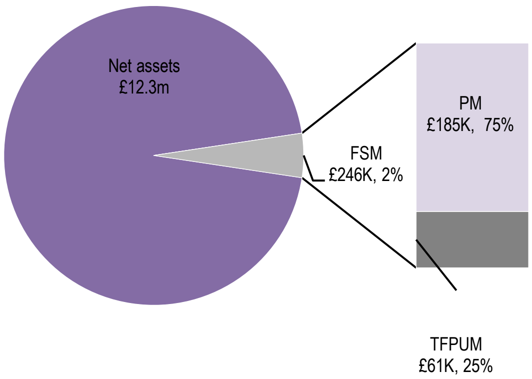
Materiality was determined as follows:

Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£246,000 which is 2% of - net assets.	£154,000 which is 2% of net assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: ○ Net assets, as a benchmark, is considered the most appropriate because the investors would usually assess the performance of the Company by looking at the net asset value. Due to the Company being listed and considering that the investors or potential investors would be sensitive to changes in the net asset value, it was deemed that 2% would be the most appropriate percentage.	
Significant revision(s) of materiality threshold	There was no significant revision of our materiality threshold as the audit progressed.	
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£185,000 which is 75% of financial statement materiality.	£116,000 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements: - Our risk assessment, including our assessment of the Group and Parent Company's overall control environment.	
Significant revision(s) of performance materiality threshold	There was no significant revision of our performance materiality threshold as the audit progressed.	

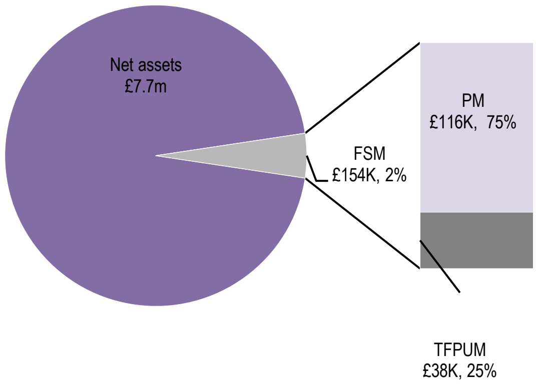
Materiality measure	Group	Parent Company
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£12,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent Company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

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

Understanding the Group, its components, and their environments, including Group-wide controls

- We obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level;

Identifying significant components

- We evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. The measure of materiality used was based upon net assets or total assets appropriate

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks; and

- For subjective estimates made by management on the valuation of the investment properties, we performed independent searches to confirm the appropriateness of the valuation methodology used in consideration of the comparable properties, market assumptions and other inputs used.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 22, 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 of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with UK Adopted IASs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the Parent Company in which it operates. We determined that the following laws and regulations were most significant: the Companies Act 2006, and the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010.

- We understood how the Group and the Parent Company are complying with those legal and regulatory frameworks by making inquiries to management including those responsible for compliance procedures. We corroborated our inquiries through our review of board meetings, review of compliance reports, review of correspondence with the regulator and review of key regulatory requirements. We identified areas of the above laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management.

- We assessed the susceptibility of the Group and the Parent Company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to valuation of investment properties and revenue transactions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the entity's operation, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the applicable statutory provisions
    - the entity's control environment.

Our audit procedures involved:

- identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud.
- understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process; and
- identifying and testing journal entries, in particular any journal entries in respect of valuation of investment properties.

- These audit procedures were designed to provide reasonable assurance that the consolidated financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations from events and transactions reflected in the consolidated financial statements, the less likely we would become aware of it.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;

- The Engagement Leader assessed the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement teams:
    - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
    - Knowledge of industry in which the client operates; and
    - Understanding of the legal and regulatory requirements specific to the entity including the provisions of the Companies Act 2006 and the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010.

Use of our report

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

DocuSigned by:
Grant Thornton Limited
55AB06199AAA481...

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

18 September 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	30 June 2024 £	30 June 2023 £
CONTINUING OPERATIONS			
Revenue	3	**1,796,106**	1,575,482
Cost of sales		**(346,194)**	(255,980)
GROSS PROFIT		**1,449,912**	1,319,502
Administrative expenses		**(1,325,589)**	(1,432,756)
Fair value through profit and loss - revaluation of investment properties	12	**(679,000)**	831,800
OPERATING (LOSS)/PROFIT BEFORE SEPARATELY DISCLOSED ITEMS		**(554,677)**	718,546
Separately disclosed items			
Costs associated with refinancing	6	**-**	(23,068)
Costs associated with refurbishment of investment properties	6	**(67,867)**	(319,506)
OPERATING (LOSS)/PROFIT		**(622,544)**	375,972
Finance costs	5	**(584,840)**	(547,851)
Finance income	5	**21,309**	5,743
LOSS BEFORE TAXATION	6	**(1,186,075)**	(166,136)
Taxation	7	**-**	-
LOSS FOR THE YEAR		**(1,186,075)**	(166,136)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,186,075)**	(166,136)
Loss attributable to owners of the parent		**(1,186,075)**	(166,136)
Loss per share expressed in pence per share	8		
Basic		**(2.85)**	(0.40)
Diluted		**(2.85)**	(0.37)

KCR RESIDENTIAL REIT plc (REGISTERED NUMBER: 09080097)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2024

	Notes	**30 June 2024 £**	30 June 2023 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**167,676**	203,219
Investment properties	12	**25,156,300**	25,835,300
		25,323,976	26,038,519
CURRENT ASSETS			
Trade and other receivables	14	**455,545**	220,570
Cash and cash equivalents	15	**931,595**	980,848
		1,387,140	1,201,418
TOTAL ASSETS		**26,711,116**	27,239,937
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	**4,166,963**	4,166,963
Share premium		**14,941,898**	14,941,898
Capital redemption reserve		**344,424**	344,424
Accumulated deficit		**(7,130,159)**	(5,944,084)
TOTAL EQUITY		**12,323,126**	13,509,201
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	18	**13,904,324**	13,274,574
CURRENT LIABILITIES			
Trade and other payables	17	**483,666**	456,162
		483,666	456,162
TOTAL LIABILITIES		**14,387,990**	13,730,736
TOTAL EQUITY AND LIABILITIES		**26,711,116**	27,239,937
Net asset value per share (pence)	8	**29.57**	32.42

The financial statements were approved and authorised for issue by the Board of Directors on 18 September 2024 and were signed on its behalf by:

Russell Naylor
Executive Director

COMPANY STATEMENT OF FINANCIAL POSITION
30 JUNE 2024

	Notes	**30 June 2024 £**	30 June 2023 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**-**	61
Investments	13	**10,706,081**	10,706,081
		10,706,081	10,706,142
CURRENT ASSETS			
Trade and other receivables	14	**3,325,316**	3,804,198
Cash and cash equivalents	15	**814,409**	771,871
		4,139,725	4,576,069
TOTAL ASSETS		**14,845,806**	15,282,211
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	**4,166,963**	4,166,963
Share premium		**14,941,898**	14,941,898
Capital redemption reserve		**344,424**	344,424
Accumulated deficit		**(11,733,079)**	(11,172,717)
TOTAL EQUITY		**7,720,206**	8,280,568
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	**7,125,600**	7,001,643
		7,125,600	7,001,643
TOTAL LIABILITIES		**7,125,600**	7,001,643
TOTAL EQUITY AND LIABILITIES		**14,845,806**	15,282,211

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The Company's loss for the financial year was £560,362 (2023 - £626,839).

The financial statements were approved and authorised for issue by the Board of Directors on 18 September 2024 and were signed on its behalf by:

Russell Naylor
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Share capital	Share premium	Capital redemption reserve	Accumulated deficit	Total equity
	£	£	£	£	£
Balance at 1 July 2022	4,166,963	14,941,898	344,424	(5,777,948)	13,675,337
Changes in equity					
Total comprehensive loss	-	-	-	(166,136)	(166,136)
Balance at 30 June 2023	4,166,963	14,941,898	344,424	(5,944,084)	13,509,201
Changes in equity					
Total comprehensive loss	**-**	**-**	**-**	(1,186,075)	(1,186,075)
Balance at 30 June 2024	**4,166,963**	**14,941,898**	**344,424**	**(7,130,159)**	**12,323,126**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Share capital	Share premium	Capital redemption reserve	Accumulated deficit	Total equity
	£	£	£	£	£
Balance at 1 July 2022	4,166,963	14,941,898	344,424	(10,545,878)	8,907,407
Changes in equity					
Total comprehensive loss	-	-	-	(626,839)	(626,839)
Balance at 30 June 2023	4,166,963	14,941,898	344,424	(11,172,717)	8,280,568
Changes in equity					
Total comprehensive loss	-	-	-	(560,362)	(560,362)
Balance at 30 June 2024	**4,166,963**	**14,941,898**	**344,424**	**(11,733,079)**	**7,720,206**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Cash used in operations	1	**(74,580)**	(386,599)
Interest paid		**(584,840)**	(547,851)
Net cash used in operating activities		**(659,420)**	(934,450)
Cash flows from investing activities			
Purchase of property, plant & equipment		**(40,892)**	(211,591)
Purchase of investment properties (including capital expenditure on current properties)		**-**	(398,200)
Interest received		**21,309**	5,743
Net cash used in investing activities		**(19,583)**	(604,048)
Cash flows from financing activities			
Loan repayments in year		**(2,375,000)**	-
Proceeds from new loans in year		**3,004,750**	-
Net cash generated from financing activities		**629,750**	-
Decrease in cash and cash equivalents		**(49,253)**	(1,538,498)
Cash and cash equivalents at beginning of year		**980,848**	2,519,346
Cash and cash equivalents at end of year		**931,595**	980,848

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Cash used in operations	1	**(524,841)**	(641,827)
Interest paid		**(143)**	(1,953)
Net cash used in operating activities		**(524,984)**	(643,780)
Cash flows from investing activities			
Interest received		**15,906**	4,821
Decrease/(increase) in loans to group companies		**476,616**	(451,519)
Increase/ (repayments) in loans from group companies		**75,000**	(475,000)
Net cash (used in)/generated from investing activities		**567,522**	(921,698)
Increase/(decrease) in cash and cash equivalents		**42,538**	(1,565,478)
Cash and cash equivalents at beginning of year		**771,871**	2,337,349
Cash and cash equivalents at end of year		**814,409**	771,871

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

Group	2024	2023
	£	£
Loss before taxation	**(1,186,075)**	(166,136)
Depreciation charges	**76,435**	63,326
Revaluation of investment properties	**679,000**	(831,800)
Finance costs	**584,840**	547,851
Finance income	**(21,309)**	(5,743)
	132,891	(392,502)
Increase in trade and other receivables	**(234,975)**	(35,038)
Increase in trade and other payables	**27,504**	40,941
Cash used in operations	**(74,580)**	(386,599)

Company	2024	2023
	£	£
Loss before taxation	**(560,362)**	(626,839)
Depreciation charges	**61**	246
Finance costs	**143**	1,953
Finance income	**(15,906)**	(4,821)
	(576,064)	(629,461)
Decrease in trade and other receivables	**2,266**	210
Decrease/(increase) in trade and other payables	**48,957**	(12,576)
Cash used in operations	**(524,841)**	(641,827)

1) PRESENTATION OF FINANCIAL STATEMENTS

General information

KCR Residential REIT plc is a public company limited by shares incorporated in the United Kingdom and registered in England and Wales. The address of the registered office and company registration number is given in the Company Information on page 1 of these financial statements. The nature of the Group's principal activities are given in the Group Strategic Report on page 8 of these financial statements.

Statement of compliance

The consolidated financial statements have been prepared in accordance with UK Adopted IASs.

Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling ('£'), which is considered by the Directors to be the functional currency of the Group and rounded to the nearest £.

Changes in accounting policies

Adoption of new and revised standards

The following accounting pronouncements and standards became effective from 1 January 2023 and have been adopted but did not have a significant impact on the Group's financial results or position:

- Amendments to IAS 8 – Definition of Accounting Estimates
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendments to IAS 12: Deferred Tax Related to Asset and Liabilities arising from a Single Transaction

New standards in issue but not yet effective

As at 30 June 2024, the Group has not applied the following new and revised standards that have been issued but are not effective until accounting periods beginning on or after 1 January 2024:

- Amendments to IFRS 16 – Leases on sale and leaseback
- Amendments to IAS 1 – Non-current liabilities with covenants
- Amendments to IAS 1 – Classification of liabilities as current or non-current
- Amendments to IFRS 7 and IAS 7 - Supplier finance arrangements

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

2) ACCOUNTING POLICIES

Basis of preparation

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

2) ACCOUNTING POLICIES (continued)

Going concern

The financial statements have been prepared on a going concern basis. This requires the Directors to consider, as at the date of approving the financial statements, that there is reasonable expectation that the Group has adequate financial resources to continue to operate, and to meet its liabilities as they fall due for payment, for at least twelve months following the approval of the financial statements.

The Group has undertaken procedures to ensure that the Group has sufficient cash resources and bank facilities and with sufficient covenant margin to manage the business under going concern principles. These procedures included the following:

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

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

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

Basis of consolidation

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

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

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

2) ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

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

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

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

In accordance with IFRS 16, rental income from operating leases is recognised periodically in line with the time for which the property is rented. Rental income received in advance is recognised in deferred income.

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

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

Revenue derived from management fees and sales commissions are recognised in accordance with the 5 step approach in IFRS 15.

Separately disclosed items
Separately disclosed items are those that are deemed to be exceptional by size or nature in relation to the activities of the Group. Further information can be found in note 6 of the financial statements.

Finance costs
Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss as incurred.

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

2) ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Investment properties

Investment properties comprise properties owned by the Group which are held for capital appreciation, rental income or both. Investment properties are initially measured at transaction price, including expenditure that is directly attributable to the acquisition of the asset. Investment properties are revalued on acquisition by independent external valuers and then by the directors or independent valuers annually thereafter. Acquisitions and disposals are recognised on completion. Any gain or loss arising from a change in fair value is recognised in profit or loss.

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

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

Cash and cash equivalents

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

Financial assets

Recognition and derecognition

Financial assets are recognised initially on the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Classification and initial recognition of financial assets

Except for investment properties, which are measured at fair value through profit or loss, and trade receivables that do not contain a significant financing component, which are measured at the transaction price in accordance with IFRS 9, all financial assets are initially measured at amortised cost.

Financial assets are classified into the following categories:

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

2) ACCOUNTING POLICIES (continued)

Financial assets (continued)

The classification is determined by both:

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

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

Subsequent measurement of financial assets

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Investment properties are designated as FVTPL.

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

The Group do not have any financial assets which are designated as FVOCI.

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.

In applying this forward looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('stage 2').

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

12 month expected credit losses are recognised for the first category while lifetime expected credit losses are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial asset.

2) ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

Financial liabilities

Financial liabilities are recognised initially on the date that the Group becomes a party to the contractual provisions of the instrument.

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

Financial liabilities are recognised initially at fair value adjusted for directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

‘Other financial liabilities’ comprise trade and other payables and other short-term monetary liabilities.

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Discounting is not applied if the impact is not material.

Share capital

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

Leasing

The Group applies IFRS 16 Leases.

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

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

The Group has no finance leases.

2) ACCOUNTING POLICIES (continued)

Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. As a REIT, the Group is generally not liable to corporation tax.

Deferred tax would be recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for:

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

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

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

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with UK adopted IASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

- **Determination of fair values**

  The Group's 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.

2) ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments (continued)

Investment properties

The Group's investment properties are valued on the basis of market value. The fair value of investment properties is based either on independent professional valuations in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards or by the directors based on market prices for comparable properties and current market conditions. The Group's investment properties were valued at 30 June 2024 at £25,156,300. See note 12 for further details.

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

3) REVENUE

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

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

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

	2024	2023
	£	£
Revenue analysed by class of business		
Rental income	**1,568,175**	1,248,190
Management fees	**113,792**	109,105
Resale commission	**42,740**	93,253
Ground rents	**12,895**	12,974
Leasehold extension income	**51,935**	102,710
Other income	**6,569**	9,250
	1,796,106	1,575,482

4) EMPLOYEES AND DIRECTORS

Group

	2024	2023
	£	£
Wages and salaries	**308,391**	340,218
Social security costs	**28,061**	35,811
Pension costs	**4,572**	3,583
	341,024	379,612

4) EMPLOYEES AND DIRECTORS (Continued)

The average monthly number of employees during the year was as follows:	**2024**	2023
Directors and management	**4**	4
Administration	**4**	3
	8	7

	2024	2023
	£	£
Directors' remuneration (as per Report of the Directors)	**193,000**	193,000
Remuneration of the highest-paid director	**115,000**	115,000

The Group Directors are considered to be key management personnel.

Company

	2024	2023
	£	£
Wages and salaries	**238,282**	251,206
Social security costs	**22,378**	26,034
	260,660	277,240

The average monthly number of employees during the year was as follows		
Directors and management	**6**	4

5) FINANCE COSTS AND INCOME

	2024	2023
	£	£
Finance costs		
Loan interest	**584,840**	547,851
Finance income		
Bank interest	**21,309**	5,743

6) LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	2024	2023
	£	£
Hire of plant and machinery – low value leases	**2,090**	8,359
Other short term operating leases	**13,140**	15,217
Depreciation - owned assets	**76,435**	63,326
Auditors' remuneration for the Group	**72,000**	66,000

6) LOSS BEFORE TAXATION (continued)

Separately disclosed items

In 2021, the Group commenced substantial refurbishment work to investment properties owned by K&C (Coleherne) Limited and K&C (Osprey) Limited. The costs incurred in the 2024 financial year amounted to £40,943 and £26,924 (2023 - £273,877 and £32,813). The Company also incurred costs in relation to the refurbishment of properties owned by K&C (Kite) Limited amounting to £Nil (2023 - £12,816).

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

7) TAXATION

Analysis of tax

	2024	2023
Current tax	**£**	£
UK corporation tax	-	-
Deferred tax	-	-
Total tax	-	-

Factors affecting the tax expense

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

	2024	2023
	£	£
Loss on ordinary activities before taxation	**(1,186,075)**	(166,136)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2023: 20.5%)	**(225,354)**	(34,058)
Effects of		
Income and expenses not taxable	**225,354**	34,058
Tax credit	**-**	-

In April 2023, the UK government increased the standard corporate tax rate from 19% to 25% for companies with profits in excess of £250,000. As the Group made less than £50,000 taxable profit in 2024, the small profits rate of 19% has been used in the above reconciliation.

The Group has remained under the REIT regime throughout the year and since the statement of financial position date.

8) LOSS PER SHARE AND NET ASSET VALUE

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

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

8) LOSS PER SHARE AND NET ASSET VALUE (continued)

Basic loss per share

	Loss	Weighted average number of shares	Per share amount
	2024		
	£	**No**	**Pence**
Loss attributable to ordinary shareholders	**(1,186,075)**	**41,669,631**	**(2.85)**

	Loss	Weighted average number of shares	Per share amount
	2023		
	£	No	Pence
Loss attributable to ordinary shareholders	(166,136)	41,669,631	(0.40)

Diluted loss per share

	Loss	Weighted average number of shares	Per share amount
	2024		
	£	**No**	**Pence**
Loss attributable to ordinary shareholders	**(1,186,075)**	**41,669,631**	**(2.85)**
Effect of dilutive securities	-	-	-

	Loss	Weighted average number of shares	Per share amount
	2023		
	£	No	Pence
Loss attributable to ordinary shareholders	(166,136)	45,308,809	(0.37)
Effect of dilutive securities	-	-	-

The weighted average number of shares used to calculate the diluted loss per share includes share options in issue during the financial year. The unexercised Torchlight share options lapsed during the 2023 financial year and no share options were in issue during the 2024 financial year.

The net asset value is calculated by dividing the equity attributable to ordinary shareholders by the number of Ordinary Shares in issue at the statement of financial position date.

8) LOSS PER SHARE AND NET ASSET VALUE (continued)

	2024		
	Equity	**Number of shares**	**Per share amount**
	£	**No**	**Pence**
Net asset value	**12,323,126**	**41,669,631**	**29.57**

	2023		
	Equity	Number of shares	Per share amount
	£	No	Pence
Net asset value	13,509,201	41,669,631	32.42

9) OPERATING LEASES RECEIVABLE

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

	30 June 2024	30 June 2023
	£	£
Within one year	**440,629**	439,607
Between one and five years	**150,564**	19,433
More than 5 years	**15,912**	20,749
Total	**607,105**	479,789

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

10) LEASING AGREEMENTS

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

	30 June 2024	30 June 2023
	£	£
Within one year	**13,140**	15,230
Between one and five years	**3,285**	3,285
Total	**16,425**	18,515

11) PROPERTY, PLANT AND EQUIPMENT

GROUP

	Fixtures, fittings & computer equipment
	£
COST	
At 1 July 2022	150,753
Additions	211,591
At 30 June 2023	362,344
Additions	40,892
At 30 June 2024	403,236
DEPRECIATION	
At 1 July 2022	95,799
Charge for year	63,326
At 30 June 2023	159,125
Charge for year	76,435
At 30 June 2024	235,560
NET BOOK VALUE	
At 30 June 2024	**167,676**
At 30 June 2023	203,219

11) PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

	Fixtures, fittings & computer equipment £
COST	
At 1 July 2022	7,516
Additions	-
At 30 June 2023	7,516
Additions	-
At 30 June 2024	7,516
DEPRECIATION	
At 1 July 2022	7,209
Charge for year	246
At 30 June 2023	7,455
Charge for year	61
At 30 June 2024	7,516
NET BOOK VALUE	
At 30 June 2024	**-**
At 30 June 2023	61

12) INVESTMENT PROPERTIES

GROUP

	Total £
COST OR VALUATION	
At 1 July 2022	24,605,300
Additions	398,200
Revaluations	831,800
At 30 June 2023	25,835,300
Revaluations	(679,000)
At 30 June 2024	**25,156,300**
At 30 June 2023	25,835,300

12) INVESTMENT PROPERTIES (continued)

The investment properties at Coleherne Road, Ladbroke Grove and Deanery Court were valued by independent external valuers in July 2024, with a valuation date as at 30 June 2024. All of the substantive properties were subject to desktop valuations with the exception of Deanery Court which was subject to a full valuation. The external valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' Valuation – Global Standards (Red Book).

The majority of the Osprey investment properties were valued by the Directors at 30 June 2024 with reference to independent external valuations performed in May 2024. Properties at Heathside were subject to a full valuation. The external valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' Valuation – Global Standards (Red Book).

A number of low value properties (less than 8% of the total investment property value) within the Osprey portfolio were valued by the Directors with reference to independent valuations completed in August 2023 and the market commentary contained within the independent external valuations performed in May 2024.

The Directors determined that there were no material factors that would give rise to there being a material variance between the latest external valuation and the fair value as at 30 June 2024. The valuation of the investment properties was £25,156,300, which was included in the financial statements.

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

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

The fair value for investment properties has been categorised as Level 3 inputs under IFRS 13. The valuer visited all material properties where full valuations were carried out in the current and previous year and these valuations were based on both internal and external site visits.

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

Fair Value Hierarchy	Valuation Technique	Significant Inputs Used	Significant Unobservable Inputs
Level 3	Income capitalisation and or capital value on a per square foot basis	Adopted gross yield	4.00% - 7.60%
		Adopted rate per square foot	£265 - £1,309

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. If the gross yield of the investment properties decreased by 1% but rental income remained consistent, then the fair value of the properties would increase by approximately £4,861,000.

The fair values would decrease if market rents were lower and/or the rates per square foot were lower and/or capitalisation rates were higher. If the gross yield of the investment properties increased by 1% but rental income remained consistent, then the fair value of the properties would decrease by approximately £3,360,000.

12) INVESTMENT PROPERTIES (continued)

If properties had been included on a historical cost basis, the cost of the properties at 30 June 2024 would have been £22,851,113 (2023: £22,851,113).

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

The total rental income in relation to investment properties for the Group equated to £1,568,175 (2023: £1,248,190). The total rental expenses in relation to investment properties for the Group equated to £346,194 (2023: £255,980).

Included within Investment Properties are leasehold properties valued at £5,965,000 and freehold properties valued at £19,191,300 (2023: £6,150,000 and £19,685,300 respectively).

13) INVESTMENTS

Company	**Shares in group undertakings £**
COST	
At 1 July 2022 and 30 June 2023	10,706,081
Impairment	-
At 30 June 2024	10,706,081

As at 30 June 2024, the Company's investments comprise the following:

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

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

14) TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024	2023	**2024**	2023
	£	£	**£**	£
Trade debtors	**20,081**	12,781	**-**	-
Amounts owed by group undertakings	**-**	-	**3,313,863**	3,790,479
Other debtors	**180,266**	13,521	**-**	-
Accrued income	**146,167**	68,782	**-**	-
Prepayments	**109,031**	125,486	**11,453**	13,719
	455,545	220,570	**3,325,316**	3,804,198

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

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

All receivables are due within 12 months of 30 June 2024. None of those receivables has been subject to a significant increase in credit risk since initial recognition and, consequently, no expected credit losses have been recognised.

15) CASH AND CASH EQUIVALENTS

	Group		Company	
	2024	2023	**2024**	2023
	£	£	**£**	£
Cash in hand	**44**	44	**-**	-
Bank accounts	**931,551**	980,804	**814,409**	771,871
	931,595	980,848	**814,409**	771,871

16) SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	**30 June 2024**	30 June 2023
			£	£
41,669,631	Ordinary	£0.10	4,166,963	4,166,963
			4,166,963	4,166,963

16) SHARE CAPITAL (continued)

	2024 Number	**2024 £**	2023 Number	2023 £
Ordinary shares of £0.10 each				
At 1 July	**41,669,631**	**4,166,963**	41,669,631	4,166,963
Shares issued	**-**	**-**	-	-
At 30 June	**41,669,631**	**4,166,963**	41,669,631	4,166,963

17) TRADE AND OTHER PAYABLES

	Group		**Company**	
	2024	2023	**2024**	2023
Current	**£**	£	**£**	£
Trade creditors	**78,353**	49,751	**5,563**	3,404
Amounts owed to group undertakings	**-**	-	**6,856,613**	6,781,613
Other taxes and social security	**51,851**	63,302	**36,716**	29,815
Other creditors	**14,258**	2,026	**13,719**	-
Accruals and deferred income	**339,204**	341,083	**212,989**	186,811
	483,666	456,162	**7,125,600**	7,001,643

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

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

Amounts owed to group undertakings are repayable on demand.

18) FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2024	2023	**2024**	2023
	£	£	**£**	£
Non-current				
Bank loans	**10,623,109**	9,993,359	**-**	-
Other loans	**3,281,215**	3,281,215	**-**	-
	13,904,324	13,274,574	**-**	-

Terms and debt repayment schedule (including interest)

2024

	1 year or less	**More than 1-2 years**	**More than 2-5 years**	**More than 5 years**	**Totals**
Group	£	£	£	£	**£**
Bank loans	556,187	565,710	4,701,880	13,363,871	**19,187,648**
Other loans	116,483	116,483	3,553,009	-	**3,785,975**
	672,670	682,193	8,254,889	13,363,871	**22,973,623**

2023

	1 year or less	More than 1-2 years	More than 2-5 years	More than 5 years	Totals
Group	£	£	£	£	£
Bank loans	449,518	554,270	3,731,108	13,744,789	18,479,685
Other loans	116,483	116,483	349,449	3,320,043	3,902,458
	566,001	670,753	4,080,557	17,064,832	22,382,143

Details of the principal loans are as follows:

a) In 2024 financial year the K&C (Osprey) Limited entered into a new 5 year fixed rate facility of £3,004,750 with Secure Trust Bank Plc. The borrowing was used to refinance the existing facility and provide additional capital to support activities. The facility is repayable by 60 monthly interest-only instalments and a final instalment of £3,004,750. The fixed rate of interest on the loan is 6.15%. The loan is secured by a charge and debenture over all the property and assets of the Company, including the property known as Heathside, 562 Finchley Road.

b) On 4 December 2018, KCR (Southampton) Limited took out a loan of £3,184,250, with Lendco Limited. The term of the loan was 10 years. The monthly instalments were interest payments and did not include any capital repayments. Interest was charged at 3.19% for the first 24 months. Interest for the remainder of the term was charged at 4.79% above LIBOR. The loan was refinanced in October 2021 at an amount of £3,281,215. Following the refinancing, the term of the loan was 7 years. The monthly instalments remain interest payments and do not include any capital repayments. Interest is charged at 3.55%. The loan is secured by a first legal mortgage and a first fixed charge over the land at Block B, Chapel Riverside, Endle Street, Southampton. The balance outstanding at 30 June 2024 was £3,281,215.

18) FINANCIAL LIABILITIES – BORROWINGS (continued)

c) On 10 February 2020, K&C (Coleherne) Limited took out a loan of £2,743,359 with Hodge Bank. The term of the loan is 25 years. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 3.5 per cent. for the first 60 months. After this period the interest rate charged will be a standard variable rate. The loan is secured by a freehold charge over 25 Coleherne Road. The balance outstanding at 30 June 2024 was £2,743,359.

d) On 10 February 2020, KCR (Kite) Limited took out a loan of £5,124,810 with Hodge Bank. The term of the loan is 25 years. The monthly instalments are interest payments and do not include any capital repayments. Interest is charged at 3.5 per cent. for the first 60 months. After this period the interest rate charged will be a standard variable rate. In August 2021, the Company made a repayment of £249,810, following the sale of 9 Lomond Court. The balance outstanding at 30 June 2024 was £4,875,000.

Reconciliation of net movement in financial instruments

Group

	Net cash at 1 July 2023 £	Cash flow £	Loans received in year £	Repayments in year £	Other non-cash movement	Net cash at 30 June 2024 £
Cash at bank and in hand	980,848	(49,253)	-	-	-	931,595
Borrowings	(13,274,574)	-	(3,004,750)	2,375,000	-	(13,904,324)
Total financial liabilities	(12,293,726)	(49,253)	(3,004,750)	2,375,000	-	(12,972,729)

	Net cash at 1 July 2022 £	Cash flow £	Loans received in year £	Repayments in year £	Other non-cash movement	Net cash at 30 June 2023 £
Cash at bank and in hand	2,519,346	(1,538,498)	-	-	-	980,848
Borrowings	(13,274,574)	-	-	-	-	(13,274,574)
Total financial liabilities	(10,755,228)	(1,538,498)	-	-	-	(12,293,726)

18) FINANCIAL LIABILITIES – BORROWINGS (continued)

Company

	Net cash at 1 July 2023	Cash flow	Repayments in year	Other non-cash movement	Net cash at 30 June 2024
	£	£	£	£	£
Cash at bank and in hand	771,871	42,538	-	-	814,409
Borrowings	-	-	-	-	-
Total financial liabilities	771,871	42,538	-	-	814,409

	Net cash at 1 July 2022	Cash flow	Repayments in year	Other non-cash movement	Net cash at 30 June 2023
	£	£	£	£	£
Cash at bank and in hand	2,337,349	(1,565,478)	-	-	771,871
Borrowings	-	-	-	-	-
Total financial liabilities	2,337,349	(1,565,478)	-	-	771,871

19) FINANCIAL INSTRUMENTS

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

	Group		Company	
	2024	2023	**2024**	2023
	£	£	**£**	£
Carrying amount of financial assets at amortised cost				
Trade and other receivables	**399,434**	95,084	**3,313,863**	3,790,479
Cash at bank and in hand	**931,595**	980,848	**814,409**	771,871

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

	Group		Company	
	2024	2023	**2024**	2023
	£	£	**£**	£
Carrying amount of financial liabilities at amortised cost				
Trade and other payables	**483,666**	456,162	**7,125,600**	7,001,643
Borrowings	**13,904,324**	13,274,574	**-**	-

20) FINANCIAL RISK MANAGEMENT

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

The Company's and Group's risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Company and Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

- credit risk
- liquidity risk
- market risk

Capital risk management

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

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

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

The Group refinanced their loan portfolio in the 2020 financial year. As a result, the Group entered into new loan agreements with Hodge Bank. The total loans with Hodge Bank at 30 June 2024 totalled £7,618,359. The loan agreements contain the following covenants:

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

K&C (Osprey) Limited refinanced their loan portfolio in the 2024 financial year. As a result, the Group entered into a new loan agreement with Secure Trust. The total loans with Secure Trust at 30 June 2024 totalled £3,004,750. The loan agreement contains the following covenants:

- interest cover in respect of any interest period shall not be less than 1.40:1; and
- the loan to value will not at any time exceed 60%.

Credit risk

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

20) FINANCIAL RISK MANAGEMENT (continued)

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as reported in the statement of financial position.

The Group undertakes credit checks on prospective new tenants to assess and mitigate credit risk. The checks include verification of income levels and capacity to pay, as well as checks of rental references. Any arrears are actively managed. The Group mitigates credit risk with regard to cash and cash equivalents by using banks with a credit rating of B or above.

Liquidity risk

Liquidity risk is the risk that the Company and Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s and Group's reputation.

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

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

Market risk

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

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

Sensitivity

Interest rate sensitivity:

At 30 June 2024, if interest rates had been 0.5 of a percentage point higher and all other variables were held constant, it is estimated that the Group's loss before tax would increase to £1,251,917 (2023: loss of £234,541). This is attributable to the Group’s exposure on its borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

21) RELATED PARTY TRANSACTIONS

During the year, remuneration paid to Russell Naylor consisted of fees of £48,000 charged by Naylor Partners, a business in which Russell Naylor is a director (2023 - £48,000). A provision of £12,000 (2023 - £12,000) for a catch-up payment incentive which will be due when the business achieves cash-flow breakeven is also included in the financial statements.

21) RELATED PARTY TRANSACTIONS (continued)

Further details of total Director remuneration is contained with the Report of the Directors on page 19. Christopher James is also considered as key management personnel. His remuneration in the period totalled £100,000 (2023: £114,506), which includes a provision of £5,000 (2023: £39,506) for a catch-up payment incentive which will be due when the business achieves cash-flow breakeven.

22) ULTIMATE CONTROLLING PARTY

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

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

23) POST-BALANCE SHEET EVENTS

No post balance date events.