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**KSEYE CAPITAL NO.2 LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 MARCH 2017**

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**KSEYE CAPITAL NO.2 LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	J Khagram (appointed 27 April 2016) N Khagram (appointed 27 April 2016)
<b>Registered number</b>	10149776
<b>Registered office</b>	1 Kenyngton Place Harrow Middlesex HA3 0DW
<b>Independent auditors</b>	Moore Stephens LLP Statutory Auditor 150 Aldersgate Street London EC1A 4AB

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KSEYE CAPITAL NO.2 LIMITED

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## KSEYE CAPITAL NO.2 LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2017

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The directors present their report and the audited financial statements for the period from the 27 April 2016 (date of incorporation) to 31 March 2017.

#### Principal activities

The company's primary focus is to provide short-term finance solutions to property investors in the UK, for purchase and refinance of residential investment and commercial property.

#### Business review

All the company's lending activities are funded by the issuance of bonds on The International Stock Exchange. The first bond was issued on 29th July 2016 with £15,000,000 successfully raised by the year end.

2017 was an impressive year for the growing short-term lender. During the year, 39 loans were issued with an average loan size of approximately £600,000, delivering impressive returns whilst operating a robust risk management process.

Whilst the UK economy may face a period of ongoing uncertainty, the demand for borrowing has continued to rise; the company therefore hopes to capitalise on expansion by increasing the loan book. In the forthcoming year, the turnover is expected to increase with a larger volume of business and loan book size. However the profit margin will be reduced due to the high cost of funding and the need to reduce lending rates to successfully continue in this competitive market.

#### KEY HIGHLIGHTS

##### Turnover £1,044,595

Contributed 30% of the income generated by KSEYE Capital Holdings Ltd (Group)

##### Profit before tax £345,976

Took time to build loan book due to staggered funding for period under review. 2017 - 2018 profits are expected to increase as further funds will be drawn down

##### 39 loans were completed, 15 of which were repaid during the period

40.5% of money lent out was repaid, 24 active loans remain

##### Average loan size of £608,323.81

All 39 loans lent out had maximum loan length of 12 months and there were no capital losses on the loan book

The plan for 2017 was to increase the scale of the business in terms of loan book value and income. These objectives were achieved successfully, the company is looking ahead to new opportunities and expansion in 2018 and beyond.

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## KSEYE CAPITAL NO.2 LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2017

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#### Group restructuring

In April 2016, the new group structure was formed with the incorporation of the parent company KSEYE Group Ltd, including the subsidiary KSEYE Capital Holdings Ltd (KSEYE CH). As KSEYE Capital Holdings Ltd provides an overview of the bridging arm of the KSEYE Group, KSEYE Capital No.2 was incorporated as a subsidiary of KSEYE CH.

#### Directors

The directors who served during the period were:

J Khagram (appointed 27 April 2016)

N Khagram (appointed 27 April 2016)

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

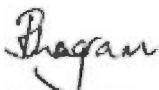
#### Auditors

The auditors, Moore Stephens LLP, were appointed as auditors during the period and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

#### Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



J Khagram  
Director

Date: 28th September 2017

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## KSEYE CAPITAL NO.2 LIMITED

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### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 MARCH 2017**

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The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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## KSEYE CAPITAL NO.2 LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KSEYE CAPITAL NO.2 LIMITED

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We have audited the financial statements of KSEYE Capital No.2 Limited for the period ended 31 March 2017, which are set out on pages 6 to 16. The relevant financial reporting framework that has been applied in their preparation is applicable law and Section 1A "Small Entities" of FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

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

#### **Respective responsibilities of Directors and Auditors**

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

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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KSEYE CAPITAL NO.2 LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KSEYE CAPITAL NO.2 LIMITED  
(CONTINUED)

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**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.



Jeremy Watkins (Senior Statutory Auditor)

for and on behalf of  
**Moore Stephens LLP**

Statutory Auditor

150 Aldersgate Street  
London  
EC1A 4AB

Date: 28 September 2017



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KSEYE CAPITAL NO.2 LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2017

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	Note	2017 £
Turnover	4	1,044,595
Cost of sales		(615,708)
<b>Gross profit</b>		<b>428,887</b>
Administrative expenses		(82,911)
<b>Operating profit</b>		<b>345,976</b>
<b>Profit before tax</b>		<b>345,976</b>
Tax on profit		(69,165)
<b>Profit and total comprehensive income for the financial period</b>		<b>276,811</b>

The notes on pages 9 to 16 form part of these financial statements.

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KSEYE CAPITAL NO.2 LIMITED  
REGISTERED NUMBER: 10149776

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STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017

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	Note	2017 £
<b>Current assets</b>		
Debtors: amounts falling due within one year	9	14,455,653
Cash at bank and in hand		1,451,225
		<u>15,906,878</u>
Creditors: amounts falling due within one year	10	(840,066)
<b>Net current assets</b>		<u>15,066,812</u>
<b>Total assets less current liabilities</b>		<u>15,066,812</u>
Creditors: amounts falling due after more than one year	11	(15,000,000)
<b>Net assets</b>		<u><u>66,812</u></u>
<b>Capital and reserves</b>		
Called up share capital		1
Retained earnings		66,811
		<u><u>66,812</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
J Khagaram  
Director

  
N Khagaram  
Director

Date: 28th September 2017

The notes on pages 9 to 16 form part of these financial statements.

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KSEYE CAPITAL NO.2 LIMITED

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STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2017

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	Called up share capital £	Retained earnings £	Total equity £
Comprehensive income for the period			
Profit for the period	-	276,811	276,811
Dividends: Equity capital	-	(210,000)	(210,000)
Shares issued during the period	1	-	1
At 31 March 2017	1	66,811	66,812

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## KSEYE CAPITAL NO.2 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

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#### 1. General information

KSEYE Capital No.2 Limited is a private company, limited by shares, incorporated in England and Wales, registration number 10149776. The address of its registered office and principal place of business is 1 Kenyngton Place, Harrow, Middlesex, United Kingdom, HA3 0DW.

The principal activity of the company during the year was that of providing bridging finance secured against property.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The financial statements have been prepared in pounds sterling, (£), the Company's functional currency, and the figures have been rounded to the nearest £.

The following principal accounting policies have been applied:

##### 2.2 Revenue

Revenue represents interest income accrued on loans from loan issue date using the effective interest method. The effective interest rate method spreads the interest income over the expected life of each instrument.

##### 2.3 Expenses

Expenses including interest are recognised as an expense in the statement of comprehensive income in the period in which they are incurred (on an accruals basis).

##### 2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017**

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**2. Accounting policies (continued)**

**2.6 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

**Derecognition**

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

**2.7 Creditors**

Creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.8 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**2.9 Taxation**

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Loan provisioning and impairment is the area which gives rise to judgment and estimates.

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KSEYE CAPITAL NO.2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017

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4. Turnover

All turnover arose within the United Kingdom.

5. Auditors' remuneration

	2017 £
Audit fee	6,875
Taxation compliance services	1,950
	<u>8,825</u>

6. Employees

The average monthly number of employees, including directors, during the period was 2.

7. Taxation

	2017 £
<b>Corporation tax</b>	
Current tax on profits for the year	69,165
<b>Total current tax</b>	<u>69,165</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2017 £
Profit on ordinary activities before tax	<u>345,976</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	69,195
<b>Effects of:</b>	
Non-taxable income	(30)
<b>Total tax charge for the period</b>	<u>69,165</u>

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KSEYE CAPITAL NO.2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017

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**8. Dividends**

	2017 £
Dividends paid on equity capital	210,000

**9. Debtors**

	2017 £
Amounts owed by group undertakings	55,599
Other debtors (note 12)	14,400,054
	<u>14,455,653</u>

**10. Creditors: Amounts falling due within one year**

	2017 £
Corporation tax	69,165
Other creditors	164,384
Accruals and deferred income	606,517
	<u>840,066</u>

**11. Creditors: Amounts falling due after more than one year**

	2017 £
Other creditors	15,000,000

**Secured loans**

The loan of £15,000,000 above is due for repayment on 29 July 2019, interest is charged at 8% per annum, and security is given on all assets and rights of the issuer.

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KSEYE CAPITAL NO.2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017

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12. Financial instruments

	2017 £
<b>Financial assets</b>	
Financial assets measured at undiscounted cost	15,906,878
	<u>15,906,878</u>
<b>Financial liabilities</b>	
Financial liabilities measured at amortised cost	15,164,384
	<u>15,164,384</u>

13. Share capital

	2017 £
<b>Shares classified as equity</b>	
<b>Allotted, called up and fully paid</b>	
1 Ordinary share of £1	1
	<u>1</u>

1 ordinary share of £1 was issued on incorporation on 27 April 2016.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017**

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**14. Financial and Capital risk management**

The Company's business is exposed to a variety of financial risks. The financial risks are mainly categorised as credit risk, liquidity risk and market risk (including interest rate risk). The objective of the Company's risk management framework is to identify and assess the risks facing the Company and to minimise the potential adverse effects of these risks on the Company's financial performance. Financial risk management is overseen by the Board of Directors.

**(a) Credit risk**

By virtue of the bridge lending trade, this is the risk that one party to a financial instrument ("the borrower") will cause a financial loss for the other party ("the lender") by failing to discharge a loan obligation in line with the terms stipulated in the loan agreements.

The Company mitigates the risk primarily by securing charges on properties that underpin the loan capital insofar that the balance is partially or fully protected by the property valuations. Such valuations are sought from independent Chartered Surveyors.

Standard operation of trade is to charge interest in advance for multiple months and monthly thereafter. Respective amounts are determined on an individual loan basis subject to contractual particulars and borrower credibility.

There are no loans past due or impaired.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will have insufficient liquid resources available to meet its financial obligations as they fall due. The risk of not being able to meet liabilities is primarily in relation to the bonds issued where maturity takes place on the third anniversary from the initial issue date 29 July 2016. Interest payments of 8% per annum paid quarterly also apply and are relevant for liquidity risk. Furthermore, participating funder agreements require the Company to service lending at pre-agreed rates however payments are directly correlated with the loan term.

The term structure of the loans issued are inherently varied, therefore realisation of funds and loan interest being serviced monthly on aggregate help meet present obligations and partially mitigates this risk during normal trade.

**Maturity analysis**

	2017 £
<b>Financial liabilities</b>	
Due in less than 1 year	164,384
Due in greater than 2 years but less than 5 years	15,000,000
	<u>15,164,384</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017**

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**(c) Market risk including interest risk**

This is mitigated by the nature of the interest being charged and paid as rates are pre-determined by the lender and borrower from inception of the loan and are therefore fixed. Rates are not linked or driven by the market, but more industry and competitor rates. Rates are discretionary and fixed with all arrangements being bespoke so exposure is minimised. Due to the fixed nature of interest income and expense no sensitivity analysis is required.

**14.1 Capital risk management**

Ultimately, the capital structure is to be optimal and maintain sound levels of working capital for the continuity of trade, organic growth and therefore, continue as a going concern. The DALMA SICAV funding sets out covenants that determine the usage of the capital facility and these may not be breached. Periodic reporting to those concerned at DALMA takes place to ensure usage of this facility is utilised in accordance with the agreement.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Company also considers the long terms bonds issued as capital.

	£
<b>Cash &amp; cash equivalents, share capital and long term bonds</b>	
Cash at bank and in hand	1,451,225
Share capital	1
Retained earnings	66,811
Bonds	(15,164,384)
	<u>(13,646,347)</u>

**15. Related party transactions**

The Company has taken the exemption available under FRS102 section 1A to not disclose related party transactions with other group companies.

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**KSEYE CAPITAL NO.2 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017**

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**16. Subsequent events**

£2,500,000 8% fixed rate secured bonds, issued 13 February 2017, due 29 July 2019, were admitted to the official list of The International Stock Exchange on 11 April 2017.

£2,500,000 8% fixed rate secured bonds, issued 13 March 2017, due 29 July 2019, were admitted to the official list of The International Stock Exchange on 11 April 2017.

£4,288,091 8% fixed rate secured bonds, issued 4 September 2017, due 29 July 2019, were admitted to the official list of The International Stock Exchange on 7 September 2017.

**17. Controlling party**

The immediate parent company of the company is KSEYE Capital Holdings Limited.

The ultimate parent company is KSEYE Group Limited, a company registered in England and Wales, registration number 10147461. The address of its registered office is 1 Kenyngton Place, Harrow, Middlesex, HA3 0DW. Consolidated financial statements can also be obtained from this address.

There is no ultimate controlling party.