30 March 2022

KCR Residential REIT plc

("KCR" or the "Company")

Interim Results

KCR Residential REIT plc, the residential REIT group, is pleased to announce its unaudited consolidated interim results for the six months to 31 December 2021.

Operational highlights

- Revenue for the six months to 31 December 2022 increased by 27% to £604,583 (2020: £475,407) and gross profit improved by 26% to £585,702 (2020: £465,030)

- Portfolio level occupancy - 100% of all available flats let, and rental values achieved have marginally increased with capital values holding firm.

- Net total assets increased to £27.3m (2020: £24.2m) following the partial exercise of the Torchlight option which resulted in net asset value per share reducing to 33.03p (2020: 40.86p). The cash position as at 31 December 2021 was £2.8m (2020: 0.4m)

- Secured bank borrowings increased to £13.2 million (2020: £12.6 million) following the completion of refinancing transactions across the portfolio.

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Notes to Editors:

KCR's objective is to build a substantial residential property portfolio that generates secure income flow for shareholders. The Directors intend that the group will acquire, develop and manage residential property assets in a number of jurisdictions including the UK.

A copy of the Interim Results will be available at www.kcrreit.com.

CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

KCR Residential REIT plc ("KCR" or the "Company") and its subsidiaries (together the "Group") currently operate in the private rented residential investment market in London and the South East. The Company acquires whole blocks of studio, one- and two-bed apartments that are rented to private tenants and also operates and owns freeholds of a portfolio of retirement living accommodation, and other properties sold on long leases.

During the period, as activity levels rose in London and the South East and Covid risk within a vaccinated UK population reduced, a general influx to the city and a return to the office fuelled higher prices in general for property sales and increased rental demand. Positively for KCR, rents improved as our refurbished apartments let into this environment and occupancy on properties available across the portfolio is currently 100% with nominal rental arrears. However, the operating environment continued to be challenging with further friction in the economy following from supply chain disruption, and with cost pressures rising for the Company and consumer alike.

KCR has taken a significant number of positive steps forward in its operations during the period with further considerable progress made towards achieving breakeven from the existing portfolio. Each of the detailed operating activities is set out in the Director's report below, but I should highlight here the letting up of the eight available apartments of the ten at the refurbished Coleherne Road property.

A capital position has been put in place to move forward with the next stages of upgrading the existing portfolio, with some potential support for future development. Equity capital of £2.7m was received in November 2021 as a result of the partial exercise of the Torchlight option approved by shareholders in 2019, while refinancing of the final two existing properties on a fixed rate basis, with extended terms at reduced rates, improved the debt funding position.

Sadly, it is impossible not to mention war in Ukraine. Supply shortfalls of oil and gas, and consumer dietary staples, have delivered a sudden major shock to European and the UK economies. This situation looks set to continue for a sustained period with significant increases in the prices of these and other commodities. As we come to terms with this change the full impact on the UK economy is unclear. However, the risk of potential future stagflation clearly rises as consumers battle with these added costs and planned tax increases on top of already significantly heightened inflation levels.

KCR will therefore likely be operating within a much more volatile and potentially restrained economic environment going forward, and while portfolio opportunities may arise for the Company from this market dislocation, from an operating perspective presently the environment is unlikely to be improved. KCR continues to work within a specific segment of rented residential that is in high demand, is confident that the UK residential rented property market is fundamentally under-supplied, and therefore that it is building a sustainable long term future for the Company.

DIRECTOR'S REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

We are pleased to report on the progress of the Group in the six-month period to 31 December 2021.

Property portfolio

KCR has continued to progress the implementation of its two operating strategies. As outlined in the 2021 Annual Report, KCR is in the process of creating two operating lines, clearly identifiable by brand, property quality and letting strategy.

1. Cristal Apartments. Residential apartments, developed to a high modern specification, furnished and let on a Walk-In-Walk-Out (WIWO) basis (the intention is for utilities, internet, furniture, council tax to be included in the rental payment) for a frictionless and flexible letting experience. Rental contracts may be from a week to multi-year.

2. Osprey Retirement Living. 4* retirement living property rented on the same basis as above, with optionality on furniture. Rental contracts to be assured shorthold tenancies (six months plus).

1. Cristal Apartments (WIWO letting strategy)

The Coleherne Road property has been repositioned and now delivers the higher quality style of apartments that the Cristal brand represents. Planning works are underway to explore options (including extensions) for the Ladbroke Grove properties to reposition these properties and optimise the existing footprint.

- The property at Coleherne Road, Earls Court, London, which comprises ten studio and one-bedroom flats, has undergone a refurbishment to significantly improve the interior and exterior quality of the property. Works to eight of the ten flats have been completed in full with letting up commencing during the half year and full occupancy (of the eight completed flats) being achieved during the December quarter. Revenue from this property will continue to drive enhanced gross revenue for the Group. Reduced direct operating costs (particularly maintenance) will substantially increase the contribution that the property makes to net income. Legal action is continuing to obtain vacant possession to enable completion of works to the last two flats.

- The Southampton block of 27 residential units at Deanery Court, Chapel Riverside is 100% occupied. A number of units are rented to short-let operators. As KCR receives these units back from the tenants, mostly within the next 12 months, it intends to move to renting them on a WIWO basis which is expected to result in an increased revenue from the property. Implementation of this strategy is expected to commence during the June 2022 quarter.

- The Ladbroke Grove portfolio of 16 units is 100% occupied. Increased supply from short let flats in this catchment area had an impact on void periods for this property. Some refurbishment works have been completed to upgrade the standard of previously vacant flats in order to secure tenants. As outlined above, planning work is underway to explore options for more substantive upgrades / extensions to this portfolio.

2. Osprey retirement living (4* retirement apartments)

- The Osprey retirement living portfolio and other properties consists of 159 flats and 13 houses let on long leases in six locations, together with an estate consisting of 30 freehold cottages in Marlborough where Osprey delivers estate management and sales services.

- The key asset in the portfolio representing 70% of the Osprey portfolio value is the freehold block at Heathside, Golders Green, where 28 of the 37 residential units are held on long leases. The strategy continues to be to selectively acquire long-leasehold units in the block, subject to pricing, refurbish the units to a high level and let them in the open market subject to assured shorthold tenancies. An additional lease surrender was completed during the half year and this apartment is currently subject to refurbishment works to lift the standard of the apartment. Works are expected to be complete in the next few weeks with rental income contribution commencing during the June 2022 quarter. This strategy has been successful; 100% of the eight acquired units are let, with those that have had refurbishment works completed achieving materially higher rental levels than the un-refurbished apartments. As outlined in the 2021 Annual Report, Osprey has also successfully taken back management of the Heathside property with handover from the existing manager due to occur early April 2022. This will enable Osprey to have greater control over the positioning of the building as a whole and also deliver increased incremental management revenue to the Group. In advance of hand over planning is well advanced for a works programme to upgrade / enhance the common parts and exterior of the property.

The Company continues to investigate the potential to enhance value through redevelopment and roof extensions at four of the seven sites. Outline proposals and discussions with planning authorities have been positively received. Legal, structural and economic viability work continues at each project.

Rental and occupancy performance

KCR increased gross revenue by 27% for the six months to £604,583 (2020: £475,407) and gross profit improved 26% to £585,702 (2020: £465,030). Improvement in gross revenue was predominantly driven by the letting up of Coleherne Road during the half year and leasehold extension income.

Portfolio level occupancy is high (currently 100% of all available flats are let), rental values achieved have marginally increased and capital values hold firm.

Financial

Revenue and gross margins improved in the six months to 31 December 2021. Administration costs continued to be controlled with the marginal increase compared to prior period a result of legal costs associated with taking back management of the Heathside property and planning costs as work progresses across the portfolio.

- Revenue increased to £604,583 (2020: £475,407) an increase of 27%
- Gross profit improved by 26% to £585,702 (2020: £465,030)
- Operating profit before separately disclosed items improved to £136,280 (2020: £121,780 loss) primarily due to the revaluation uplift following the acquisition of an additional apartment at Heathside
- Operating profit increased to £101,598 (2020: £620,745 loss) which included £34,682 (2020: £498,965) of property refurbishment costs
- Loss for the period was £254,265 (2020: £859,476) and loss per share reduced to 0.77p (2020: 3.12p)

KCR's property portfolio value was slightly higher than the comparative half year at £24.4 million (2020: £23.7 million) reflecting the acquisition of an additional apartment at Heathside and capitalised works relating to the refurbishment program (partially offset by the completion of the sale of the Lomond Court property). The Group's current assets increased to £2,875,087 (2020: £464,836) with improvement in current assets driven predominantly by the proceeds received from partial exercise of the Torchlight option. Trade and other payables increased to £368,629 (2020: £257,495). Current liabilities reduced significantly to £368,629 (2020: £1,843,683) following the successful refinance of one of KCR's debt facilities which was reflected as a current liability in the prior period. Following the completion of refinancing transactions across the portfolio, secured bank borrowings increased to £13.2 million (2020: £12.6 million). Refinancing activity reduced overall debt costs and provided a small level of additional funding which is being used to support Group activities.

Total assets increased to £27.3m (2020: £24.2m) following the partial exercise of the Torchlight option which resulted in net asset value per share reducing to 33.03p (2020: 40.86p).

KCR’s near term focus remains on achieving a break-even overall position by improving rental income from existing assets through a) the WIWO letting strategy, and b) refurbishment to improve building quality, and enhancing gross rental returns while optimising property management to reduce costs. Active focus on managing corporate overheads is ongoing.

Throughout the year, the company remained a REIT and has endeavoured to comply with REIT rules throughout the period and since the balance sheet date.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (unaudited)

	Notes	**Six months ended 31 December 2021 £**	Six months ended 31 December 2020 £	Year ended 30 June 2021 (audited) £
Revenue	2	**604,583**	475,407	1,036,011
Cost of sales		**(18,881)**	(10,377)	(20,606)
Gross profit		**585,702**	465,030	1,015,405
Administrative expenses		**(599,322)**	(591,818)	(1,102,869)
Other operating income		**4,900**	5,008	2,803
Fair value through profit and loss – Revaluation of investment properties		**145,000**	-	501,330
Operating profit/(loss) before separately disclosed items		**136,280**	(121,780)	416,669
Costs of refurbishment of investment properties	3	**(34,682)**	(498,965)	(844,200)
Operating profit/(loss)		**101,598**	(620,745)	(427,531)
Finance costs		**(355,866)**	(239,392)	(497,432)
Finance income		**3**	661	729
Loss before taxation		**(254,265)**	(859,476)	(924,234)
Taxation		**-**	-	-
Loss for the period/year		**(254,265)**	(859,476)	(924,234)
Total comprehensive expense for the period/year		**(254,265)**	(859,476)	(924,234)
Loss per share expressed in pence per share	4			
Basic		(0.77)	(3.12)	(3.34)
Diluted		(0.33)	(1.11)	(1.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021 (unaudited)

	Notes	**31 December 2021 £**	31 December 2020 £	30 June 2021 (audited) £
Non-current assets				
Property, plant and equipment		**14,477**	34,892	23,378
Investment properties	5	**24,407,000**	23,662,120	24,262,000
		24,421,477	23,697,012	24,285,378
Current assets				
Trade and other receivables		**67,805**	63,623	53,375
Cash and cash equivalents		**2,807,282**	401,213	66,915
		2,875,087	464,836	120,290
Total assets		**27,296,564**	24,161,848	24,405,668
Equity				
Shareholders' equity				
Share capital	6	**4,166,963**	2,756,963	2,816,963
Share premium		**14,941,897**	13,535,468	13,594,317
Capital redemption reserve		**344,424**	344,424	344,424
Retained earnings		**(5,690,132)**	(5,371,109)	(5,435,867)
Total equity		**13,763,152**	11,265,746	11,319,837
Non-current liabilities				
Interest bearing loans and borrowings		**13,164,783**	11,052,419	11,052,419
Current liabilities				
Trade and other payables		**368,629**	257,495	447,224
Interest bearing loans and borrowings		**-**	1,586,188	1,586,188
		368,629	1,843,683	2,033,412
Total liabilities		**13,533,412**	12,896,102	13,085,831
Total equity and liabilities		**27,296,564**	24,161,848	24,405,668
Net asset value per share (pence)		**33.03**	40.86	40.18

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (unaudited)

	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 July 2020	2,756,963	13,535,468	344,424	(4,511,633)	14,930	**12,140,152**
Changes in equity Transactions with owners:						
Equity element of loan finance	-	-	-	-	**(14,930)**	**(14,930)**
Total transactions with owners:	-	-	-	-	**(14,930)**	**(14,930)**
Total comprehensive expense	-	-	-	(859,476)	**-**	**(859,476)**
Balance at 31 December 2020	2,756,963	13,535,468	344,424	(5,371,109)	-	**11,265,746**
Changes in equity Transactions with owners:						
Issue of share capital	60,000	58,849	-	-	**-**	**118,849**
Total transactions with owners:	60,000	58,849	-	-	-	**118,849**
Total comprehensive expense	-	-	-	(64,758)	**-**	**(64,758)**
Balance at 30 June 2021	2,816,963	13,594,317	344,424	(5,435,867)	-	**11,319,837**
Changes in equity Transactions with owners:						
Issue of share capital	1,350,000	1,347,580	-	-	**-**	**2,697,580**
Total transactions with owners:	1,350,000	1,347,580	-	-	**-**	**2,697,580**
Total comprehensive expense	-	-	-	(254,265)	**-**	**(254,265)**
Balance at 31 December 2021	**4,166,963**	**14,941,897**	**344,424**	**(5,690,132)**	**-**	**13,763,152**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (unaudited)

	Six months ended 31 December 2021 £	Six months ended 31 December 2020 £	Year ended 30 June 2021 (audited) £
Cash flows from operating activities			
Loss for the period/year from continuing operations	**(254,265)**	(859,476)	(924,234)
Adjustments for			
Depreciation charges	**8,900**	11,518	23,032
Loss on disposal of investment property	**5,000**	-	-
Revaluation of investment properties	**(145,000)**	-	(501,330)
Finance costs	**355,866**	239,392	497,432
Finance income	**(3)**	(661)	(729)
(Increase)/decrease in trade and other receivables	**(14,430)**	266	10,514
(Decrease)/increase in trade and other payables	**(78,595)**	(116,921)	72,808
Cash used in operations	**(122,527)**	(725,882)	(822,507)
Interest paid	**(355,866)**	(239,392)	(497,432)
Net cash used in operating activities	**(478,393)**	(965,274)	(1,319,939)
Cash flows from investing activities			
Purchase of investment properties (including capital expenditure on current properties)	**(285,000)**	(70,120)	(168,670)
Proceeds from sale of investment properties	**280,000**	-	-
Interest received	**3**	661	729
Net cash from/(used in) investing activities	**(4,997)**	(69,459)	(167,941)
Cash flows from financing activities			
Loan repayments in period	**(3,443,777)**	(100,000)	(100,000)
New loans in period	**3,969,954**	-	-
Proceeds from share issue	**2,697,580**	-	118,849
Net cash from financing activities	**3,223,757**	(100,000)	18,849
Increase/(decrease) in cash and cash equivalents	**2,740,367**	(1,134,733)	(1,469,031)
Cash and cash equivalents at beginning of period	**66,915**	1,535,946	1,535,946
Cash and cash equivalents at end of period	**2,807,282**	401,213	66,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (unaudited)

1. Basis of preparation

The Company is registered in England and Wales. The consolidated interim financial statements for the six months ended 31 December 2021 comprise those of the Company and subsidiaries. The Group is primarily involved in UK property ownership and letting.

Statement of compliance

This consolidated interim financial report has been prepared in accordance with the measurement principles of International Financial Reporting Standards as adopted within UK GAAP. AIM-listed companies are not required to comply with IAS 34 Interim Financial Reporting and the Group has taken advantage of this exemption. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial performance and position of the Group since the last annual consolidated financial statements for the year ended 30 June 2021. This consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards. The financial statements are unaudited and do not constitute statutory accounts as defined in section 434(3) of the Companies Act 2006.

A copy of the audited annual report for the year ended 30 June 2021 has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain statements under s498(2) or s498(3) of the Companies Act 2006.

This consolidated interim financial report was approved by the Board of Directors on 29 March 2022.

Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements for the year ended 30 June 2021.

Basis of consolidation

The interim financial statements include the financial statements of the Company and its subsidiary undertakings. The subsidiaries included within the consolidated financial statements, from their effective date of acquisition, are K&C (Newbury) Limited, K&C (Coleherne) Limited, K&C (Osprey) Limited, KCR (Kite) Limited and KCR (Southampton) Limited.

Going Concern

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

The Directors have concluded that it remains appropriate to prepare these interim financial statements on a going concern basis.

2. Operating segments

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

Revenue analysed by class of business:

	Six months ended 31 December 2021	Six months ended 31 December 2020	Year ended 30 June 2021 (audited)
	£	£	£
Rental income	**422,219**	358,556	724,680
Management fees	**42,194**	43,013	81,768
Resale commission	**56,075**	50,500	114,913
Ground rents	**10,595**	10,635	13,535
Leasehold extension income	**73,500**	12,703	96,275
Other income	**-**	-	4,840
	604,583	475,407	1,036,011

3. Operating loss

The loss before taxation is stated after charging:

	Six months ended 31 December 2021	Six months ended 31 December 2020	Year ended 30 June 2021 (audited)
	£	£	£
Costs of refurbishment of investment properties	**34,682**	**498,965**	844,200
Directors' remuneration	**73,624**	**75,000**	222,191

During the six months ended 31 December 2021, the Group incurred costs of £34,682 relating to major refurbishment of properties at Coleherne Road, London, Ladbroke Grove, London and Heathside, London.

During the six months ended 31 December 2020, the Group incurred costs of £498,965 relating to major refurbishment of properties at Coleherne Road, London and Heathside, London. This increased to £844,200 in the year ended 30 June 2021.

During the 6 month period, the Company paid Naylor Partners, a business owned by Russell Naylor, fees of £24,000 (December 2020 - £24,000); and Artefact Partners, a business owned by Richard Boon, fees of £nil (December 2020 - £18,900). The Company paid DGS Capital Partners LLP, a business partly owned by Michael Davies, fees of £nil (December 2020 - £10,800).

The directors are considered to be key management personnel.

4. Basic and diluted loss per share

Basic

The calculation of loss per share for the six months to 31 December 2021 is based on the loss for the period attributable to ordinary shareholders of £254,265 divided by a weighted average number of ordinary shares in issue.

The weighted average number of shares used for the six months ended 31 December 2021 was 33,012,022 (June 2021 – 27,651,823) (December 2020 – 27,569,631).

Diluted

The calculation of loss per share for the six months to 31 December 2021 is based on the loss for the period attributable to ordinary shareholders of £254,265 divided by a weighted average number of ordinary shares in issue, adjusted for dilutive share options held by Torchlight.

The weighted average number of shares used for the six months ended 31 December 2021 was 77,569,631 (June 2021 – 77,569,631) (December 2020 – 77,569,631).

5. Investment properties

	Six months ended 31 December 2021	Six months ended 31 December 2020	Year ended 30 June 2021 (audited)
	£	£	£
At start of period	**24,262,000**	23,592,000	23,592,000
Additions	**285,000**	70,120	168,670
Disposals	**(285,000)**	-	-
Revaluations	**145,000**	-	501,330
At end of period	**24,407,000**	23,662,120	24,262,000

Investment properties were valued by professionally qualified independent external valuers at the date of acquisition and were recorded at the values that were attributed to the properties at acquisition date. The investment properties were independently valued at, or within three months of the financial year ended 30 June 2021. The Directors have further considered the values as at 31 December 2021 and concluded that they remain appropriate.

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 a Level 3 inputs under IFRS 13.

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

Fair Value Hierarchy	**Valuation Technique**	**Significant Inputs Used**	**Significant Unobservable Inputs**
Level 3	Income capitalisation and or capital value on a per square foot basis	Adopted gross yield	3.00% - 5.76%
		Adopted rate per square foot	£303 - £982

6. Share capital

Allotted, issued and fully paid:			**31 December 2021**	31 December 2020	30 June 2021 (audited)
Number:	Class:	Nominal value:	**£**	£	£

41,669,631	Ordinary	£0.10	**4,166,963**	**2,756,963**	2,816,963
			4,166,963	**2,756,963**	2,816,963

At 1 July 2021, the Company had 28,169,631 Ordinary shares of £0.10 each in issue.

On 27 October 2021, Torchlight Fund LP exercised options to acquire 13,500,000 ordinary shares of 10p each at a price of 19.982p per share. The proceeds of the exercise provided the group with additional cash funding of £2.7 million.

The Ordinary shares carry no rights to fixed income.

7. Convertible Loan Notes

As at 1 July 2020, the Company had £100,000 convertible loan notes in issue. In July 2020, the convertible loan notes were repaid in full.

8. Related Party Transactions

Details of remuneration and fees paid to directors are disclosed at note 3 of these interim financial statements.