

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, you should consult a person authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. This Document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules and does not constitute a prospectus under the Prospectus Rules published by the FCA and has not been approved by or filed with the FCA.

The Company, whose registered office appears on page 11, and the Directors, whose names appear on page 11, accept individual and collective responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for all of the Ordinary Shares in issue and to be issued to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 3 July 2015.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.

The whole of the text of this Document should be read and your attention is drawn to the section entitled “Risk Factors” in Part II for a discussion of certain factors which should be taken into account in considering whether or not to subscribe for Fundraising Shares. The whole of this Document should be read in light of those risk factors.

K&C REIT plc

(Incorporated in England and Wales under the Companies Act 2006 with registered no.09080097)

**Placing and subscription of 35,663,400 new Ordinary Shares at 10 pence per share,
acquisition of Silcott Properties Limited**

and

Admission to trading on AIM

Nominated adviser and broker



Allenby Capital, which is authorised and regulated by the FCA, is acting as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies in connection with the Fundraising and Admission and, as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company and the Directors or to any other person or entity. Allenby Capital will not be responsible to any person other than the Company for providing the protections afforded to clients of Allenby Capital or for providing advice to any other person in connection with the Fundraising and Admission or any acquisition of shares in the Company. Allenby Capital is not making any representation or warranty, express or implied, as to the contents of this Document. Apart from the responsibilities and liabilities, if any, which may be imposed by the FSMA or the regulatory regime established thereunder, Allenby Capital does not accept any responsibility whatsoever for the contents of this Document (or its omission of any material information) or for any other statement made or purported to be made by it or on its behalf, in connection with the Company, the Ordinary Shares, or the Fundraising. Allenby Capital accordingly disclaims all and any liability whether arising in tort, contract or otherwise (to the fullest extent permissible by law and save as referred to above), which it might otherwise have in respect of this Document or any such statement.

This Document does not constitute an offer to sell or the solicitation of an offer to buy shares, warrants or any other securities in any jurisdiction other than the United Kingdom and should not be taken, transmitted, distributed or sent directly or indirectly to any persons with addresses in the Restricted Jurisdictions, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of any of the

Restricted Jurisdictions. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in or into any of the Restricted Jurisdictions to or for the account or benefit of any national, resident or citizen of such countries.

The distribution of this Document in certain jurisdictions may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe such restrictions. No action has been taken by the Company and the Directors or by Allenby Capital that would permit a public offer of shares or other securities in the Company or possession or distribution of this Document where action for that purpose is required. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document has been prepared on the basis that any offer of Ordinary Shares in any member state of the European Economic Area which has implemented the Prospectus Directive, (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a securities prospectus. Accordingly, any person making or intending to make any offer in that Relevant Member State of Ordinary Shares may only do so in circumstances in which no obligation arises to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer.

IMPORTANT INFORMATION

Investment in the Company carries risks. There can be no assurance that the objectives of the Group's Investing Policy will be achieved and investment results may fluctuate substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Potential investors should carefully consider whether an investment in the Ordinary Shares is suitable for them in light of their circumstances and financial resources and they should be able and willing to withstand the loss of their entire investment (see further under "Part II: Risk Factors").

Potential investors contemplating an investment in the Company should recognise that the market value of the Ordinary Shares is not constant and is unlikely to reflect the Company's net asset value. Returns achieved are reliant upon the performance of the Company. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares. Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption, conversion or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Document are based on the law and practice currently in force in England and Wales and are subject to any changes therein.

This Document should be read in its entirety before making any investment in the Company.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Document are forward-looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and the industry and markets in which the Group will operate, as well as on the Board's beliefs and assumptions made by the Board. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations. These statements are not guarantees of future performance or of the ability to identify and consummate investments, which involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, certify or quantify. Therefore, actual outcomes and results may differ materially from those expressed in such forward-looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, conditions in the property market, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements apply only as at the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

THIRD PARTY INFORMATION

Where information in this Document has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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DEFINITIONS

In this Document, the following terms and expressions have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of Silcott Properties from Tuscan Properties pursuant to the terms of the Acquisition Agreement, further details of which are set out in paragraph 7 of Part 1;
“Acquisition Agreement”	the conditional agreement dated 15 April 2015 (as amended by side letters dated 10 and 19 June 2015) and entered into between (1) Tuscan Properties, (2) Détente Limited as Trustee of The Southern Cross Trust and (3) the Company, in which the Company agreed to buy the entire issued share capital of Silcott Properties for £3,630,000, further details of which are set out in paragraph 7 of Part I;
“Act”	the UK Companies Act 2006 (as amended);
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with AIM Rule 6 and the AIM Rules for Companies;
“Admission Document” or “Document”	this document;
“AIF”	an Alternative Investment Fund;
“AIFM”	an Alternative Investment Fund Manager;
“AIFM Regulations”	the Alternative Investment Fund Managers Regulations 2013 of the United Kingdom (SI 2013/1773);
“AIFMD” or “AIFM Directive”	the European Union’s Alternative Investment Fund Managers directive (No.2071/61/EU) and all legislation made pursuant thereto, including where applicable, the applicable implementing legislation and regulations in each member state of the European Union;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the rules of the London Stock Exchange which set out the obligations and responsibilities of and in relation to companies whose shares are admitted to AIM, as published and occasionally amended by the London Stock Exchange;
“AIM Rules for Nominated Advisers”	the rules of the London Stock Exchange which set out the eligibility, obligations and certain disciplinary matters of and in relation to nominated advisers as published by the London Stock Exchange;
“Allenby Capital”	Allenby Capital Limited, the Company’s nominated adviser and broker for the purposes of the AIM Rules;
“Allenby Warrant”	the warrant to subscribe for such number of Ordinary Shares as is equal to one per cent. of the issued share capital of the Company on Admission at the Issue Price granted to Allenby Capital, further details of which are set out in paragraph 10.14 of Part X;

“Applicable Employee”	as defined in the AIM Rules for Companies as, <i>inter alia</i> , any employee of the Company, together with that employee’s family, who has a holding in 0.5 per cent. or more of the Ordinary Shares;
“Articles”	the articles of association of the Company adopted by a resolution passed at a duly convened general meeting of the Company held on 14 May 2015, a summary of which articles is set out in paragraph 5 of Part X;
“Board” or “Directors”	the directors of the Company as at the date of this Document, whose names are set out on page 11 of this Document;
“Buyback Agreement”	means the purchase agreement dated 14 May 2015 between (1) the Company and (2) the holders of the Deferred Shares then in issue, further details of which are set out in paragraph 10.18 of Part X;
“Central London”	the City of London; the City of Westminster; and the boroughs of Kensington & Chelsea; Hammersmith & Fulham; Islington; Camden; Hackney; Tower Hamlets; Southwark and Lambeth;
“Christopher James Subscription Agreement”	the conditional subscription agreement between (1) Christopher Douglas James and (2) the Company, further details of which are set out in paragraph 10.15 of Part X;
“Consideration Shares”	the 3,000,000 Ordinary Shares to be issued on Admission pursuant to the Acquisition Agreement;
“Conversion Shares”	the James Conversion Shares and the Min Conversion Shares;
“CREST”	the computer-based system operated by Euroclear for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“CTA 2009”	the UK Corporation Tax Act 2009;
“CTA 2010”	the UK Corporation Tax Act 2010;
“Deed of Commitment”	means the deed in which the Company has agreed to grant options to the Executives, further details of which are set out in paragraph 10.16 of Part X;
“Deferred Shares”	deferred shares of 9p each in the capital of the Company which arose as a result of the Reorganisation, having the rights as set out in the Articles, and which were purchased by the Company on 14 May 2015 and cancelled;
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules made by the FCA under Part VI of the FSMA;
“€”	Euros;
“Enlarged Share Capital”	the Existing Ordinary Shares, the Conversion Shares, the Consideration Shares and the Fundraising Shares;
“Euroclear”	Euroclear UK & Ireland Limited, the Central Securities Depository for the UK market and Irish securities, and the operator of CREST, incorporated in England and Wales with registered number 2878738;
“Executives”	the Executive Directors and Benjamin James;

“Executive Directors”	the executive directors of the Company, being Timothy Michael James, Timothy John Knight Oakley, Christopher Douglas James, James Andrew Cane and Oliver John Vaughan;
“Executive Options”	the options entitling the holders thereof to subscribe for an aggregate, initially, of 3,000,000 Ordinary Shares provided certain performance conditions have been met and which vest in various tranches, details of which are set out in paragraph 10.16 of Part X;
“Existing Ordinary Shares”	the 750,001 ordinary shares of 1p each in the capital of the Company in issue immediately before Admission;
“FCA”	the UK Financial Conduct Authority;
“Founder Warrants”	the warrants originally entitling the holders thereof to subscribe for an aggregate of 15,000,000 Pre-Reorganisation Ordinary Shares and, following the Reorganisation, entitling the holders thereof to subscribe for an aggregate of 750,000 Ordinary Shares at any time before 31 December 2018, details of which are set out in paragraph 10.2 of Part X;
“FSMA”	the UK Financial Services and Markets Act 2000 (as amended);
“Fundraising”	together, the Placing and the Subscription;
“Fundraising Shares”	the Placing Shares and the Subscription Shares;
“Gander”	Gander Holdings plc;
“GDP”	gross domestic product;
“Greater London” or “London”	the administrative area within the London region of England, comprising the City of London, the City of Westminster, and the 31 London boroughs;
“Group”	the Company and its subsidiaries and subsidiary undertakings from time to time;
“HMRC”	HM Revenue & Customs;
“IFRS”	International Financial Reporting Standards, as adopted by the European Union;
“Initial Executive Option Agreements”	the option agreements entered between the Company and each of the Executives, granting Executive Options, conditional on Admission, over a total of 3,000,000 Ordinary Shares;
“Investing Policy”	the investing policy of the Group as detailed in paragraph 3 of Part I;
“Issue Price”	10 pence per new Ordinary Share;
“James Conversion Shares”	the 2,150,000 Ordinary Shares to be issued on Admission pursuant to the Christopher James Subscription Agreement;
“K&C Ltd”	Kensington & Chelsea REIT Limited, a subsidiary of the Company incorporated in England and Wales on 19 August 2013, with registered company number 08654998;
“K&C REIT,” “K&C” or “the Company”	K&C REIT plc, a company incorporated in England and Wales on 10 June 2014 with registered company number 09080097;
“London Stock Exchange”	London Stock Exchange plc;

“Mansion Tax”	an additional annual tax proposed by some UK political parties that would be charged on the owners of UK properties valued at more than a certain figure, possibly around £2 million;
“March Loan Notes”	the 7 March Loan Notes, the 14 March Loan Notes and the 24 March Loan Notes;
“Market Value Basis”	the definition of market value set out from time to time in the RICS Red Book (being, as at the date of this Document, the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion);
“Min Conversion Shares”	the 2,222,222 Ordinary Shares to be issued on Admission pursuant to the conversion of the 5 September Loan Notes;
“NAV” or “Net Asset Value”	the net asset value of the Company as calculated in accordance with the Company’s accounting policies;
“Newbury Property”	the properties owned by the Group at 24 Martingale Chase, Newbury, Berkshire RG14 2EN and 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX;
“Non-Executive Options”	the options entitling the holders thereof to subscribe for an aggregate of 582,349 new Ordinary Shares, details of which are set out in paragraph 10.17 of Part X;
“Official List”	the Official List of the UKLA;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company, with the rights as set out in the Articles;
“Options”	the Executive Options and the Non-Executive Options;
“Placees”	any person subscribing for Placing Shares pursuant to the Placing;
“Placing”	the conditional placing by Allenby Capital on behalf of K&C REIT of the Placing Shares at the Issue Price pursuant to the Placing Agreement, as described in this Document;
“Placing Agreement”	the conditional agreement dated 30 June 2015 between (1) the Company, (2) the Directors and (3) Allenby Capital relating to the Placing, details of which are set out in paragraph 10.11 of Part X;
“Placing Shares”	the 34,528,400 new Ordinary Shares to be allotted and issued by the Company pursuant to the Placing;
“Pre-Reorganisation Ordinary Shares”	means the ordinary shares of 0.5 pence each in the capital of the Company in issue prior to the Reorganisation, as more particularly described at paragraph 4 of Part X;
“Property”	the freehold property located at 25 Coleherne Road, London SW10 9BS;
“Property Rental Business”	a business within the meaning of section 205 of the CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business (as per section 519(3) of the CTA 2010);
“Prospectus Rules”	the Prospectus Rules issued by the UKLA as amended from time to time;

“Put Option Agreements”	the put option agreements to be dated on or about the date of completion of the Acquisition Agreement and entered into between the Vendor and each of Timothy Michael James, Christopher Douglas James and Oliver John Vaughan, further details of which are set out in paragraph 7 of Part I;
“Qualifying Property”	a property qualifying to be part of a Qualifying Property Rental Business;
“Qualifying Property Rental Business”	a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010;
“Regulatory Information Service”	a service approved by the London Stock Exchange for the “RIS” distribution to the public of AIM announcements;
“REIT”	Real Estate Investment Trust, being a company or group of companies to which Part 12 of the CTA 2010 applies;
“REIT Group”	a REIT, which is a REIT by virtue of a notice given under section 523 of the CTA 2010;
“REIT Regime”	the UK taxation regime created and provided for by Part 12 of the CTA 2010;
“Related Parties”	as defined in the AIM Rules for Companies;
“Reorganisation”	means the consolidation and sub-division of the Company’s share capital, as described at paragraph 4.1.3 of Part X;
“Restricted Jurisdictions”	the United States of America (or any of its territories or possessions), Canada, Japan, the Republic of South Africa, the Republic of Ireland or any other country, territory or possession where to offer the Ordinary Shares without registering them under local securities laws or regulations may contravene such laws or regulations;
“RICS Red Book”	Royal Institution of Chartered Surveyors Valuation – Professional Standards, incorporating the International Valuation Standards, Global and UK, edition January 2014;
“Shareholders”	the holders of Ordinary Shares;
“SDLT”	stamp duty land tax;
“Share Exchange Agreement”	the agreement dated 8 September 2014 between (1) the Company, (2) K&C Ltd, and (3) all of the holders of shares and warrants to subscribe for shares in K&C Ltd at such date, further details of which are set out in paragraph 10.1 of Part X;
“Silcott Properties”	Silcott Properties Limited, a company incorporated in England and Wales with registered company number 02818584;
“SPV”	for the purpose of this Document, a UK-incorporated special purpose vehicle which holds residential property assets as its principal or only asset;
“Subscription”	the conditional placing by K&C REIT of the Subscription Shares at the Issue Price;
“Subscription Shares”	the 1,135,000 Ordinary Shares to be allotted and issued by the Company pursuant to the Subscription;
“subsidiary”	a subsidiary, as that term is defined by section 1159 of the Act;

“subsidiary undertaking”	a subsidiary undertaking, as that term is defined by section 1162 of the Act;
“Substantial Shareholder”	means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of a REIT Group of which the Company is the principal company to be liable to pay tax under section 551 of the CTA 2010 (as such section may be modified, supplemented or replaced from time to time) on or in connection with the making a distribution to or in respect of such person including, at the date of adoption of the Articles, any holder of excessive rights as defined in section 553 of the CTA 2010;
“Takeover Code”	the City Code on Takeovers and Mergers (as amended);
“Takeover Panel”	the Panel on Takeovers and Mergers;
“Tuscan Properties” or “Vendor”	Tuscan Properties Limited, a company incorporated in the British Virgin Islands with registered company number 100308;
“UK Corporate Governance Code”	the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA” or “UK Listing Authority”	the FCA, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“VAT”	value added tax imposed pursuant to the Value Added Tax Act 1994 or Council Directive 2006/112/EC;
“Warrants”	the Allenby Warrant and the Founder Warrants;
“7 March Loan Notes”	the loan notes of K&C Ltd issued on 7 March 2014 for an aggregate nominal value of £250,000 secured by a mortgage over 24 Martingale Chase, Newbury, Berkshire RG14 2EN further details of which are provided in paragraph 10.4 of Part X;
“14 March Loan Notes”	the loan notes of K&C Ltd issued on 14 March 2014 for an aggregate nominal value of £209,000 secured by a mortgage over 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX further details of which are provided in paragraph 10.4 of Part X;
“24 March Loan Notes”	the loan notes of K&C Ltd issued on 24 March 2014 for an aggregate nominal value of £215,000 secured by a mortgage over 10 Glebelands, Thatcham, Berkshire RG19 3QZ further details of which are provided in paragraph 10.6 of Part X;
“5 September Loan Notes”	the unsecured convertible loan notes subscribed for on 5 September 2014 by Xiao Min for an aggregate nominal value of £200,000, further details of which are provided in paragraph 10.3 of Part X.

In this Document:

- (i) *use of the singular includes the plural and vice versa, unless the context otherwise requires;*
- (ii) *references to a ‘Part,’ or ‘Parts’ and references to page numbers, are to the relevant Part or Parts or to the relevant page or pages of this Document; and*
- (iii) *all references to “sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom.*

EXPECTED TIMETABLE OF PRINCIPAL EVENTS*

Admission Document publication date	30 June 2015
Admission and commencement of dealings in Ordinary Shares on AIM	8.00 a.m. on 3 July 2015
CREST accounts credited with Fundraising Shares	3 July 2015
Certificates for Fundraising Shares despatched (where applicable)	by 17 July 2015

*Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Allenby Capital.

FUNDRAISING AND ACQUISITION STATISTICS

Number of Ordinary Shares in issue prior to Admission	750,001
Number of Conversion Shares	4,372,222
Number of Consideration Shares	3,000,000
Number of Placing Shares	34,528,400
Number of Subscription Shares	1,135,000
Enlarged Share Capital	43,785,623
Number of Options and Warrants in issue on Admission	4,770,205
Fully diluted Enlarged Share Capital on Admission*	48,555,828
Options and Warrants as a percentage of the Enlarged Share Capital on Admission	10.89%
Fundraising Shares as a percentage of the Enlarged Share Capital on Admission	81.45%
Issue Price	10p
Gross proceeds of the Fundraising	£3,566,340
Expected net proceeds of the Fundraising receivable by the Company	£2.7 million
Market capitalisation of the Company on Admission at the Issue Price	£4.38 million
International Securities Identification Number (ISIN) of Ordinary Shares	GB00BRKCYB38
TIDM	KCR.L

*Comprises the Enlarged Share Capital and Ordinary Shares to be issued on the exercise of the Options and Warrants

DIRECTORS, SECRETARY AND ADVISERS

Directors	<p>Nigel Terrence Payne Timothy Michael James James Andrew Cane Christopher Douglas James Timothy John Knight Oakley Oliver John Vaughan Patricia Mary Preston ("Patricia Farley") George Henry Rolls</p>	<p><i>Non-Executive Chairman</i> <i>Chief Executive</i> <i>Finance Director</i> <i>Operations Director</i> <i>Construction Director</i> <i>Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i></p>
Company Secretary	R J Roberts	
Registered Office	82 St John Street London EC1M 4JN	
Website	www.kandc-reit.co.uk	
Nominated adviser and broker to the Company	Allenby Capital Limited 3 St. Helen's Place London EC3A 6AB	
Solicitors to the Company	Fasken Martineau LLP 17 Hanover Square London W1S 1HU	
Reporting accountants and auditor to the Company	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB	
Tax advisers to the Company	Beavis Morgan LLP Carlton House West Street Epsom Surrey KT18 7RL	
Solicitors to Allenby Capital	Watson Farley & Williams LLP 15 Appold Street London EC2A 2HB	
Financial public relations	Yellow Jersey PR Limited South Building, Upper Farm, Wootton St Lawrence Basingstoke Hants RG23 8PE	
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL	

PART I

INFORMATION ON THE COMPANY AND ITS BUSINESS

1. INTRODUCTION

K&C REIT's objective is to build a substantial residential property portfolio that generates secure income flow for Shareholders through the acquisition of SPVs with historic capital gains. The Directors intend that the Group will acquire, develop and manage residential property assets in Central London. The Directors believe that they have assembled a team with the skill, ability and experience to realise this objective.

The Directors believe that the Company offers an attractive opportunity for investors to gain exposure to the Central London residential property market. Central London has been a resilient market for residential property for a number of reasons. These include the UK's economic and political stability, London's position as one of the world's leading financial and cultural centres, constraints on supply, increasing institutional and overseas interest in the sector and rising demand for rental properties.

The Company's management team has a track record of successfully sourcing, financing, improving, letting and managing properties to create sizeable property portfolios with attractive cash-flows. The Group aims to take advantage of opportunities in the London residential real estate market to build its portfolio, enhancing yield and increasing net asset value through active management and development. The Directors believe this strategy will allow the Company to provide Shareholders with an attractive level of dividend income in due course. There are no other REITs specialising solely in the Central London residential real estate market.

The Directors, having taken advice from the Company's tax advisers, Beavis Morgan LLP, expect the Group to qualify as a REIT on Admission. The Directors believe that admission to AIM and the Group's REIT status will enhance the Company's ability to access opportunities for property acquisitions. In particular, the Company will target SPVs with unrealised capital gains where REIT status can confer an advantage on both the Company and (indirectly) the vendor. The Directors believe that this is demonstrated by the acquisition of Silcott Properties (see below).

The Company has agreed to acquire Silcott Properties for a consideration of £3,630,000, conditional on Admission. Silcott Properties is the owner of 25 Coleherne Road, a 3,976 sq. ft. residential building in Chelsea, London, comprising ten studio apartments. 25 Coleherne Road was valued at £4 million on 22 June 2015. The Property currently produces rental income of £114,400 per annum (including one unit that is in the process of being let), which will increase to around £129,300 when the tenth unit is let, representing a yield of 3.6 per cent. per annum. The Group also owns a further three smaller properties.

The Company is seeking to raise up to £3.57 million (before expenses) at Admission through the Fundraising. The net proceeds of the Fundraising (along with the Group's £1.5m loan facility) will be used by the Group to fund the Acquisition and provide working capital to pursue the Investing Policy. The Board expects to complete further portfolio acquisitions within three to six months of Admission. The Directors anticipate that future acquisitions will be made by deploying a combination of the Company's cash resources, bank debt and, where appropriate, the issue of Ordinary Shares.

The Company was established on 10 June 2014 and its wholly owned subsidiary, K&C Ltd, was incorporated on 19 August 2013.

2. THE MARKET OPPORTUNITY

Central London residential property

The capital and rental values of residential property in London generally, and particularly in Central London, have been growing for over 20 years. The cost of acquiring residential property in Central London has consistently increased more than each of the FTSE-100 index, GDP and inflation throughout this period. Reasons cited for this strength include the UK's relative economic and political stability, London's position as one of the world's leading financial and cultural centres, constraints on the supply of new property, rising demand for rental properties and growing institutional interest in the residential sector.

Over the five years to January 2015, capital values in London have risen by approximately 39 per cent. In the twelve months ended 31 January 2015, the Land Registry figures show growth of approximately 12 per

cent. Demand from overseas buyers has been partly responsible for the high rates of growth in capital values. As measured by a number of agents, demand from overseas has been resilient, with 49 per cent. of new-build properties in some areas in London sold to buyers who are not resident in the UK. Well-known agents, such as Savills, Cluttons and Knight Frank all report recent slowdowns in the rate of growth of London house prices, with a potential levelling off or a decline in 2015, the extent of which would be likely to be affected by the possible introduction of a Mansion Tax or increased council tax for more expensive properties. However, their forecasts for 2016 onwards all show increases in the range of 3.5 per cent. to 8 per cent. per annum to 2019.

These forecasts were produced after the announcement of the changes to SDLT on 4 December 2014, which introduced a significant increase in tax payable on property sales in excess of £1.5 million. As the Directors consider that the majority of its acquisitions will have individual unit values below £1.5 million, they do not expect the future prices for these units to be significantly affected.

The long-term prospects for capital growth will be enhanced by the predicted increase between 2011 and 2021 of one million in London's population, which was approximately 8.3 million in 2012. The Mayor of London's target for increasing the supply of residential units (around 32,000 units per year) equates to less than one per cent. of the current housing stock and such units are unlikely to be concentrated in Central London.

Although the rate of growth in rental values in London has been lower than capital growth, the proportion of households who rent has been growing. The Mayor of London's '*2011 London Plan*', published in 2011, found that 26 per cent. of London's residents rented their homes in 2011 compared with 14 per cent. in 1991. In more affluent areas, such as Kensington & Chelsea and Westminster, the proportion can be over 50 per cent.

Prominent agents, for example Strutt & Parker, reported that lettings completed in 2014 were approximately 33 per cent. higher than in 2007. Research by Henley Business School ("**HBS**") on behalf of Cluttons, published in November 2012 and updated in May 2013, predicted an increasing trend towards renting in London because it was more flexible than ownership. HBS forecast that rents would increase at an annual trend rate of five per cent. over ten years, principally due to shortage of supply.

The long-term trends in rental growth have been positive, with the Office for National Statistics ("**ONS**") reporting average annual increases for London of 5.3 per cent. over the last ten years. Agents such as Cluttons, Savills and Strutt & Parker are all expecting rental values to grow from 2015 to 2019, with forecast annual increases in the range 2.5 to 6.8 per cent., which is in line with HBS's longer-term forecast of five per cent.

Further information on the London residential property market is set out in paragraph 9 below.

The SPV opportunity

The Directors consider that the tax exemption afforded to REITs will enable the Company to achieve a yield on its portfolio that is higher than would be achievable by a non-REIT company or an individual. This is demonstrated by the Acquisition, further details of which are set out in paragraphs 6 and 7 below. The Directors believe that they will be able to unlock value from an SPV by negotiating an attractive acquisition price through sharing with a vendor in economic terms the additional value that a REIT Group may derive by virtue of its status as a REIT. The resultant lower entry cost will enhance the initial yield when compared with an acquisition of an SPV by a non-REIT.

The Directors believe that a number of owners of residential property SPVs with portfolios in Central London are unwilling to sell their interests because unrealised tax liabilities within the SPV would significantly reduce the share value realised on sale. The Directors also believe that, for similar reasons, there are a limited number of potential buyers of SPVs. The Directors therefore consider that K&C REIT presents an efficient option for owners of such SPVs wishing to exit their investments, either because circumstances compel them to exit or for other reasons. If the SPV owners were to choose the alternative route of selling the underlying property and liquidating the company, there would, in some circumstances, be double taxation, namely the corporation tax payable by the SPV on the property gain and capital gains tax suffered by the owners of the SPV on the eventual liquidation of the SPV.

A capital gain which accrues to a REIT in respect of a property that is used wholly and exclusively for the purposes of a Qualifying Property Rental Business is exempt from corporation tax. Therefore a REIT can acquire an SPV with unrealised capital gains and on the subsequent disposal of that property there will not be a liability to corporation tax on any gain realised on that disposal. The REIT can therefore acquire the SPV at closer to the SPV's pre-tax asset value because in its offer price, the REIT does not have to allow for paying corporation tax on the inherited unrealised capital gain. The ability to pay closer to pre-tax asset value makes an offer made by a REIT more attractive financially to the vendor, who effectively shares some of the REIT's tax saving by receiving a higher price. The larger the unrealised tax liability within the SPV, the greater the value potentially attributable to the REIT's ability to make a future tax exempt disposal and the more scope for the economic value of that ability to be shared between the Company and a vendor.

In summary, by selling such an SPV to a REIT, the vendor is able to achieve a sale price at a premium to the SPV's post-tax asset value, while the REIT is acquiring an SPV at a discount to the gross market value of the SPV's property assets. The initial rental yield increases proportionately because the REIT acquires assets at a discount to gross market value.

The Directors believe that there are numerous properties in Central London held within SPVs with potential to achieve significantly increased rental yields and capital values. These present attractive opportunities for an experienced management team to add value.

3. INVESTING POLICY

The Group's property acquisitions will focus on London, particularly on locations within Central London such as Kensington & Chelsea, Westminster and the surrounding area. To a lesser extent, the Company may consider areas across the rest of the UK where both capital and rental growth are expected to be strong in the coming years. In the majority of cases, acquisitions will be of SPVs holding real estate assets, although the Company may on occasion make direct real estate acquisitions. The majority of properties acquired are expected to be held for a minimum of three years.

Acquisitions will be funded either through issuing new Ordinary Shares to vendors, utilising the Company's cash resources and access to debt, or a combination of these. The level of any borrowing secured against acquisitions is likely to be in the region of 50 per cent. loan to value.

The Board reserves the right to review and potentially change the Company's Investing Policy and activities from time to time. Any material change would require the approval of Shareholders in a general meeting. The Company has an indefinite corporate existence.

The Company has no constitutional borrowing limits. The REIT Regime imposes an interest cover test whereby profits of the tax-exempt business of a REIT Group must be at least 1.25 times the costs of financing that business. If this condition is not met, the Company will be required to pay corporation tax on an amount of income equivalent to the excess financing costs or 20 per cent. of the tax-exempt business profits if that is less. The Group will meet the interest-cover test on Admission and will seek to continue to do so thereafter.

The REIT Regime requires that the Company distributes, on or before the filing date for the Company's tax return, an amount equal to (a) at least 90 per cent. of the profits from the Group's Qualifying Rental Business in the UK, and (b) in the event that a member of the Group were to receive a distribution from another UK REIT (qualifying as "REIT development profits" within the meaning of section 549A of the CTA 2010), an amount equal to that distribution; if the Company were not to distribute such amounts, it would suffer a charge to corporation tax.

4. STRATEGY

The Company aims to build a property portfolio of Central London residential real estate, primarily through acquisitions of SPVs, to generate secure income flow for Shareholders. The Company will target corporate acquisitions of up to £100 million in gross assets, typically with a portfolio of properties with individual unit values ranging from £400,000 to £3 million. To a lesser extent, supply may also come through direct acquisitions of properties (as opposed to SPVs) where the Directors believe that they have identified a particularly attractive opportunity to add value, for example via refurbishment or lease re-structuring.

The Directors believe that the Company may also be able to acquire SPVs more competitively because it can offer a simplified exit route to SPVs that have a number of shareholders. In complex, urgent or unexpected situations, such as on family breakdown or death, where the vendors have a compelling need to act quickly, the Company will aim to provide a flexible and tailored solution, using a combination of its available cash, debt finance and its equity.

The Board has a depth of experience in London property investment, development and finance. The Directors will utilise their industry relationships and network of contacts to identify investment opportunities.

The Directors also expect to be able to increase capital and rental values of the assets and to enhance returns by means of careful property management and creative initiatives, as further detailed in paragraph 5 below. The Directors will draw upon the expertise of a range of advisers, with whom they have had dealings over a number of years, on matters such as town planning, agency and construction.

The Directors believe that the Company will be able to offer an attractive yield to investors because it will derive returns from the following:

- stable rental income; and
- capital value growth as a result of:
 - tax-efficient SPV acquisitions at below market value;
 - additional discount on acquisition price for rapid execution of a simplified exit route;
 - tax-free realisations;
 - overall market value gains; and
 - value-adding property management initiatives.

The Company's strategy is for the proceeds from the disposals of properties to be re-invested into new investment opportunities. However, from time to time, the Company may decide to distribute an amount equal to part of a realised gain to Shareholders by way of a special dividend or other form of distribution.

The Company will seek to leverage its portfolio in order to provide further funds for investment and will seek to raise further equity finance as required in order to continue to expand its portfolio, either ahead of or in conjunction with further acquisitions.

5. PROPERTY MANAGEMENT

K&C will be a proactive investor and a plan will be prepared for each property that is acquired by the Group. The objective of each plan will be to maximise the property's long-term investment potential, given its location and the prevailing market circumstances. The plan will detail the capital spending required to optimise asset value and rental income, the property management arrangements and the expected period of ownership and returns. The Group will outsource property letting and day-to-day property management to independent advisers and agents. Where necessary, the Group will undertake general renovations and improvements or develop sites to increase asset value and yield, using external contractors. These could include:

- gaining planning consent for change of use or development of the property;
- refurbishment of the property or parts of it, such as the common areas;
- restructuring/extending leases with any existing tenants; and
- introducing professional management and providing a high quality experience for tenants.

Once a property is in a marketable condition, the Group will let the individual units to generate rental income. Where there are existing tenants in any acquired property, the Company will work with them and identify opportunities for increasing rental values by providing a better standard of accommodation.

The Directors expect to contract third-party property management companies to supervise the properties in the portfolio. The Directors believe that the Group can achieve a higher yield by employing expert local managing agents to source tenants, negotiate tenancies, collect rents and undertake any day-to-day maintenance. As well as reducing costs and providing greater flexibility, the Directors expect to be able to use their negotiating power to appoint contractors and advisers at advantageous rates.

It is a key objective of the Group's strategy that it builds a strong brand reputation for offering superior management standards and quality of service across its portfolio. The Directors believe that high-quality management is a key differentiator for the Company that will enhance marketability to tenants, thereby underpinning the market value of the portfolio and, by extension, enhancing investment performance for Shareholders.

6. INFORMATION ON SILCOTT PROPERTIES

The Company has agreed to acquire Silcott Properties, subject to Admission, the terms of which acquisition are set out in paragraph 7 below.

Silcott Properties was incorporated on 17 May 1993 as an SPV. The principal asset of Silcott Properties is 25 Coleherne Road, a property in Kensington & Chelsea, London. Silcott Properties has owned 25 Coleherne Road for over twenty years. The Property contains ten studio flats ranging in size from 234 sq. ft. to 396 sq. ft. The total gross internal floor area of the property is estimated at 3,976 sq. ft. Nine of the flats are let on assured shorthold tenancies (ASTs), the majority with a term of one or two years. The tenth unit is in the process of being let. The Property currently produces rental income of £114,400 per annum, which will increase to around £129,300 when the tenth unit is let. Silcott Properties recorded a net profit of £31,744 (unaudited) for the year ending 31 October 2014. The Property has been valued by Meredith at approximately £4 million.

The Property is located to the south of the Old Brompton Road, between Finborough Road and Redcliffe Gardens. It is a short distance away from Earl's Court underground station and West Brompton station. The Directors believe that the area is improving and will benefit particularly from the major redevelopment, the Capco Earl's Court Masterplan, currently taking place west and north of the Earl's Court Exhibition Centre. The first phase, Lillie Square, is underway and the community benefits cited by Capco include the creation of up to 10,000 permanent jobs, improvements to local Tube stations and the creation of 27 acres of green space.

The Directors believe that the Property offers the potential to increase rental income through either the refurbishment of the apartments or a more significant development of the Property through the consolidation of certain studio flats into larger apartments, subject to planning permission.

7. DETAILS OF THE ACQUISITION AGREEMENT

Under the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire the entire issued share capital of Silcott Properties for £3,630,000 (subject to an adjustment whereby certain receipts and expenses of Silcott Properties are to be apportioned as between the Company and Tuscan Properties).

The consideration for the Acquisition shall be satisfied as to £3,330,000 in cash and as to £300,000 by the issue of the Consideration Shares to the Vendor credited as fully paid at the Issue Price. The Company has undertaken to give the Vendor a right of first refusal (before any other holders of Ordinary Shares) to have all or any of its Consideration Shares placed by the Company's broker on behalf of the Vendor as part of any equity fund raisings which the Company implements for the period of a year following completion of the Acquisition (or until the disposal by the Seller of all of its Consideration Shares if earlier).

Pursuant to the Put Option Agreements, in the event that any of the Vendor's Consideration Shares have not been sold within that time, Timothy Michael James, Christopher Douglas James and Oliver John Vaughan have granted the Vendor options (each exercisable within a six month period following the first anniversary of the completion of the Acquisition) entitling the Vendor to require each of them to purchase 38.636 per cent., 38.636 per cent. and 22.728 per cent. respectively of a maximum number of 2,700,000 of the Vendor's Consideration Shares at 10 pence per share.

The Acquisition Agreement is conditional upon Admission. Completion of the Acquisition is expected to occur on Admission. Pursuant to the Acquisition Agreement, the Company has the right to rescind the Acquisition Agreement if a material adverse change occurs in relation to the assets or financial position of Silcott Properties prior to Admission. The cash element of the purchase price for Silcott Properties will not be paid on Admission but shortly thereafter. The Acquisition Agreement provides that if the purchase price is not satisfied in full within five business days of Admission, the Company is required to transfer the shares

in Silcott Properties back to Tuscan Properties. The Board anticipates that the purchase price will be paid within three business days of Admission.

The Acquisition Agreement contains certain warranties from Tuscan Properties in relation to the business of Silcott Properties, and in relation to the capacity of Tuscan Properties to enter into the Acquisition Agreement and its ownership of the shares in Silcott Properties. The warranties given by Tuscan Properties are (save for warranties in relation to tax and certain other “fundamental” warranties) subject to the following limitations: (a) a financial cap of £3,630,000; and (b) liability under the warranties will cease on the date which is 18 months from completion of the Acquisition. In addition, the Acquisition Agreement contains indemnities from Tuscan Properties in relation to tax and certain other matters.

8. CURRENT PORTFOLIO AND PIPELINE

Current investments

The Company currently has one wholly-owned subsidiary, K&C Ltd, which was incorporated on 19 August 2013. K&C Ltd and the Company together own three properties (the minimum number required for the Group to qualify as a REIT), which were acquired in March 2014. The purchases were funded principally through the issue of the March Loan Notes.

Details of the properties are as follows:

- (1) 49 and 50 Cheap Street, Newbury, Berkshire
 - o shop and residential flat (total – 2,280 square feet)
 - o valued at £215,000 on 17 March 2015
 - o let on a ten-year lease expiring January 2024.
- (2) 24 Martingale Chase, Newbury, Berkshire
 - o two-bedroom house with garage
 - o valued at £280,000 on 17 March 2015
 - o let under a short-term tenancy agreement.
- (3) 10 Glebelands, Thatcham, Berkshire
 - o two-bedroom house
 - o valued at £210,000 on 17 March 2015
 - o let under a short-term tenancy agreement.

The properties are not expected to form a material part of the Group's portfolio in the future as the Company will focus on Central London. The Directors intend to sell the properties should an appropriate opportunity arise, the net proceeds of which will be first applied towards any outstanding amounts due under the 7 March Loan Notes and 14 March Loan Notes pursuant to their terms, as detailed in paragraph 10.4 of Part X of this Document.

Pipeline

The Directors intend to build and expand the Group's portfolio of residential property in London following Admission. The Directors have identified a number of SPVs that they believe are suitable acquisition targets. In addition, non-binding letters of intent are in place for opportunities of over £40 million in aggregate. There is no guarantee that these letters of intent will lead to the Company successfully completing any of these acquisitions. The Board will also use its extensive industry relationships and network of contacts to identify further investment opportunities. The Board expects to complete the Group's next acquisition within three to six months following Admission.

9. THE LONDON RESIDENTIAL REAL ESTATE MARKET

The Directors believe that the Group's value-adding activities described elsewhere in this Document will be enhanced by strong growth in both the capital and rental residential real estate markets in London.

In the view of the Directors, the key drivers for this continued performance in the capital and rental markets are:

- London is widely regarded as a secure, liquid market for international capital;

- London is considered a relatively safe and enjoyable place in which to live and work; it is also one of the world's leading financial and cultural centres. These factors attract demand for both owned and rental property from UK nationals as well as investors and executives from overseas;
- The population of London is forecast to grow substantially in the medium term while the supply of new property is constrained by lack of land and planning restrictions. This shortage of supply is particularly prevalent in the more affluent areas, particularly Central London, on which the Company will be focusing; and
- There is an increasing trend for people to rent property due to the flexibility and relative affordability of renting compared with ownership.

The analysis below, which draws on some of the large number of sources of information and research available on the real estate markets, substantiates the view of the Directors.

The residential real estate capital market in London

The table below sets out the comparative performance of the residential real estate capital market in London over the last 20 years in five-year tranches to January 2015. It compares percentage changes in the London House Price Index published by the Land Registry, the FTSE-100 index published by the London Stock Exchange, the UK's GDP published by the ONS and the Consumer Price Index ("**CPI**") published by the ONS.

Comparison of Indices

<i>Period</i>	<i>London House Price Index</i>	<i>FTSE-100</i>	<i>GDP*</i>	<i>CPI</i>
2010-2015	+39.4%	+30.1%	+8.9%	+13.1%
2005-2010	+19.7%	+5.0%	+3.3%	+14.0%
2000-2005	+70.2%	-20.1%	+14.6%	+7.1%
1995-2000	+75.3%	+106.7%	+16.8%	+9.0%
1995-2015	+398.4%	+125.6%	+50.6%	+50.4%

*To Q4/2014

The table illustrates that London house prices have performed consistently well and have recovered from the problems caused by the economic downturn in 2008/09. It appears that prices were largely unaffected by the increased rates of SDLT introduced in March 2012 on properties costing over £2 million, where SDLT rose to seven per cent. for individual purchasers and 15 per cent. for corporate acquirers. The Directors consider that these data support their view that property in London is a relatively safe investment, capable of absorbing the effects of adverse events such as economic downturns and tax increases.

The longer-term outlook for property prices in London is at least partly dependent on forecast population growth and the supply of new housing. The Mayor of London's '*Housing in London 2014*' report forecasts London's population to grow by around one million between 2011 and 2021, reaching ten million by 2031. However, these forecasts are 'unconstrained', which means that they assume that there will be sufficient housing to accommodate the increase. In the '*London Plan*', published by the Mayor of London in 2011, the target for new housing supply in London was set at around 32,000 units a year for the next ten years. This was supplemented by the London Housing Strategy published in June 2014, which set an "ambition" to increase supply to 42,000 units a year. This strategy document also identified a backlog of around 120,000 new additions to the housing stock due to long-standing undersupply.

As the current stock of dwellings in London is around 3.5 million units, these targets or ambitions would represent an annual increase of around one per cent. However, actual supply was 26,600 units in 2012/13 and 28,300 units in 2013/14, according to the Mayor of London's latest monitoring report published in March 2015 (the latter figure excluding the return of vacant units to use). This means that the average supply over 2012/13 and 2013/14 is approximately 14 per cent. below "target" and 35 per cent. below "ambition". Furthermore, the supply of new residential property in Central London is constrained by the physical availability of development land and strict planning controls, including a presumption in favour of employment uses, the imposition of height restrictions and the protection of historic buildings. The Directors consider these data support their view that there will be upward pressure on London house prices in the medium to long term and little likelihood of an excess supply of new housing having any long-term adverse effects on prices.

There is substantial demand from overseas buyers for property in London, particularly in the prime areas, which are generally considered to include the City of Westminster, Kensington & Chelsea, the City of London and Camden ("**Prime Central London**"). Strutt & Parker, Savills and Knight Frank, all major estate agents that operate in these districts, publish research on demand for property from overseas. Strutt & Parker monitor demand for residential property from overseas in Prime Central London and, in their quarterly report for winter 2014/15, found that 44 per cent. of all buyers in Central London were originally from overseas. Savills published research in July 2014 that showed that around 49 per cent. of purchasers of properties in Prime Central London were international, compared with around 32 per cent. for the prime areas of London as a whole. In October 2013, Knight Frank published research on non-UK buyers (both by nationality and by residence) of new-build properties. This showed that, in the two years to June 2013, 49 per cent. of purchasers of Prime Central London new-build properties were non-UK resident, many buying for investment. These reports show a continuing trend in high demand from overseas. The Directors take the view that continued uncertainty in many parts of the world and the attractiveness of London as a place in which to invest and work will result in continued demand from outside the UK.

Although the Land Registry index for London house prices showed an increase of 12.0 per cent. between January 2014 and January 2015, the rate of growth of the residential property market in the UK and in London has subsequently shown signs of slowing down. The Land Registry index for London fell by 0.8 per cent. between the high point in August 2014 and January 2015. Halifax found that quarterly growth for the UK generally in the three months to December 2014 was 0.3 per cent., down from 3.5 per cent. for the three months to July 2014 but increased again to 2.6 per cent. in the three months to February 2015. The major agents, such as Savills, Knight Frank, Cluttons and Chesterton Humberts, have all reported recent slowdowns in the rate of increase or small falls in prices in London. Reasons cited include tighter lending conditions, the possibility of the introduction of a Mansion Tax or increased council tax, as well as uncertainty in the run-up to the next UK general election in May 2015.

The Royal Institution of Chartered Surveyors ("**RICS**") publishes monthly surveys of its members. The January 2015 survey found that expectations were for falling prices in London over the following three months. However, prices overall, including London, were expected to rise by an average of 1.8 per cent. over the year to come. Leading house builders, such as Berkeley Homes, Redrow and Barratt, have also reported experiencing what they describe as more normal market conditions.

SDLT for residential property was reformed in the Chancellor's December 2014 statement, with new rates introduced as from 4 December 2014. The key changes were the abolition of the previous "slab" structure, whereby the rate of duty applied to the whole purchase price rather than being applied progressively to the tranches making up the total, and the introduction of higher rates for the more expensive properties. The highest rate now is 12 per cent. for the tranche in excess of £1.5 million compared with the previous seven per cent. for the whole purchase price for properties sold for in excess of £2 million. In addition to abolishing the "slab" structure, rates were altered for the less expensive properties and in some cases were reduced. This means that for properties sold for £937,000 or less, the SDLT payable is the same or lower than under the previous regime.

As stated within the Strategy (in paragraph 4 above of Part I of this Document), the Directors will be targeting property portfolios with individual unit values typically in the range £400,000 to £3 million. The Directors are expecting that the majority of acquisitions will have individual unit values of up to £1.5 million, where SDLT payable on an individual unit would either be the same as under the previous regime or at the most 25 per cent. higher for a unit worth £1.5 million (£93,750 now compared with £75,000 under the old regime). The Directors are not therefore expecting the underlying values of the individual units making up the property portfolios it acquires to be significantly affected by the changes.

It is also important to note the Directors will generally be targeting portfolios with blocks of units rather than individual units themselves. In these cases, "Relief for multiple dwellings" may apply, which (when relief applies) means the SDLT payable is based on the average unit value rather than the overall transaction value. The overall transaction value is very likely to be in excess of £1.5 million, so, without the relief, it would be subject to the highest marginal rate of 12 per cent. The Directors therefore consider that the values of the blocks of units that the Company acquires will not be significantly affected by the changes.

Leading agents who are active in residential market in London and the UK publish forecasts of house prices over the next few years. They are expecting prices in London to continue to grow at rates close to the long-term trend after 2015, as illustrated in the table below.

House price forecasts

<i>Source</i>	<i>Date of publication</i>	<i>Area</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Savills	Q1/2015	Prime Central London*	-1.0%	+8.0%	+6.5%	+5.0%	+5.0%
Strutt & Parker	Q4/2014	Prime Central London	+0.0%	+6.0%	+6.0%	+6.0%	N/A
		UK	+5.0%	+7.5%	+7.5%	+7.5%	N/A
Cluttons	Q4/2014	Prime Central London	+5.2%	+4.2%**	+4.2%**	+4.2%**	N/A
Knight Frank	February 2015	Prime Central London	0.0%	+4.5%	+5.0%	+5.0%	+6.0%
		Prime Outer London	+3.0%	+5.5%	+5.0%	+5.0%	+5.0%
		UK	+3.5%	+2.5%	+3.0%	+4.0%	+4.0%
Hamptons	Winter 2014/15	Prime Central London	+0.5%	+3.5%	N/A	N/A	N/A
		Central London	+2.0%	+3.5%	+4.5%	+4.5%	N/A

*Assuming revised council tax but no Mansion Tax

**Based on average figure for 2014-2018

The table shows a reasonably consistent view amongst the agents: the rate of growth of prices in London will slow or even decline in election year but the majority of agents forecast that the rate of growth will increase from 2016, in one case even if council tax were revised to increase the charge on more expensive properties. This tends to support the Directors' view that the London housing market is resilient and that there is potential for price growth over the medium to long term.

The property market in London (and the UK generally) has a history of good liquidity, supported by well-established networks of agents, professional advisers and mortgage providers. The table below sets out sales volumes in Greater London published by the ONS and gross mortgage lending in the UK published by the Council of Mortgage Lenders ("CML"). The starting point is 2003, the earliest date for which CML figures are available.

Sales volumes and mortgage lending

<i>Period</i>	<i>Average monthly sales volumes (Greater London)</i> <i>units</i>	<i>Average monthly gross mortgage lending (UK)</i> <i>£ billion</i>
2014	9,658	17,033
2013	9,301	14,679
2012	7,787	12,110
2011	7,481	11,774
2010	7,657	11,278
2009	6,264	11,985
2008	6,492	21,165
2007	13,292	30,230
2003-2006	12,343	25,046

The table shows that sales volumes in Greater London are on an upward trend but do not appear to be accelerating towards the arguably unsustainable levels seen a decade or so ago. The same applies to mortgage lending for the UK generally. Although there were troughs in both indicators in response to the economic downturn, sales volumes and mortgage lending were still substantial in absolute terms. It is also the case that cash buyers account for a significant proportion of transactions in London, with around 35 per cent. of transactions funded by cash, according to a recent report by Savills. The Directors therefore take the view that liquidity is likely to remain good for the foreseeable future, barring adverse economic events that would affect all investment markets.

The residential real estate rental market in London

The demand for residential rental property in London has been growing for some considerable time. The Mayor of London's '*Housing in London 2014*' report sets out the trend in household tenure in London for the 50 years from 1961 to 2011. This shows that the private rented sector grew rapidly to 26 per cent. of households in 2011 from a low point of 14 per cent. in 1991, having been as high as 46 per cent. in 1961. The report also stated that the greatest concentration of those renting was to be found in affluent areas, with more than 50 per cent. of households renting in parts of Kensington & Chelsea and Westminster. Savills in their '*Residential Property Focus*' report for Q4/2014 forecast that private renters in London would grow in number from 0.99 million in 2014 to 1.24 million in 2019, an increase of about 25 per cent. The Directors also believe the recent increases in SDLT will tend to increase the demand for rental property from short-term occupiers, particularly in relatively expensive areas such as London, due to the increased transaction costs associated with buying.

The leading agents have for some time been reporting increases in demand for rental property in London. For example, Hamptons, in their *Housing Market Forecasts* published in Autumn 2013, found that new lettings in the South of England were up by ten per cent. on a year earlier, with international tenants up by 30 per cent. Corporate lettings were also up (by 34 per cent.), driven largely by demand from the finance, oil and energy and technology sectors. In their '*London Residential Quarterly*' report for Winter 2014/15, Strutt & Parker showed that lettings in 2014 were around 33 per cent. higher than in 2007, with an upward trend in the intervening seven years.

Rental values have also been growing, albeit at a lower rate than house prices. The ONS publishes a rental price index for the regions of the UK, including London as a whole, with the latest data from January 2005 to December 2014. The ONS found that London rents have shown consistent growth over the last ten years or so, with average annual increases of 5.3 per cent. For London as a whole, 2010 was the only year when the ONS recorded an annual fall in the index, of around 1.6 per cent.

The leading agents also monitor rents in Central London rather than London as a whole. Cluttons, in their '*Residential Investment Monitors*' for Q3/2014 and Q4/2014, showed that rental values in Prime Central London were about 44 per cent. higher than in Q3/2004 after a dip in values in 2009/10, with growth of five per cent. in 2014. WA Ellis, in their '*London Lettings Today*' report for summer 2014, found a broadly similar pattern, with annual increases generally in the range between five per cent. and 25 per cent., with dips in 2009/10 and 2013. Rental growth over the year to Q2/2014 was reported at 5.1 per cent.

The influences on tenant demand in the future include the forecast increasing population in London referred to elsewhere. In November 2012, Henley Business School prepared a research paper entitled '*Renting in London: the coming boom*' on behalf of Cluttons. This referred to the deficit in housing supply compared with population growth and the flexibility and affordability of renting compared with owning. Rents in London were predicted to rise five per cent. annually over the next ten years, exceeding annual house price growth of around four per cent. This research was updated in May 2013 and confirmed the trend towards renting in London, partly the result of a relatively high proportion of occupiers being from overseas and relatively young. According to the research paper, they tend to find the low entry costs of renting, and its flexibility, attractive. The report predicted that occupancy rates for rented property would remain high.

Leading London agents have also published forecasts of rental value changes in London over the next few years, as illustrated in the table below.

Residential rental value forecasts

Source	Date of publication	Area	2015	2016	2017	2018	2019
Savills	January 2015	"London Mainstream"	+5.0%	+5.0%	+5.5%	+5.5%	+5.5%
		Prime London	+2.5%	+2.5%	+3.0%	+3.5%	+3.5%
Knight Frank	February 2015	Prime Central London	+3.5%	+3.3%	+3.3%	+3.0%	+3.0%
		Prime Outer London	+4.0%	+3.3%	+3.0%	+2.8%	+2.8%
Strutt & Parker	Winter 2014/15	Prime Central London	+2.5%	+3.5%	+3.5%	+3.5%	N/A
Hamptons	Winter 2014/15	Greater London	+6.5%	+5.0%	N/A	N/A	N/A
		Central London	+6.8%	+5.0%	N/A	N/A	N/A
Cluttons	Q4/2014	Prime Central London	+3.8%	+4.0%*	+4.0%*	+4.0%*	N/A

*Based on average figures for 2014-2019

The table shows a consistent view among the agents: the rate of increase in rents in London generally and in the Prime Central London areas in particular will be at least stable and possibly accelerate over the next few years to levels that are 'sustainable'. In the view of the Directors, such rates of growth are unlikely to justify concern about possible 'overheating' in the rental market.

The Directors take the view that the available research and the fundamentals, such as population growth in London, all point to increasing demand for rental property in Central London and good prospects for rental growth.

These conclusions are supported by growing institutional interest in the sector. Investors such as PRUPIM, Legal & General Group plc, the Abu Dhabi Investment Authority and Invesco Real Estate have all reported recent investments in residential property in the UK. Furthermore, the government has set up a task force to encourage more institutions to invest in the sector. The Directors welcome this growing interest from such investors (who are unlikely in the Directors' opinion to compete in the Company's target market because they favour large blocks of new-build property) as they believe it will increase liquidity for large-scale portfolios and reduce the risk of political interference in the rental market.

10. DIRECTORS

The Board comprises eight Directors, three of whom are non-executive. The Executive Directors are a team of property and finance professionals who between them have over 140 years of collective experience in the UK real estate market. They have a track record of having successfully created value for shareholders in property investments, having set up several property companies over the years and realised exits both publicly and privately. For example, Gander, a London-based property company specialising in the acquisition and development of residential real estate in Kensington & Chelsea, which was quoted on the London Stock Exchange from 1995 to 1999, grew from a £5 million company in 1994 to one with a property portfolio worth over £100 million when it was sold in 1999.

Recently, members of the team have, collectively and individually, continued to carry out significant residential property transactions in Central London, including planning and developing various multi-million pound properties in Kensington & Chelsea, and Wimbledon.

Nigel Terrence Payne, aged 55, *Non-Executive Chairman*

Nigel has over 25 years of experience at board level, in FTSE, AIM and private businesses covering a wide range of industries: advertising, aviation, manufacturing, distribution, FMCG, retail, finance and e-commerce. His board responsibilities have encompassed chairman (multinational), CEO (multinational), finance (UK and international), I.T. and commercial in some of the UK's leading businesses. His wide-ranging City exposure includes acquisitions, flotations and fund raisings. Nigel is currently chairman of Gateley (Holdings) plc, Stride Gaming plc, an online bingo company, and Perpetuus Advanced Materials, one of the largest graphene-producing companies in the world and a non-executive director of Gama Aviation plc, an AIM-quoted global private-jet management business.

Timothy Michael James, aged 61, *Chief Executive*

Tim has extensive experience in the London property market of more than 35 years, particularly in Kensington & Chelsea. He founded Gander and helped grow and manage its property portfolio to over 300 residential properties by the time it was sold in 1999, with a property portfolio worth over £100 million. Tim remains actively involved in projects in the London property market, working on a number of refurbishment and redevelopment projects across the capital.

Earlier in his career, Tim was a director of a leading residential estate agency based in west London for over twenty years. Tim has created and managed a number of residential property investment companies specialising in the district of Kensington & Chelsea, including Kensington Limited, Chelsea Limited and Kensington & Chelsea Limited.

James Andrew Cane, aged 63, *Finance Director*

James has operated a financial and management consultancy business for over thirty years. He has advised a number of national and international private-equity firms on strategy, fundraising, marketing and business development.

James has been a chief executive and finance director in both listed and private equity-backed businesses, including at Ashley House plc, a quoted developer of doctors' surgeries and health centres. He was a non-executive director of the Lambeth Building Society until its sale to the Nationwide in 2006. He was the chief financial officer of 8 Miles LLP, a private equity firm managing a fund to invest in buyouts across Africa. James is currently the chief financial officer of Linton Capital, an investment manager in the oil and gas services sector. He was group chief accountant at Westminster Health Care plc, an operator of over 140 care homes and psychiatric hospitals, during the 1990s.

James has been a trustee of the UK's longest-established drama school, LAMDA (the London Academy of Music and Dramatic Art) since 2008 and chairs its finance committee. He is also an affiliate governor of the Conservatoire for Dance and Drama, an umbrella organisation for eight leading UK dance, circus and drama schools, and sits on its finance committee. James is a member of the finance committee of The Queen's Club, a leading UK racquet sports club and is a fellow of the Institute of Chartered Accountants in England and Wales.

Christopher Douglas James, aged 65, *Operations Director*

Christopher will be responsible for supervising the management and administration of the Group's assets in his role as Operations Director.

His current property-related activities include the refurbishment, letting and management of properties in Kensington & Chelsea and Wimbledon and investment in portfolios of residential freeholds where long leases have been granted. He is also active in preparing property for redevelopment by obtaining planning and other approvals.

Christopher's recent consulting assignments include membership of the team developing a Published Document on Smart Cities for the British Standards Institute, interim estate management for Direct Line Insurance and the States of Jersey in the Channel Islands, and outsourced estate management for Barclays Bank.

He was operations director of Gander from 1994 to 1999, having responsibility for the management of over 300 apartments.

After receiving a degree in engineering science and economics at the University of Oxford, Christopher trained with Knight Frank, a prominent international estate agent, where he qualified as a chartered surveyor. After leaving Knight Frank, he became a management consultant specialising in property matters with PricewaterhouseCoopers. He subsequently carried out assignments with other major consultancies, including Deloitte, IBM Business Consulting Services and Concerto. Christopher is a Fellow of the Royal Institution of Chartered Surveyors. He also gained an MBA from INSEAD in France.

Timothy John Knight Oakley, aged 65, *Construction Director*

Tim will be responsible for supervising the redevelopment and refurbishment of the Group's assets in his role as Construction Director.

Tim has over forty years' experience in the construction and property business in Central London. He has owned and managed an independent development and consultancy business for the last twenty years, advising clients on the sale and purchase and development of residential and commercial property.

He has been a trustee of LAMDA for the last six years, where he chairs its building committee, negotiated the sale of its original theatre and oversaw the planning application for LAMDA's new 60,000 sq. ft. theatre building. He is now overseeing its design and build contract.

Tim was part of the team that started and built up Gander, acting as a director of its main subsidiary company. Using his own construction company, Tim was responsible for supervising the planning and development of acquired buildings. After leaving Gander, Tim was involved in a £23 million redevelopment of a retirement home in Queen's Gate Terrace into 23 flats.

In the early 1970s, Tim founded his own property and construction companies, initially carrying out tightly budgeted projects for the government-sponsored Housing Corporation, later expanding into high-end luxury residential developments in Central London. He also worked as a designer for Sir Terence Conran's Interior Design Group.

Oliver John Vaughan, aged 68, *Executive Director*

Oliver has significant experience in the capital markets and with AIM companies. He is an entrepreneur with over 35 years of experience in various international businesses, specifically in the property, leisure, financial services, investment and technology sectors.

He has been chairman of a number of public companies. He was the founder in 1997 and a director of what became The Evolution Group Plc until retiring from the board in 2006.

Oliver was chief executive of Gander, one of the first 15 companies to join AIM, from 1994 until its sale in 1999 and was a director of Wembley Plc from 1989 to 1990.

In 1966, Oliver and his brother Thomas co-founded Juliana's Holdings plc, which they built into one of the leading worldwide leisure chains. The company was floated on the London Stock Exchange in 1983 and sold to Wembley Plc in 1989 for over £30 million.

Patricia Mary Preston ("Patricia Farley"), aged 68, *Non-Executive Director*

Patricia has over forty years' experience in the property industry, specialising in Central London and, particularly, Kensington & Chelsea residential real estate. Currently, Patricia oversees Farleys Estate Agents' sales, lettings and property management operations in South Kensington. In addition, she is responsible for sales at eight further Central London offices, including Mayfair, Knightsbridge, Kensington, Chelsea, Westminster and Fulham. Patricia holds the FNAEA and MARLA industry accreditations.

Patricia sits on the residential board of Chestertons, reporting to the Head of Residential. Patricia was also an executive director of Humberts Group plc, a national group of estate agents and valuers which was quoted on AIM. Locally in the Royal Borough of Kensington & Chelsea, where she lives, Patricia is involved in residents' associations and business working groups as well as sitting on a local planning committee.

George Henry Rolls, aged 55, *Non-Executive Director*

Over the last thirty years, George Rolls has been a director, non-executive director, manager and adviser to both private and public companies in a variety of sectors such as manufacturing, publishing and print media, technology, consumer products and aviation. Earlier in his career, George spent several years in Australia, primarily working in trading and insurance, before returning to the UK where he founded Beaufort Securities of which he was a director between 1992 and 2006. Since selling Beaufort Securities in 2006, George has acted as a consultant for private high net worth individuals and more recently been involved with the launch of a software technology fund. George is currently a non-executive director of AIM-quoted Gama Aviation plc, a non-executive director of Perpetuus Advanced Materials Limited, and is a trustee of the Geoffrey de Havilland Flying Foundation, a charity of the Air Squadron, which supports aviation and helps young people to fulfil their ambition to be pilots.

11. ABOUT REITS

The Group has been established with a view to qualifying, on Admission, as a REIT Group for the purposes of Part 12 of the Corporation Tax Act 2010.

The consequences for Shareholders resident in the UK of the Company qualifying as the principal company of a REIT Group are described in detail in Part IX entitled “Summary of the REIT Regime and UK taxation”. By way of summary, however, as a REIT Group:

- companies that are members of the group of which the Company is the principal company will not pay UK corporation tax on income profits and capital gains arising from a Qualifying Property Rental Business carried on by members of that group; and
- the Company will be required to distribute to Shareholders at least 90 per cent. of the profits arising from its Qualifying Property Rental Business as calculated for tax purposes on or before the filing date of the Company's corporation tax return, which is twelve months after the end of each accounting period.

The legislation governing the UK tax treatment of group REITs requires that, within three years of entry into the REIT Regime, a company is not considered a close company as defined in Chapter 2 of Part 10 of the CTA 2010 or is a close company only because it has as a participator (within the meaning given by section 454 of the CTA 2010) an institutional investor (as defined for the purposes of section 528(4)(b) of the CTA 2010). The Company expects that it will be a close company when it enters the REIT Regime.

The REIT Regime imposes an interest cover test whereby profits of the tax-exempt business of a REIT Group must be at least 1.25 times the costs of financing that business. If this condition is not met, the Company will be required to pay corporation tax on an amount of income equivalent to the excess financing costs or 20 per cent. of the tax-exempt business profits if that is less. The Group will meet the interest-cover test on Admission and will seek to continue to do so thereafter.

Nothing in this Document constitutes tax advice and potential investors should seek professional advice on this matter before investing.

12. REGULATORY POSITION OF THE COMPANY

On 4 November 2014, the Company was granted registration by the FCA as a “small registered UK AIFM” pursuant to regulation 10(2) of the AIFM Regulations on the basis that it is, and will on Admission be, a small internally-managed AIF. Accordingly, the Company, whilst it holds this registration, will not be subject in the UK to, *inter alia*, the marketing restrictions placed on AIFs and AIFMs under the AIFM Regulations.

One of the qualifying criteria for registration as a small registered UK AIFM, for an AIF with leveraged assets (as is the case with the Company), is that the assets under management must be €100 million or less. The Directors anticipate that the implementation of the Investing Policy will eventually mean that, following the acquisition of more SPVs, the assets under management of the Company (including any assets acquired through the use of leverage) will exceed €100 million. The Company, as its own AIFM, therefore intends, following Admission, to apply to the FCA for a full-scope Part 4A permission under FSMA and the AIFM Regulations so that assets under management of the Company (including any assets acquired through the use of leverage) are permitted to exceed €100 million. The Company cannot anticipate the timing of its obtaining full-scope authorisation following its submission. For the avoidance of doubt, the implementation of the Investing Policy is not dependent upon leverage being taken on by the Group or full-scope authorisation being obtained. The inability to acquire further assets once the Company's assets reach €100 million if full-scope authorisation is not obtained, will have the effect of slowing down of the implementation of the Investing Policy.

As a REIT, the Ordinary Shares will be “excluded securities” under the FCA's rules on non-mainstream pooled investments. Accordingly, the promotion of the Ordinary Shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments.

13. HISTORICAL FINANCIAL INFORMATION, CURRENT TRADING AND PROSPECTS

Part III includes an accountants' report on the historical financial information on the Company from incorporation on 10 June 2014 to 30 June 2014 and Part IV includes an accountants' report on the historical financial information on K&C Ltd from its incorporation on 19 August 2013 to 30 June 2014. Part V includes the unaudited interim results for the half year to 31 December 2014 for the Group. As the Company has not been in existence for long, it has not recorded material revenue or a profit, having incurred all the costs necessary with setting up the Company and applying for Admission. K&C Ltd continues to receive rental income from its properties set out in paragraph 7 above. The prospects of the Group are reliant on the successful execution of the Investing Policy.

Part VI includes an accountants' report on the historical financial information on Silcott Properties from 1 November 2011 to 31 October 2014. For the year to 31 October 2014, Silcott Properties had turnover of £112,740 and recorded a profit before tax of £37,950.

14. DETAILS OF THE FUNDRAISING AND USE OF PROCEEDS

The Fundraising is comprised of the Subscription and the Placing and is expected to raise up to £3.57 million (approximately £2.7 million net of expenses) by the conditional placing of up to 35,663,400 new Ordinary Shares at the Issue Price. The Fundraising Shares will represent approximately 81.5 per cent. of the Enlarged Share Capital on Admission and will rank *pari passu* with the Existing Ordinary Shares. The net proceeds from the Fundraising (along with the Group's £1.5m loan facility) will be used to satisfy the consideration for the Acquisition and provide working capital for the Company to pursue its investment strategy.

The Directors and their connected persons have agreed to subscribe for, in aggregate, £330,000 of Fundraising Shares in the Fundraising at the Issue Price. In addition to the Fundraising, Christopher James has agreed that on Admission he shall be issued 2,150,000 Ordinary Shares (credited as fully paid at the Issue Price) in consideration of the release by him of the liability (which has been assumed by the Company) to repay £215,000 in respect of the principal due under the 24 March Loan Notes, as detailed in paragraph 10.15 of Part X of this Document. Immediately following Admission, the Directors and their connected persons (meaning for these purposes any other person whose interests in shares a Director is taken to be interested in pursuant to Part 22 of the Act) are expected to hold in aggregate approximately 6,005,001 Ordinary Shares amounting to approximately 13.7 per cent. of the Enlarged Share Capital (assuming the Fundraising is fully subscribed). Details of the shareholdings of the Directors immediately following Admission are set out in paragraph 7.2 of Part X of this Document.

Under the Subscription, the Company has conditionally raised approximately £113,500 from the issue of 1,135,000 Subscription Shares to existing and new investors in the Company at the Issue Price.

Under the Placing, the Company has conditionally raised approximately £3,452,840 from the issue of 34,528,400 Placing Shares to existing and new investors in the Company at the Issue Price.

Allenby Capital has conditionally agreed, pursuant to the Placing Agreement and as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. The Placing has not been underwritten and is conditional, *inter alia*, on Admission occurring and the Placing Agreement not being terminated by 8.00 a.m. on 3 July 2015 and in any event no later than 8.00 a.m. on 17 July 2015. The Placing Agreement contains certain warranties from the Company and the Directors and indemnities from the Company in favour of Allenby Capital in relation, *inter alia*, to the accuracy of the information contained in this Document and certain matters relating to the Company. Allenby Capital has certain rights to terminate the Placing Agreement prior to Admission, including for a material breach of warranty or the occurrence of certain *force majeure* events. Further details of the Placing Agreement are set out in paragraph 10.11 of Part X.

15. ADMISSION TO AIM

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM at 8.00 a.m. on 3 July 2015. No application has been or will be made for the Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

The Board believes that Admission will provide the Company with better access to capital and enable it to use its Ordinary Shares as currency for acquisitions, as well as enabling it to complete the Acquisition. Furthermore, in order for the Company to qualify as the principal company of a REIT Group, thereby offering investors the tax benefits conferred by the REIT Regime, the Ordinary Shares must be traded on a recognised stock exchange (such as AIM).

16. SETTLEMENT AND CREST

The Enlarged Share Capital will be enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions and holdings in Ordinary Shares following Admission may take place within CREST if Shareholders so wish.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

17. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Each of the Directors and an employee, who in aggregate will hold 7,055,001 Ordinary Shares on Admission (representing 16.11 per cent. of the Enlarged Share Capital) has undertaken to the Company and Allenby Capital that he will not dispose of any of his respective interests in Ordinary Shares for a period of one year following Admission except in the certain limited circumstances. Furthermore, each of the Directors, their Related Parties and an employee has undertaken that, for a further year after the first anniversary of Admission, he will only dispose of any interest in Ordinary Shares through Allenby Capital (or the then broker of the Company) in order to maintain an orderly market in the Ordinary Shares.

18. THE CITY CODE ON TAKEOVERS AND MERGERS

The Takeover Code is issued and administered by the Panel. The Company is a company to which the Takeover Code applies and its shareholders are entitled to the protection afforded by the Takeover Code. Under Rule 9 of the Takeover Code ("Rule 9"), where any person acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company that is subject to the Takeover Code, that person is normally required by the Panel to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, where any person or persons acting in concert already is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such company but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, a general offer will normally be required if any further interests in shares are acquired by any such person. An offer under Rule 9 must be in cash and at the highest price paid within 12 months prior to the announcement of the offer for any interest in shares of that class in the company by the person required to make the offer or any person acting in concert with him in the previous 12 months.

Under the Takeover Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of that company. Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control. Directors Oliver Vaughan, Tim James, Christopher James, Tim Oakley, Patricia Farley and each of their connected persons and certain other shareholders of the Company at the date of this Document and on Admission are deemed to be acting in concert (the "Concert Party") for the purposes of the Takeover Code. On Admission, the Concert Party will hold, in aggregate, no less than 22,070,001 Ordinary Shares, representing approximately 50.40 per cent. of the Enlarged Share Capital.

In addition, the Concert Party holds: (i) Founder Warrants over 675,000 Ordinary Shares, representing approximately 1.54 per cent. of the Enlarged Share Capital; (ii) Executive Options over 2,964,493 Ordinary Shares, representing approximately 6.77 per cent. of the Enlarged Share Capital; and (iii) Oliver Vaughan, Tim James and Christopher James are party to the Put Option Agreements for them to acquire a further

2,700,000 Ordinary Shares, representing approximately 6.17 per cent. of the Enlarged Share Capital. Upon exercise of those Founder Warrants, Executive Options and the Put Option Agreements, assuming no other issue of Ordinary Shares by the Company after Admission, the Concert Party would hold, in aggregate, no less than 28,409,494 Ordinary Shares, representing approximately 56.68 per cent. of the as enlarged share capital. Further details of the shareholdings of the Directors in the Concert Party are set out in paragraph 7.2 of Part X of this Document.

Shareholders should note that as members of the Concert Party would between them be interested in shares carrying more than 50 per cent. of the voting rights of the Company, and for so long as they continue to do so and be treated as acting in concert, the Concert Party would be able to acquire further Ordinary Shares without incurring an obligation to make an offer to Shareholders of the Company under Rule 9. However, individual members of the Concert Party will not be able to increase their percentage interest in Ordinary Shares through or between a Rule 9 threshold without Panel consent.

19. NET ASSET VALUE PUBLICATION AND CALCULATION

The properties acquired by the Group will be valued on a Market Value Basis by an independent valuation firm appointed by the Company (currently Lambert Smith Hampton) in accordance with the RICS Red Book and the Net Asset Value attributable to the Ordinary Shares will be published annually based on such valuation and in accordance with IFRS as calculated by the Company's auditors. The Net Asset Value will be published through a Regulatory Information Service as soon as practicable after the end of the relevant period. The calculation of the Net Asset Value per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

20. DIVIDEND POLICY

The REIT Regime requires that the Company distributes, on or before the filing date for the Company's tax return, an amount equal to (a) at least 90 per cent. of the profits from the Group's Qualifying Rental Business in the UK, and (b) in the event a member of the Group were to receive a distribution from another UK REIT (qualifying as "REIT development profits" within the meaning of section 549A of the CTA 2010), an amount equal to that distribution; if the Company were not to distribute such amounts, it would suffer a charge to corporation tax.

No dividends have been paid by the Company since its incorporation and no dividends are expected to be paid in respect of the accounting period ending 30 June 2015. The Company is targeting a dividend yield of between three and five per cent. within three years of Admission by reference to the share price of the Ordinary Shares. This is a target only and does not constitute a dividend forecast. There can be no assurance that the target can or will be met and is subject to: the Company's performance; available cash; successful implementation of the Investing Policy; and the Directors being satisfied that the Company will have sufficient distributable reserves in accordance with the provisions of the 2006 Act at the relevant time and, therefore, this target should not be taken as an indication of the Company's expected or actual future results.

It should be noted that the Articles contain provisions relating to the payment of a dividend to a holder of "excessive rights". Further details about the meaning of a holder of "excessive rights" and the relevant provisions in the Articles are summarised in paragraphs 5.2 and 5.1.22 respectively of Part X of this Document.

21. MANAGEMENT INCENTIVES

The Directors have decided not to put in place an annual management fee, as seen by a number of other REIT company structures. The Directors believe that the inclusion of a management fee would reduce the Company's ability to pay dividends to Shareholders at the levels targeted by the Board. The Board recognises the importance of incentivising management and employees and has entered into the Initial Executive Option Agreements and has executed the Deed of Commitment, which sets out a schedule of options to be granted to the Executives, on the achievement of various performance criteria. Further details on the Executive Option Agreements and the proposed future option grant schedule are set out in paragraph 10.16 of Part X.

The Board also intends to grant the Non-Executive Options on Admission in recognition of the contribution of George Rolls and Patricia Farley to the Group. Further details of the Non-Executive Options are set out in paragraph 10.17 of Part X of this Document.

22. CORPORATE GOVERNANCE

The UK Corporate Governance Code applies to companies quoted on the Official List and not to companies admitted to AIM. However, the Directors recognise the importance of sound corporate governance and intend that the Group will comply with the provisions of the UK Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 (the “**QCA Code**”), as published by the Quoted Companies Alliance, insofar as they are appropriate given the Group’s size, nature and stage of development. As the Company grows, the Directors intend that it should develop policies and procedures that reflect the UK Corporate Governance Code, insofar as practicable and appropriate taking into account the size, nature and stage of development of the Group.

The Board consists of eight Directors of whom five are executive and three are non-executive. The Board is responsible for formulating, reviewing and approving the Group’s strategy, budgets and corporate actions. The Company intends to hold Board meetings at least six times each financial year and at other times as and when required.

The Company will establish an Audit Committee, a Remuneration Committee and an AIM Rules Compliance Committee on Admission, each with terms of reference briefly summarised below.

The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees of the Group with the provisions of the AIM Rules for Companies relating to dealings in securities of the Company. It has adopted a share-dealing code for this purpose.

Audit Committee

An Audit Committee will be established on Admission. The Audit Committee will comprise Nigel Payne, Patricia Farley and George Rolls, and will be chaired by George Rolls.

The responsibilities of the Audit Committee will include monitoring, in discussion with the auditor, the integrity of the financial statements of the Company and reviewing the Company’s internal financial controls and risk-management systems. The Audit Committee shall also make recommendations to the Board (for submission to Shareholders for their approval in a general meeting) on the appointment of the auditor and shall approve the terms of engagement and remuneration of the auditor.

The Audit Committee is required to meet with the auditor at least once a year without any Executive Director present.

Given the Group’s size and the nature of its business, the Board does not consider that it would be appropriate to have its own internal audit function. An internal audit function will be established as and when the Group is considered to be of an appropriate size. Meanwhile, the audit of internal financial controls forms part of the responsibilities of the Group’s finance function.

Remuneration Committee

A Remuneration Committee will be established on Admission. The Remuneration Committee will comprise George Rolls, Patricia Farley and Nigel Payne, and will be chaired by George Rolls.

The Remuneration Committee will have responsibility for setting the remuneration policy for all Executive Directors and shall recommend and monitor the level and structure of remuneration for senior management. The particular responsibilities of the Remuneration Committee include determining the total individual remuneration package of each Executive Director and other designated senior executives, approving the design of and targets for any performance-related pay schemes operated by the Company and reviewing the design of all share-incentive plans.

In determining the remuneration policy for Executive Directors, the Remuneration Committee may take into account all factors that it deems necessary, including relevant legal and regulatory requirements, the

provisions and recommendations (insofar as is appropriate having regard to the size and nature of the Company and Group) of the UK Corporate Governance Code and the QCA Code.

A member of the Remuneration Committee shall not be entitled to vote on any matter where such member has, either directly or indirectly, a personal, financial or other interest or a potential conflict of interest.

The Board shall determine the remuneration of the non-executive directors within the limits prescribed by the Articles.

AIM Rules Compliance Committee

An AIM Rules Compliance Committee will be established on Admission. The AIM Rules Compliance Committee will comprise George Rolls, James Cane and Nigel Payne and will be chaired by Nigel Payne.

The key responsibility of the AIM Rules Compliance Committee will be to ensure that the Company has in place at all times sufficient procedures, resources and controls to enable its compliance with the AIM Rules.

23. ANTI-BRIBERY LEGISLATION

The Bribery Act 2010 prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices. The Directors have regard to the impact of such legislation and have established appropriate procedures for the Company to ensure compliance. The Board has adopted an anti-bribery and corruption policy to implement the Company's commitment to carrying out its business fairly, openly and honestly and to prevent bribery and corruption by persons associated with the Group.

24. TAXATION

Information regarding taxation is set out in Part IX of this Document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. **Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.**

25. FURTHER INFORMATION

Your attention is drawn to the remaining Parts of this Document which contain further information on the Group. In particular, your attention is drawn to the Risk Factors set out in Part II.

PART II

RISK FACTORS

Investors are referred to the risks set out below. An investment in the Company is subject to a number of risks. The investment described in this Document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating, or who have been advised of the risks and merits of, such investments and who have sufficient resources to bear any loss which might result from such investment. No assurance can be given that Shareholders will realise a profit or avoid a loss on their investment.

Potential investors should review this Document carefully and in its entirety and are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments before making any investment in the Fundraising Shares or otherwise acquiring Ordinary Shares. If any of the following risks materialise, the Group's business, financial position and/or operating results could be materially and adversely affected.

The risks described below do not purport to be exhaustive and are not set out in any order of priority. Additional risks and uncertainties which are not presently known to or are currently deemed immaterial by the Directors may also have an adverse effect on the Group's business, financial condition or results of operations and prospects could suffer, in which case investors could lose all or part of their investment.

If you are in any doubt as to your tax position, you should consult your own professional advisers without delay.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

Reliance on key individuals

The success of the Group and the Investing Policy is in part dependent on the ability of the Group to retain and employ key management with relevant expertise and experience. In particular, one of the differentiating factors of the Group is the experience and track record of the Directors. The loss of one or more key employees or Directors could have a material adverse effect on the Group.

No guarantee that the investment objectives of the Group will be met

There can be no guarantee that the investment objectives of the Group will be met. The results of the Group's operations will depend on many factors, including, but not limited to, the availability of opportunities for the acquisition of assets, the performance of any property manager, the level and volatility of interest rates, relevant future government policy changes, readily accessible funding sources, conditions in the financial and property markets and general economic conditions.

Additionally, the past performance of companies owned by or associated with the Directors or of other companies and funds operating in the same sector as the Group should not be considered as an indication of the future performance of the Group. There can be no guarantee that the Group will have the same opportunities to invest in assets that generate similar returns to other companies and funds. Further, differences between the structure, term, and investment objectives and policies of the Group and those of other companies and funds, including different performance-related fee arrangements, may affect their respective returns.

Property market conditions

Investments in property are relatively illiquid and more difficult to realise than equities or bonds. Property values may be adversely affected by illiquidity in the property market.

Rental incomes and the market values of properties are generally affected by overall conditions in the economy, such as growth in GDP, employment trends, changes in inflation and interest rates. Employment levels also may affect the demand for premises.

The valuation of a property is generally a matter of the specific valuer's opinion and may fluctuate up or down from time to time. There is no assurance that the valuation of a property will reflect the actual sale price even where such sale occurs shortly after the relevant valuation date.

As it is the intention that properties will continue to be selected and acquired by the Group, it is currently difficult to calculate accurately the total acquisition and financing costs applicable to the acquisition of such properties. In the event that the actual acquisition and financing costs exceed the anticipated costs, this may reduce the anticipated returns to Shareholders.

The performance of the Group could be adversely affected in the longer term by downturns in the property market due to, *inter alia*, capital values weakening, rental values falling, yields increasing and longer void periods. In the event of a default by a tenant or during any void period, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, council tax and marketing costs. In addition, certain significant expenditures, including operating expenses, must be met by the Group when a property is vacant.

Both rental income and capital values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. Similarly, rent reviews may not result in rental income from any property being received at the expected rental value.

The rental market may also be affected by uncertainty relating to political issues, including the uncertainty about the United Kingdom's continued membership of the European Union.

Ability to make acquisitions in line with its Investing Policy

The Group's ability to implement the Investing Policy and achieve its desired returns may be affected by the Board's ability to identify additional suitable properties for acquisition by the Group. In addition, the Group may, in acquiring suitable properties, face significant competition from other investors, including competitors who may have greater financial resources. Competition in the property market may lead to prices for properties identified by the Group as suitable for acquisition being driven up through competing bids by other potential purchasers. Accordingly, the existence and extent of such competition may have a material adverse effect on the Group's ability to acquire additional properties at satisfactory prices and otherwise on satisfactory terms.

Whilst the Company will seek to make acquisitions using either cash, Ordinary Shares or debt, or a combination of those, there is no guarantee that vendors will accept Ordinary Shares as consideration or that the Company will be able to secure debt finance for an acquisition.

The Board's strategy for the Group anticipates the achievement of a number of targets, including levels of acquisition and disposal of properties. There can be no guarantee that the Group will be able to achieve these targets, either on terms which are acceptable to the Group or at all. Any failure to achieve these objectives, on the terms anticipated by the Board and/or within the timeframes anticipated by the Board, or at all, may have an adverse effect on the Group's financial position and/or operations.

Cost of unsuccessful transactions

There is a risk that the Group may incur substantial irrecoverable legal, financial and advisory expenses arising from unsuccessful transactions which may include expenses in dealing with transaction documentation and legal, financial, property and environmental due diligence.

Laws and regulations

Government authorities are actively involved in the application and enforcement of laws and regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of those laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's property assets. Rent control and other measures could be introduced or changed

which could adversely affect income levels or rights to review rents or obtain occupancy. Any change to the laws and regulations relating to the UK property market, the REIT Regime or the Group's business in general may have an adverse effect on the capital value of the Group's property assets and/or the rental income derived from them and the Group's financial position and prospects.

The Group will be exposed to risks relating to its indebtedness

The Company's capital structure is such that the net assets attributable to the Ordinary Shares will depend on the underlying performance of the Group's assets and the amount of its future borrowings. Amounts owing under any banking or other financing facility will rank ahead of Shareholders' entitlements. A positive net asset value per Ordinary Share will be dependent upon the Group's assets being sufficient to meet prior entitlements. Borrowings will be secured over the Group's property assets. In the event that the Group defaults under the terms of any borrowing agreements entered into, to the extent that the Group cannot remedy any such default or the lender does not agree to waive or suspend any rights in respect of such default, the lender concerned may seek to enforce their security. Repayment of borrowings will rank ahead of the entitlement of Shareholders to the return of any capital invested.

The use of leverage significantly increases risk and the possibility of incurring significant losses. If in the future the Group's gearing level increases, the volatility of the Group's financial performance may increase and the effect of any change in the valuation of the Group's assets on its financial position and results of operations may be amplified. Prospective investors should be aware that, whilst the use of borrowings should enhance the total return on the Ordinary Shares where the value of the Group's underlying assets is rising, it would have the opposite effect where the underlying asset value is falling.

To the extent that the Group incurs floating rate indebtedness, changes in interest rates may increase the cost of borrowing, impacting on the profits it has available to the Group and having, in turn, an adverse effect on the Company's ability to pay dividends to Shareholders. Furthermore, the Company's cash available for distribution to Shareholders may be reduced to the extent that changes in market conditions, increases in interest rates and/or levels of amortisation imposed by the Group's lenders or a lender to an underlying asset may cause the Company's direct or indirect overall cost of borrowing to increase relative to the income that can be derived from the underlying portfolio of properties.

If the Group's operating income does not grow at a rate sufficient to cover the costs of operating the Group and acquiring further assets to add to the Group's property portfolio (including interest and loan repayments, if any), Shareholders may not recover the amount initially invested.

Furthermore, an economic downturn could inhibit the Group's ability to refinance its borrowings to the extent that the Group becomes, in the long-term, unable to comply with applicable financial covenants or to meet its financial obligations when they fall due. Such a downturn or fluctuations in financial markets could also affect the Group's long-term ability to refinance its obligations or obtain new financing.

The use of leverage may require the Group to pledge assets as collateral. If those assets decline in value, the Group could be required to deposit additional collateral with the lender or suffer mandatory sale of the pledged assets to compensate for the decline in value. The Group also may be required to maintain minimum average cash balances in connection with its borrowings or to pay commitment or other fees to maintain a line of credit. If the Group defaults on its borrowings, its assets will be at risk. Any forced sale of the Group's assets would have an adverse impact on the Company's net asset value, and on its ability to pay dividends. In the extreme, the entirety of the Group's assets might be liquidated to repay the Group's borrowings leading to a complete loss of the value of Shareholders' investment in the Company.

In addition, the 7 March Loan Notes and 14 March Loan Notes (the "Notes") are due for repayment, *inter alia*, in July 2016 or upon sale of a Newbury Property up to the net proceeds received by the Company, as more detailed in paragraph 10.6 of Part X of this Document, and the Company intends to sell the Newbury Properties concerned (as detailed in paragraph 8 of Part I of this Document) to re-pay the Notes. Any failure or delay of such disposals or any shortfall in the net proceeds of the disposals to re-pay the Notes could, in the absence of re-financing the Notes or re-negotiating their terms, materially affect the Company's financial position and prospects.

Concentration risk

During the initial period following Admission, the Group's investments will be concentrated in a limited number of SPVs or properties and, as a consequence, the performance of the Company may be substantially adversely affected by the unfavourable performance of even a single property or SPV. During the life of the Group, the Group's investments might become concentrated again during the period after the sale of significant asset(s) until redeployment of such proceeds or for other reasons. Shareholders have no assurance as to the degree of diversification in the Group's investments and property portfolio.

Ability to exit investments

Transactions and/or investments in privately-held real estate or SPVs may be difficult, slow or impossible to secure and/or exit. The Group will be subject to the general risks incidental to such investment, including general economic conditions, poor management of the target entity, increasingly competitive market conditions, changing sentiment and increasing costs, among others. The marketability and value of any investment will depend on many factors beyond the control of the Group and there can be no assurance that an exit will be realised.

The Group may be exposed to future liabilities and/or obligations with respect to disposal of investments or become involved in disputes or litigation in connection with such disposed investments. The Group may be required to pay damages (including but not limited to litigation costs) to a purchaser to the extent that any representations or warranties that it has given to a purchaser prove to be inaccurate or to the extent that it has breached any of its covenants or obligations and could even give rise to a right for a sale contract to be rescinded by a purchaser. Certain obligations and liabilities associated with the ownership of investments (such as certain environmental liabilities) can also continue to exist notwithstanding any disposal. Any such claims, litigation, obligations or liabilities may have a material adverse effect on the Group's results of operations, financial condition and prospects.

Interest rates increases

If interest rates increase, the Company may not be able to meet future expectations of dividends, the level of income or the prospect of income and capital growth will be reduced and the interest payments required to service the Group's debt will increase. This may result in the Group being unable to service the interest payments or comply with other requirements of its loans, rendering them repayable, the risk that available funds will be insufficient to meet required repayments and the risk that borrowings will not be able to be refinanced or that the terms of such refinancing may not be as favourable as the existing terms of the borrowings.

Uninsured losses

The Group's properties could suffer physical damage resulting in losses (including loss of rent) which may not be fully compensated for by insurance, or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not able to be insured at a reasonable cost. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, might also result in insurance proceeds being insufficient to repair or replace a property. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Group could be liable to repair damage caused by uninsured risks in the event that a tenant or guarantor fails to do so. The Group might also remain liable for any debt or other financial obligation related to that property or may in certain circumstances be required to remit insurance proceeds to lenders. Material uninsured losses could have a material adverse effect on the Group's results of operations, financial condition and business prospects.

Failure to raise financing to support the Group's Investing Policy

The Company anticipates that it may be required to seek additional equity or debt financing to complete further acquisitions. The Group's strategy is to make acquisitions utilising a combination of equity, bank debt and, where possible, the issue of new Ordinary Shares as part of the consideration. There can be no guarantee that the Company will be able to obtain debt financing or, if available, to obtain such financing on terms that are acceptable to the Company. The Company may not receive sufficient support from its Shareholders to raise additional equity and/or potential investors may be unwilling to invest on terms that

are favourable to the Company. To the extent that additional financing is necessary to complete any future acquisitions and remains unavailable or only available on terms that are unacceptable to the Company, the Company may be compelled either to restructure or abandon such acquisition, or proceed with such acquisition on less favourable terms, which may reduce the Company's return on the investment. Inability to secure future funding on acceptable terms could have a material negative impact on the Group's ability to make investment in line with its Investing Policy and financial condition.

Reliance on third parties

The Directors intend to use third party agents for the management of portfolio properties and for renovation works if and when required. There can be no guarantee that the quality of the management or redevelopment work undertaken by the third parties will be maintained at the level expected by the Directors. Less than satisfactory performance by these third parties could negatively affect the Group's ability to let successfully the properties in its portfolio, which could have a material negative effect on the financial condition of the Group.

Due diligence on acquisitions

Whilst the Group will undertake due diligence into any SPV and property before it is acquired, there can be no guarantee that any such due diligence will identify all potential risks and liabilities within an SPV or property prior to acquisition. Should it transpire that there was a material liability within an SPV or property once it has been acquired this could have a material adverse effect on the realisable value from the SPV or property and could have a material adverse effect on the financial performance of the Group.

The Group may need to incur additional capital expenditure on maintenance and/or redevelopment of a property beyond management's expectations or that wasn't uncovered in due diligence, which may have a material adverse effect on the results of operations of the Group and consequent returns to Shareholders.

Competition

The Group operates in a highly competitive market for investment opportunities. Many competitors have greater financial resources than the Group and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect the Group's ability to invest on terms which the Directors consider attractive. Such conditions may have a material adverse impact on the Group's ability to secure attractive investment opportunities and consequently may have an adverse effect on the financial performance of the Group and the market price of Ordinary Shares.

Valuation risk

Investments in real estate and real estate related securities and businesses are inherently difficult to value as there is no liquid market or pricing mechanism. As a result, valuations are subject to substantial uncertainty and consequently there is also a risk that goodwill or intangibles may be subject to the judgemental nature resulting from valuation processes. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the date of the valuation.

Prior to investing in any underlying entity, the Group will, if applicable, conduct a due diligence review of the valuation methodology utilised by the underlying entity. Although the Directors will review the valuations prepared for any potential acquisitions, the Group may not be able to confirm independently the accuracy of valuations commissioned.

RISKS RELATING TO TAXATION AND REGULATION

There is no guarantee that REIT status will be obtained for the Company and members of the Group or that they will maintain REIT status, if and when obtained.

If you are in any doubt as to your tax position, you should consult your own professional advisers without delay.

Risks relating to the REIT status of the Company

The Company has notified HMRC that it wishes REIT status to be effective on Admission for itself and members of its Group as a group REIT and it is the expectation of the Directors that the Company and Group members will fulfil the relevant qualifying conditions for REIT status. However, the requirements for obtaining and maintaining REIT status are complex. Further detail on these conditions is included in Section I of Part IX: Summary of the REIT Regime and UK Taxation. The basis of taxation of any Shareholder's holding in the Company will change fundamentally if the Company fails to achieve or ceases to maintain its REIT status. If the Company fails to obtain REIT status or remain qualified as a REIT, its rental income and gains will become subject to taxation, with effect from the date that REIT status is treated as lost.

The Group cannot guarantee continued compliance with all of the REIT conditions and as such, there is a risk that the REIT regime may cease to apply in some circumstances. Whether the Group is required to exit the REIT regime as a result of a breach of condition will depend on which condition is breached and potentially also on how extensive the breach is and whether that condition or other conditions have already been breached.

A breach of certain conditions of the regime will result in an automatic loss of REIT status. These are the conditions relating to the share capital of the Company, the prohibition on entering into loans with certain quasi-equity features, and the requirement that the Company is UK tax resident, and is not dual tax resident or an open-ended investment company. All of these conditions are within the control of the Company to manage.

HMRC may require the Group to exit the REIT Regime if:

- it regards a breach of conditions or failure to satisfy the conditions relating to the REIT regime as sufficiently serious. These are the conditions requiring the REIT to have at least three rental properties, for no one property to exceed 40 per cent. of the value of the portfolio, to distribute 90 per cent. of rental profits, and for 75 per cent. of assets and income to derive from investment property;
- the Group has made such a serious attempt to avoid tax that HMRC consider that the benefits of the regime should be withdrawn;
- the Group has committed at least four minor breaches of various conditions in a ten year period which, under the rules of the regime, did not require immediate loss of status;
- HMRC has given the Company or members of the Group at least two notices in relation to the avoidance of tax within a ten year period; or
- some of the shares of the Company are not traded by the end of the third accounting period after Admission, which is expected to be 30 June 2018.

The Group could lose its status as a UK REIT as a result of actions by third parties; for example, in the event of a successful takeover by a company that is not a UK REIT or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe, or if it is unable to meet the close company test within three years of Admission. It is also a requirement of the REIT regime that at least two shares in the Company are traded by the end of the third accounting period after REIT status is achieved, which is expected to be 30 June 2018. If this condition is not met, then HMRC may direct that REIT status is lost with effect from the end of the second accounting period, which is expected to be 30 June 2017.

In many circumstances, a breach of a condition that results in a loss of REIT status will result in a loss of status with effect from the end of the accounting period prior to the breach. For this reason, it is possible that the Group may lose REIT status from the first day of joining the REIT Regime.

The impact of loss of REIT status is that profits of the property rental business will be subject to corporation tax with effect from the date of exit from the regime. It should be noted that the Company would still be required to pay distributions arising from profits that were afforded tax exemption under the REIT Regime under deduction of withholding tax even following exit from the regime.

If the Group were to be required to leave the UK REIT regime within ten years of joining, HMRC has wide powers under the early exit provisions to direct how it is to be taxed (both before and after it leaves the REIT Regime), including in relation to the date on which the Group would be treated as exiting the REIT Regime

which could have a material impact on the financial condition of the Company and, as a result, Shareholder returns.

Risks relating to close company status of the Company

A REIT must not be a close company by the end of its first three years as a REIT unless it is a close company solely because it has a particular shareholder that is an “institutional investor” (as described for the purposes of section 528(4)(b) of the CTA 2010). The Company is expected to be a close company when it enters the REIT Regime. The Directors intend for the Company not to be a close company by the end of the first three year period as a result of the plans set out in the following paragraph, or to be a close company solely because it has a participator which is an institutional investor. If the close company condition is breached on the first day after the initial three-year period following Admission or subsequently, the Company will (except in limited circumstances) lose its UK REIT status and, under certain circumstances, HMRC may apply the early exit provisions referred to above to remove tax exemptions previously obtained under the REIT Regime.

The Board intends, in the course of implementing its investment strategy, either to issue new shares to finance acquisitions so that the shares of the Company are widely enough held to meet the REIT Regime requirement that the Company is not close, or is close solely because it has a participator that is an institutional investor.

Risks relating to the distribution condition and financing condition

To obtain full exemption from UK tax on the tax-exempt business under the REIT Regime, the Company is required, amongst other things, to distribute annually, within twelve months of the end of each accounting period, an amount sufficient to meet the 90 per cent. distribution test by way of Property Income Distribution (“PID”). The Company would be required to pay corporation tax (currently at the rate of 20 per cent.) on any shortfall to the extent that it distributes as a PID less than the amount required to meet the 90 per cent. distribution test each year.

Differences in timing between the receipt of cash and the recognition of income for the purposes of the REIT Regime could require the Company to finance the distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a REIT, even if the then prevailing market conditions are not favourable for raising further capital, or to suffer the tax penalty.

The Company will not be able to pursue growth solely from cash provided from its operational activities due to its minimum 90 per cent. distribution obligation under the REIT Regime. Consequently, the Company may be forced to rely on the availability of debt or equity capital to fund future growth. However, there is no certainty that such funding will be available to the Company either at all or on acceptable terms.

As a result of these factors, the constraints of maintaining REIT status could limit the Company’s future growth prospects and as a consequence (or in the event that the tax penalty is payable), could reduce returns to Shareholders.

The REIT Regime imposes an interest cover test whereby profits of the tax-exempt business of the Group must be at least 1.25 times the costs of financing that business. If this condition is not met then the Company is required to pay corporation tax (currently at the rate of 20 per cent.) on an amount of income equivalent to the excess financing costs or 20 per cent. of the tax-exempt business profits if that is less. The Group will meet the required interest cover test on Admission. However, no guarantee can be given that the Group will continue to meet the required interest cover ratio and if it fails to do so tax may be payable.

Risks relating to property disposals

The Company and the members of the Group are not trading entities and do not intend to carry on trading activity. If any of the members of the Group were to dispose of a property in a manner indicative of a company that is trading in property rather than investing, the property may be treated as having been disposed of in the course of a trade, and any gain would not form part of the Group’s tax-exempt profits but would be subject to UK corporation tax.

Further, where development of a property has occurred following acquisition and the cost of development exceeds 30 per cent. of the fair value of the property at the later of the date of the acquisition of the property or the date the Company qualified as a UK REIT, the consideration received (or treated for tax purposes as received) on the disposal of that property will be taxable if a disposal takes place within three years of completion of the development. However, the Group does not currently intend to undertake significant development where the cost of development exceeds 30 per cent. of the sale value of a property at that relevant date and to dispose of that property within three years of completing such a development.

Risks relating to dividends paid to holders of excessive rights

A REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a holder of excessive rights. A holder of excessive rights is a body corporate that, directly or indirectly, holds a shareholding of 10 per cent. or more of the Company. This additional tax charge will not be incurred if the REIT has taken reasonable steps to avoid paying dividends to a holder of excessive rights. The Articles of the Company contain provisions designed to avoid the situation where dividends may become payable to a holder of excessive rights.

The Board expects that, on Admission, a holder of excessive rights will hold approximately 23 per cent. of the Ordinary Shares. The Board intends that, if that person is still a holder of excessive rights at a time when the Company is to pay a dividend, the provisions in the Articles (see paragraph 5.1.22 of Part X) will be exercised so as to prevent the Company paying a dividend to that holder of excessive rights. However, the Board intends in the course of implementing its Investing Policy to issue new Ordinary Shares so that such person ceases to be a holder of excessive rights prior to the Company paying a dividend.

Risks relating to a change in tax law

Any future change in the Company's tax status or in taxation legislation may affect the Company's REIT status and, as a result, Shareholder returns. An increase in the rates of SDLT could have a material impact on the price at which UK land may be acquired and therefore on asset values.

Statements in this Document are based on current UK tax law and HMRC generally published practice that is subject to change, possibly with retrospective effect. The taxation of an investment in the Company depends on the individual circumstances of investors. Any change (including a change in interpretation) in the legislative provisions relating to REITs or in tax legislation more generally, could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects or the price of the Ordinary Shares.

RISKS RELATING TO THE AIFM DIRECTIVE

On 4 November 2014, the Company was granted registration by the FCA as a "small registered UK AIFM" pursuant to regulation 10(2) of the AIFM Regulations on the basis that it is, and will on Admission, be a small internally managed AIF. Accordingly, the Company, whilst it holds this registration, will not be subject to the majority of the requirements placed upon full-scope AIFMs under the AIFM Regulations and the other rules and regulations implementing the AIFM Directive. One of the qualifying criteria for registration as a "small registered UK AIFM", for an AIF with leveraged assets (as is the case with the Company), is that the assets under management must be €100 million or less.

The Directors anticipate that the implementation of the Investing Policy will mean that, following the acquisition of more SPVs following Admission, the assets under management of the Company (including any assets acquired through the use of leverage) will exceed €100 million. The Company, as its own AIFM, therefore intends, following Admission, to apply to the FCA for a Part 4A permission under FSMA and the AIFM Regulations so that assets under management of the Company (including any assets acquired through the use of leverage) are permitted to exceed €100 million. Following the submission of such an application to the FCA, the Company currently anticipates obtaining the authorisation within three to six months of submission. Any restriction on, or undue delay in, the Company being granted a full-scope Part 4A permission under FSMA and the AIFM Regulations by the FCA will restrict, or delay the timing of, such leverage being drawn down and growth in the Company's assets under management, which may have a material adverse effect on the Company's ability to implement the Investing Policy and the price of Ordinary

Shares. There can be no guarantee that the necessary permission from the FCA will be granted and, if so, may have a material adverse effect on the price of Ordinary Shares and performance of the Company.

Compliance with the AIFM Directive, whether the Group obtains Part 4A permission under FSMA and the AIFM Regulations or not, could lead to additional regulatory and operational costs being borne by the Company and therefore impact returns to Shareholders. Further, any failure by the Company to comply with the restrictions and other regulatory requirements placed on it by the FCA could result in criminal, civil or regulatory enforcement proceedings and the imposition of fines, restitution or compensation orders and restrictions or closure of the Company.

RISKS RELATING TO ORDINARY SHARES

Possible volatility of share price

The market price of the Ordinary Shares could be subject to significant fluctuations due to a number of factors, including some specific to the Group and its operations, some which may affect the real estate sector or affect quoted companies generally. The market price may also decline significantly if the Group's operating results and prospects from time to time are below the expectations of market analysts and investors. If there are any regulatory changes affecting the Group's operations or any business developments of the Group or its competitors, the price may also fluctuate. Investors may not get back the full value of their investment. There may be limited liquidity in the Ordinary Shares making it difficult to realise the value of them.

The Company is unable to predict whether Shareholders will be able to sell Ordinary Shares in the open market. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Ordinary Shares.

Ordinary Shares traded on AIM

The Ordinary Shares will be traded on AIM. An investment in securities traded on AIM is perceived to involve a higher risk than in those listed on the Official List. Prospective investors should be aware that the value of the Fundraising Shares could go down as well as up and investors may therefore not recover their original investment, especially as the market in the Ordinary Shares may have limited liquidity. The fact that the Ordinary Shares will be admitted to AIM should not be taken as implying that there will be a liquid market for Ordinary Shares. If an active trading market is not developed or maintained, the liquidity and trading price of Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall and/or, trade at a discount and there is no guarantee that the market price will reflect the underlying net asset value of the Ordinary Shares.

The Company may choose to issue Ordinary Shares to satisfy all or part of any acquisition but vendors may be unwilling to accept shares traded on AIM or accept the Ordinary Shares at the quoted market price.

Dilution of Shareholders' interests as a result of additional equity fundraising or acquisition

The Company may need to raise additional funds in the future to finance new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership and voting rights of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

The Company may offer its Ordinary Shares or other securities as consideration for acquisitions in line with its Investing Policy and Shareholders will have no pre-emptive right to such Ordinary Shares. Depending upon the number of Ordinary Shares offered and the value of the Ordinary Shares at that time, the issuance of such shares as consideration could materially dilute the value of the Ordinary Shares held by existing Shareholders at that time. Where a target company has an existing large shareholder, an issue of Ordinary Shares as consideration may result in such shareholder holding a large stake in the Company which may, in turn, enable that shareholder to exert significant influence over the Company by virtue of the voting rights attached to the Ordinary Shares.

Ability to pay dividends

All dividends and other distributions will be made at the discretion of the Board. The payment of any such dividend or other distribution will depend upon a number of factors, including the Company's operating results, financial condition, current and anticipated cash needs, interest costs and net proceeds on any sale of its investments, legal and regulatory restrictions and requirements including the rules of the REIT Regime, and such other factors as the Board may deem relevant from time to time. The Company's ability to pay dividends will largely depend on the Group's ability to generate realised profits and cash flow and its ability to pass such profits and cash flows to the Company on a timely basis.

PART III

(A) ACCOUNTANTS' REPORT ON THE COMPANY

The Directors
K&C REIT plc
82 St John Street
London
EC1M 4JN

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

30 June 2015

Dear Sirs

K&C REIT plc ("K&C" or "the Company")

Introduction

We report on the historical financial information on K&C set out in Part III (B). This financial information has been prepared for inclusion in the admission document dated 30 June 2015 (the "Admission Document") relating to the proposed placing of 35,663,400 new Ordinary Shares at 10 pence per share (the "Issue Price"), the acquisition of Silcott Properties Limited and the admission of the Company's Enlarged Share Capital to trading on AIM and on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibility

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Part III (B) gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 30 June 2014 and of its changes in equity for the period from 10 June 2014 to 30 June 2014 in accordance with the basis of preparation and applicable financial reporting framework as set out in the notes to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

MOORE STEPHENS LLP

Chartered Accountants

(B) HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

BALANCE SHEET

at 30 June 2014

	Notes	30 June 2014 £
Net assets		<u>2</u>
Shareholders' equity		
Share capital	6	2
Retained earnings		<u>–</u>
Total equity		<u><u>2</u></u>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period from 10 June 2014 to 30 June 2014

	<i>Share capital</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At incorporation	2	–	2
Result for the period	–	–	–
At 30 June 2014	<u>2</u>	<u>–</u>	<u>2</u>

STATEMENT OF CASH FLOWS

for the period from 10 June 2014 to 30 June 2014

	30 June 2014 £
Cash flows from operating activities	
Result for the period	—
Net cash flows generated from investing activities	2
Net increase in cash during the period	2
Cash, beginning of period	—
Cash, end of period	2

NOTES TO THE FINANCIAL INFORMATION

1. General Information

Business registration

K&C is a company incorporated and registered in England and Wales with number 09080097 on 10 June 2014. The registered office of the Company is 82 St John Street, London EC1M 4JN.

2. Summary of Significant Accounting Policies

Statement of compliance

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, using the accounting policies described below. This financial information covers the period from 10 June 2014 to 30 June 2014.

Basis of preparation

These financial statements have been prepared under the historical cost convention.

Cash and cash equivalents

The Company considers any cash on short-term deposits and other short-term investments to be cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Use of estimates

The preparation of financial information in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Significant estimates and judgments in these financial statements are required principally in determining the reported estimated fair value of investment properties. Actual results could differ significantly from these estimates.

Functional and presentational currency

The financial information is presented in UK sterling ("£"), which is the functional and presentational currency.

Impact of standards issued but not yet applied

<i>Standard</i>	<i>Effective date</i>
IFRS 9 – Financial Instruments	1 January 2018
IFRS 10 – Consolidated Financial Statements	1 January 2014
IFRS 11 – Joint Arrangements	1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2014
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017

The directors have yet to assess the full impact of the above standards, however, initial indications are that they should not materially affect the Company.

3. Related-Party Transactions

There were no fees or expenses paid to directors or key management personnel during the period.

4. Employees

There were no employees during the period other than the directors.

5. Taxation

K&C has no liability to corporation tax as no income accrued to it and it did not dispose of any capital assets during the period.

6. Share Capital

	<i>30 June 2014 £</i>
<i>Issued</i>	
400 ordinary shares of £0.005 each	<u>2</u>

During the period, K&C issued the following shares at par for cash:

<i>Date</i>	<i>Ordinary shares number</i>	<i>Nominal value £</i>	<i>Total proceeds £</i>
On incorporation	<u>400</u>	0.005	<u>2</u>
TOTAL	<u>400</u>		<u>2</u>

On 14 May 2015, every 20 ordinary shares of £0.005 each were consolidated into an ordinary share of £0.10 (an "interim share") and then each such interim share was immediately sub-divided into an Ordinary Share of £0.01 and a deferred share of £0.09 (with no income or voting rights and very limited capital rights on the winding-up of the Company). The deferred shares were subsequently acquired by the Company for an aggregate consideration of £0.01.

Warrants

On 18 December 2013, K&C Limited, the Company's wholly-owned subsidiary company, executed a warrant instrument constituting warrants to subscribe for 15,000,000 ordinary shares. Pursuant to a share exchange agreement entered into on 8 September 2014, each of the warrants was cancelled in exchange for the issue of a warrant to subscribe for one ordinary share of £0.005 in K&C at par.

As a result of the share capital reorganisation described above, the warrants issued by the Company were adjusted to be, in aggregate, 750,000 warrants each to subscribe for one Ordinary Share of £0.01 in K&C at £0.10 per share.

7. FINANCIAL INSTRUMENTS

In the normal course of business, K&C will be exposed to a variety of financial risks: credit risk, liquidity risk and market risks, which include interest-rate risk and other price risks.

The overall risk management programme seeks to minimise the potentially adverse effect of risk on the financial performance in a manner consistent with the investment objective.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into.

K&C will be exposed to credit risk in respect of its cash and cash equivalents, arising from possible default of the relevant counterparty, with a maximum exposure equal to the carrying value of those assets. The credit risk on liquid funds is limited because K&C will only invest its cash and cash equivalents with its banker, a counterparty with a high credit rating that has been assigned by international credit-rating agencies. K&C will regularly monitor the placement of its cash balances.

Liquidity risk

Liquidity risk is defined as the risk that K&C may not be able to settle or meet its obligations on time or at a reasonable price.

K&C will seek to maintain a sufficient level of cash or other liquid assets to minimise liquidity risk.

Market risks*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of investment properties. Interest rate risk would arise when K&C invests in interest bearing financial instruments. K&C would be exposed to the risk that the value of such financial instruments would fluctuate due to changes in the prevailing levels of market interest rates. The Company will seek to mitigate this risk by monitoring the placement of cash balances in order to maximise the interest rates obtained.

Other price risks

Other price risks include the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk. They represent the potential loss that K&C might suffer through holding interests in investment property whose value may fluctuate and that may be difficult to value or realise.

All investments carry a risk of loss of capital. The directors will moderate this risk through a careful selection of property assets and other financial instruments within the limits of the investment objective and strategy. The directors will monitor overall market positions on a quarterly basis.

8. CAPITAL MANAGEMENT

K&C considers shareholders' equity to be its capital. K&C does not have any externally imposed capital requirements.

K&C has no debt or other obligations save for the convertible loan note issued to Xiao Min on 5 September 2014 whereby the Company will be required to pay Ms. Min £200,000 on 17 July 2015 (save to the extent that such loan note has been converted into Ordinary Shares at a ten per cent. discount to the Issue Price prior to such date).

PART IV

(A) ACCOUNTANTS' REPORT ON KENSINGTON & CHELSEA REIT LIMITED

The Directors
K&C REIT plc
82 St John Street
London
EC1M 4JN

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

30 June 2015

Dear Sirs

Kensington & Chelsea REIT Limited ("K&C Ltd")

Introduction

We report on the historical financial information on K&C Ltd set out in Part IV (B). This financial information has been prepared for inclusion in the admission document issued by K&C REIT plc and dated 30 June 2015 (the "Admission Document") relating to the proposed placing of 35,663,400 Ordinary Shares at 10 pence per share (the "Issue Price") and the admission of K&C REIT plc's Enlarged Share Capital to trading on AIM and on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibility

The directors of K&C REIT plc are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to K&C Ltd's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Part IV (B) gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of K&C Ltd as at 30 June 2014 and of its comprehensive loss, cash flows and changes in equity for the period from 19 August 2013 to 30 June 2014 in accordance with the basis of preparation and applicable financial reporting framework as set out in the notes to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

MOORE STEPHENS LLP
Chartered Accountants

(B) HISTORICAL FINANCIAL INFORMATION ON KENSINGTON & CHELSEA REIT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the period from 19 August 2013 to 30 June 2014

	<i>Notes</i>	<i>30 June 2014 £</i>
Operating income		
Rental income		11,527
Expenses of property rental		<u>(6,718)</u>
Gross profit		4,809
Administrative expenses		<u>(161,402)</u>
Operating loss	3	<u>(156,593)</u>
Total comprehensive expense for the period		<u><u>(156,593)</u></u>

BALANCE SHEET

at 30 June 2014

	Notes	30 June 2014 £
Non-current assets		
Investment properties	9	<u>691,556</u>
Current assets		
Trade and other receivables	10	6,462
Cash and cash equivalents		<u>8,091</u>
Total current assets		<u>14,553</u>
Current liabilities		
Trade and other payables	11	<u>113,702</u>
Total liabilities		<u>113,702</u>
Net current liabilities		<u>(99,149)</u>
Non-current liabilities		
Loan notes	12	<u>674,000</u>
Net liabilities		<u><u>(81,593)</u></u>
Shareholders' equity		
Share capital	13	75,000
Retained earnings		<u>(156,593)</u>
Total equity		<u><u>(81,593)</u></u>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period from 19 August 2013 to 30 June 2014

	<i>Share capital</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At incorporation	–	–	–
Shares issued	75,000	–	75,000
Total comprehensive expense	–	(156,593)	(156,593)
At 30 June 2014	<u>75,000</u>	<u>(156,593)</u>	<u>(81,593)</u>

STATEMENT OF CASH FLOWS

for the period from 19 August 2013 to 30 June 2014

	<i>Period ended 30 June 2014 £</i>
Cash flows from operating activities	
Loss for the period	(156,593)
Adjustments for	
Increase in trade and other receivables	(6,462)
Increase in trade and other payables	113,702
Net cash flows used in operating activities	(49,353)
Cash flows from investing activities	
Purchase of investment properties	(691,556)
Net cash flows used in investing activities	(691,556)
Cash flows from financing activities	
Proceeds from loan notes	674,000
Ordinary shares issued	75,000
Net cash flows generated from financing activities	749,000
Net increase in cash during the period	8,091
Cash, beginning of period	–
Cash, end of period	8,091

NOTES TO THE FINANCIAL INFORMATION

1. General Information

Business registration

Kensington & Chelsea REIT Limited ("K&C Ltd") is a company incorporated and registered in England and Wales with number 08654998 on 19 August 2013. The registered office of the Company is 82 St John Street, London EC1M 4JN.

2. Summary of Significant Accounting Policies

Statement of compliance

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, using the accounting policies described below. This financial information covers the period from 19 August 2013 to 30 June 2014.

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

Cash and cash equivalents

K&C Ltd considers any cash on short-term deposits and other short-term investments to be cash equivalents.

Use of estimates

The preparation of financial information in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Significant estimates and judgments in these financial statements are required principally in determining the reported estimated fair value of investment properties. Actual results could differ significantly from these estimates.

Foreign currency

Functional and presentational currency

The financial information is presented in UK sterling ("£"), which is the functional and presentational currency.

Foreign currency translation

Foreign currency transactions are translated into UK sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Revenue recognition

Rental income is recognised on an accruals basis. Rental income is generally due for payment in advance of the 30-day period to which it relates.

Investment properties

K&C Ltd classifies its investments in investment properties as financial assets at fair value through profit or loss.

Investment properties are initially recognised at cost. Subsequent to initial recognition, they are measured at fair value. Material gains and losses arising from changes in the fair value are recognised in the statement of comprehensive income.

Generally, periodic physical inspection and professional valuation are used to determine the estimated value of an investment property.

Due to the inherent uncertainty of the valuation process, the fair values may be significantly different to the actual amounts received on disposal.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Impact of standards issued but not yet applied

<i>Standard</i>	<i>Effective date</i>
IFRS 9 – Financial Instruments	1 January 2018
IFRS 10 – Consolidated Financial Statements	1 January 2014
IFRS 11 – Joint Arrangements	1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2014
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017

The directors have yet to assess the full impact of the above standards, however, initial indications are that they should not materially affect the company.

3. Operating Loss

	<i>30 June</i>
	<i>2014</i>
	<i>£</i>
Operating loss is stated after charging:	
Auditor's fees	8,000

4. Related Party Transactions

There were no fees or expenses paid to directors or key management personnel during the period.

The property at 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX was purchased from Edward and Susan Vandyk on 22 April 2014. In addition, K&C Ltd is or (as the case may be) was a party to:

- (a) a put and call option deed dated 14 March 2014 between (1) K&C Ltd and (2) Edward and Susan Vandyk with respect to the property at 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX. Such put and call option deed was terminated by a deed of termination entered into between the same parties and dated 29 April 2015.
- (b) a mortgage deed dated 7 March 2014 between (1) K&C Ltd, (2) Edward and Susan Vandyk and (3) Oliver Vaughan with respect to the property at 24 Martingale Chase, Newbury, Berkshire RG14 2EN. This secures the loan notes issued on 7 March 2014 (see note 12).
- (c) a mortgage deed dated 14 March 2014 with respect to the property at 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX between (1) K&C Ltd and (2) Edward and Susan Vandyk. This secures the loan notes issued on 14 March 2014 (see note 12).
- (d) a mortgage deed dated 24 March 2014 with respect to the property at 10 Glebelands, Thatcham, Berkshire RG19 3QZ between (1) K&C Ltd and (2) Christopher James. This secures the loan notes issued on 24 March 2014 (see note 12).
- (e) a letter dated 29 April 2015 from Edward and Susan Vandyk and Oliver Vaughan to K&C Ltd consenting to the loan notes referred to in paragraph (b) above (and summarised in note 12) being amended and restated so that, amongst other things, such loan notes are no longer convertible into shares in K&C Ltd and amending the payment terms.
- (f) a letter dated 29 April 2015 from Edward and Susan Vandyk to K&C Ltd consenting to the loan notes referred to in paragraph (c) above (and summarised in note 12) being amended and restated so that, amongst other things, such loan notes are no longer convertible into shares in K&C Ltd and amending the payment terms.

- (g) a letter dated 29 April 2015 from Christopher James to K&C Ltd consenting to the loan notes referred to in paragraph (d) above (and summarised in note 12) being amended and restated so that, amongst other things, such loan notes are no longer convertible into shares in K&C Ltd and amending the payment terms.
- (h) three deeds of variation dated 8 September 2014, 28 November 2014 and 25 June 2015 each between K&C Ltd and Oliver Vaughan and Edward and Susan Vandyk and amending the terms of the loan notes referred to in paragraph (b) above.
- (i) three deeds of variation 8 September 2014, 28 November 2014 and 25 June 2015 each between K&C Ltd and Edward and Susan Vandyk and amending the terms of the loan notes referred to in paragraph (c) above.
- (j) three deeds of variation 8 September 2014, 28 November 2014 and 25 June 2015 each between Christopher James and K&C Ltd and amending the terms of the loan notes referred to in paragraph (d) above.

5. Segmental Information

The directors are of the opinion that K&C Ltd is engaged in a single segment of business, being an investment company investing capital in real estate in order to generate rental income and capital growth.

6. Employees

There were no employees during the period.

7. Taxation

K&C Ltd has no liability to corporation tax as it has not made a taxable profit during the period.

No provision for deferred tax has been provided at 30 June 2014 on revalued investment properties because the difference between valuation and cost was not material.

8. Future Minimum Lease Payments Receivable

K&C Ltd leases its investment properties under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	<i>30 June 2014 £</i>
Leases expiring:	
In less than one year	16,575
After more than five years	147,300
	<u>163,875</u>

9. Investment Properties

	<i>30 June 2014 £</i>
At incorporation	—
Additions	691,556
Revaluation	—
At 30 June 2014	<u>691,556</u>

On 15 October 2014, the investment properties were valued by an independent valuer, Quintons, of Bartholomew House, 38 London Road, Newbury, West Berkshire RG14 1JX. In aggregate, the valuations of the three properties exceeded the carrying value by £13,444. On this basis, the directors consider that the carrying value of the investment properties at 30 June 2014 is not materially different from their market value.

For details of mortgages with respect to the investment properties, see note 4.

10. Trade and Other Receivables

	<i>30 June 2014 £</i>
Other receivables	<u>6,462</u>

11. Trade and Other Payables

	<i>30 June 2014 £</i>
Trade payables	45,702
Accruals and deferred income	68,000
	<u>113,702</u>

12. Loan Notes

	<i>30 June 2014 £</i>
Loan notes repayable after one year	<u>674,000</u>

In order to fund the purchase of the investment properties, K&C Ltd issued three tranches of loan notes, as follows:

<i>Property</i>	<i>Date of issue</i>	<i>Holders</i>	<i>Amount £</i>
49 and 50 Cheap Street	14 March 2014	Edward and Susan Vandyk	209,000
24 Martingale Chase	7 March 2014	Oliver Vaughan (£125,000) Edward and Susan Vandyk (£125,000)	250,000
10 Glebelands	24 March 2014	Christopher James	215,000
			<u>674,000</u>

The loan notes issued to Oliver Vaughan and Mr and Mrs Vandyk are on substantially the same terms and the principal sums in respect of such loan notes are due to be repaid on the date which is the earlier of the business day following the first anniversary of Admission and 31 July 2016, although, in certain circumstances, a holder may demand early repayment of part of the principal, including on the sale of any of the investment properties. Holders of such loan notes are entitled to be repaid an amount equal to 100 per cent. of the principal borrowed, payable on the date of redemption, together with a payment in respect of interest of 14 per cent., payable on Admission.

The principal sum in respect of the loan notes issued to Christopher James is due to be repaid on the date which is the earlier of the date of Admission and 30 September 2015, although, in certain circumstances,

a holder may demand early repayment of the principal. Holders of such loan notes are entitled to be paid an amount equal to 100 per cent. of the principal borrowed, payable on the date of redemption, together with a payment in respect of interest of 14 per cent., payable on Admission.

When issued the holders of the loan notes had the right to request that their respective notes be converted into ordinary shares at any time following the redemption date or upon early repayment, and K&C Ltd had absolute discretion as to whether to effect the conversion or not. However, by the execution of amended and restated loan note instruments dated 29 April 2015, the terms and conditions of each such loan note were amended and restated so that, amongst other things, such loan notes are no longer convertible into shares in K&C Ltd. By letters dated 29 April 2015 from the holders of the loan notes, such holders consented to the loan notes being amended and restated in this manner.

K&C Ltd has agreed with each of Mr Vaughan and Mr and Mrs Vandyk that K&C Ltd will use reasonable endeavours to sell the investment properties following Admission and will pay (in part payment of the loan notes) the proceeds of sale to Mr Vaughan and Mr and Mrs Vandyk pro rata to the aggregate amount owed to them under their loan notes, irrespective of which investment property is sold.

On 25 June 2015 K&C Ltd's parent company, K&C REIT plc, acquired 10 Glebelands in consideration of K&C REIT agreeing to assume the liability for paying to Christopher James the principal, being £215,000, and interest owed in respect of the loan notes K&C Ltd issued to Mr James on 24 March 2014. K&C REIT subsequently agreed with Mr James that it would issue to Mr James, on Admission, 2,150,000 ordinary shares in K&C REIT credited as fully paid at the Issue Price in consideration of K&C REIT being released from £215,000 of such liability.

13. Share Capital

	<i>30 June 2014 £</i>
<i>Issued</i>	
15,000,000 ordinary shares of £0.005 each	<u>75,000</u>

During the period, K&C Ltd issued the following shares at par for cash:

<i>Date</i>	<i>Ordinary shares number</i>	<i>Nominal value £</i>	<i>Total proceeds £</i>
On incorporation	400,000	0.005	2,000
18 December 2013	13,400,000	0.005	67,000
14 March 2014	<u>1,200,000</u>	0.005	<u>6,000</u>
TOTAL	<u>15,000,000</u>		<u>75,000</u>

Warrants

On 18 December 2013, K&C Ltd executed a warrant instrument constituting warrants to subscribe for 15,000,000 ordinary shares. Pursuant to a share exchange agreement entered into on 8 September 2014, each of the warrants was cancelled in exchange for the issue of a warrant to subscribe for one ordinary share of £0.005 in K&C Ltd's parent company, K&C REIT, at par. Following a reorganisation of the share capital of K&C REIT such warrants were adjusted so that they were, in aggregate, warrants to subscribe for 750,000 Ordinary Shares of £0.01 each in K&C REIT at £0.10 per share.

14. Financial Instruments

In the normal course of business, K&C Ltd is exposed to a variety of financial risks: credit risk, liquidity risk and market risks, which include interest-rate risk and other price risks.

The value of investment properties within the portfolio can fluctuate as a result of changes in interest rates, economic conditions, the market and company news related to specific properties within the portfolio. The level of risk may depend on, *inter alia*, the investment objective and the type of properties invested in.

The primary investment objective is to build a substantial property portfolio that generates secure income flow for shareholders. This review includes, but is not limited to, an assessment of the global macro-economic environment, the outlook for credit and the amount of active risk being taken.

The overall risk management programme seeks to minimise the potentially adverse effect of risk on the financial performance in a manner consistent with the investment objective.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into.

K&C Ltd is exposed to credit risk in respect of its cash and cash equivalents, arising from possible default of the relevant counterparty, with a maximum exposure equal to the carrying value of those assets. The credit risk on liquid funds is limited because K&C Ltd only invests its cash and cash equivalents with its banker, a counterparty with a high credit rating that has been assigned by international credit-rating agencies. K&C Ltd regularly monitors the placement of its cash balances.

Liquidity risk

Liquidity risk is defined as the risk that K&C Ltd may not be able to settle or meet its obligations on time or at a reasonable price.

K&C Ltd seeks to maintain a sufficient level of cash or other liquid assets to minimise liquidity risk.

Market risks

Interest-rate risk

Interest-rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of investment properties. Interest-rate risk arises when K&C Ltd invests in interest-bearing financial instruments. K&C Ltd is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Company seeks to mitigate this risk by monitoring the placement of cash balances in order to maximise the interest rates obtained.

Other price risks

Other price risk include the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest-rate risk. They represent the potential loss that K&C Ltd might suffer through holding interests in investment property whose value may fluctuate and that may be difficult to value or realise.

All investments carry a risk of loss of capital. The directors moderate this risk through a careful selection of property assets and other financial instruments within the limits of the investment objective and strategy. The directors monitor overall market positions on a quarterly basis.

15. Capital Management

K&C Ltd considers shareholders' equity to be its capital. K&C Ltd does not have any externally imposed capital requirements.

Besides the loan notes, K&C Ltd has no debt or other obligations.

16. Control

On 8 September 2014, K&C Ltd became a wholly owned subsidiary of K&C REIT plc by virtue of a share exchange agreement.

PART V

(A) UNAUDITED ACCOUNTANTS' REVIEW REPORT ON THE COMPANY

The Directors
K&C REIT plc
82 St John Street
London
EC1M 4JN

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

30 June 2015

Dear Sirs

K&C REIT plc ("K&C" or "the Company")

Introduction

We have reviewed the accompanying interim financial statements of K&C REIT set out in Part V (B). These interim financial statements have been prepared for inclusion in the admission document dated 30 June (the "Admission Document") relating to the proposed placing of 35,663,400 Ordinary Shares at 10 pence per share, the acquisition of Silcott Properties Limited and the admission of the Company's Enlarged Share Capital to trading on AIM and on the basis of the accounting policies set out in note 1 to the interim financial statements.

Responsibility

The directors of the Company are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of (or "does not present fairly, in all material respects,") the financial position of the entity as at 31 December 2014 and of its financial performance and its cash flows for the six month period then ended in accordance with IFRS.

Yours faithfully

MOORE STEPHENS LLP
Chartered Accountants

(B) UNAUDITED INTERIM REPORT ON THE COMPANY

STATEMENT OF COMPREHENSIVE INCOME

		<i>Period ended</i>
		<i>31 December</i>
		<i>2014</i>
	<i>Note</i>	<i>£</i>
Rental income		15,625
Expenses of property rental		<u>(2,052)</u>
Gross profit		<u>13,573</u>
Administrative expenses		<u>(390,336)</u>
Operating loss	2	<u>(376,763)</u>
Total comprehensive expense for the period		<u><u>(376,763)</u></u>

BALANCE SHEET

		31 December 2014 £
	Notes	
Non-current assets		
Investment properties	4	691,556
Current assets		
Trade and other receivables		14,861
Cash and cash equivalents		50,933
Total current assets		65,614
Current liabilities		
Loan notes		874,000
Trade and other payables		341,526
Total liabilities		1,215,526
Net liabilities		(458,356)
Shareholders' equity		
Share capital		75,000
Retained earnings		(533,356)
Total equity		(458,356)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<i>Share capital £</i>	<i>Retained earnings £</i>	<i>Total £</i>
At 1 July 2014	75,000	(156,593)	(81,593)
Loss for the period	–	(376,763)	(376,763)
At 31 December 2014	<u>75,000</u>	<u>(533,356)</u>	<u>(458,356)</u>

STATEMENT OF CASH FLOWS

*Period ended
31 December
2014
£*

Cash flows from operating activities

Loss for the period	(376,763)
---------------------	-----------

Adjustments for

Increase in trade and other receivables	(8,219)
---	---------

Increase in trade and other payables	227,824
--------------------------------------	---------

Net cash flows generated from operating activities	219,605
---	----------------

Cash flows from financing activities

Proceeds from convertible loan notes	200,000
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Net cash flows generated from financing activities	200,000
---	----------------

Net increase in cash during the period	42,842
---	---------------

Cash, beginning of period	8,091
---------------------------	-------

Cash, end of period	50,933
---------------------	--------

1. Summary of Significant Accounting Policies

Statement of compliance

The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The accounting policies adopted in the preparation of the financial statements to 31 December 2014 are consistent with those adopted in the historical financial information for the period ended 30 June 2014.

Basis of consolidation

The interim financial statements include the results of the Company and its subsidiary undertaking Kensington & Chelsea REIT Limited ("K&C Ltd"). The acquisition of K&C Ltd has been treated as a reorganisation and its results included as if the acquisition had taken place at the beginning of the period under review.

2. Segmental Information

The Directors are of the opinion that the Group is engaged in a single segment of business, being investing in real estate in order to generate rental income and capital growth.

3. Taxation

The Group has no liability to corporation tax as it has not made a taxable profit during the period.

4. Investment Properties

	<i>31 December</i> <i>2014</i> £
At 30 June 2014 and at 31 December 2014	<u>691,556</u>

On 15 October 2014, the three investment properties were valued by an independent valuer. In aggregate, the valuations of the three properties exceeded the carrying value by £13,444. On this basis, the Directors consider that the carrying value of the investment properties at 31 December 2014 is not materially different from their market value.

5. Share Capital

	<i>31 December</i> <i>2014</i> £
<i>Issued</i> 15,000,000 ordinary shares of £0.005 each	<u>75,000</u>

On 14 May 2015, every 20 ordinary shares of £0.005 each were consolidated into an ordinary share of £0.10 (an "interim share") and then each such interim share was immediately sub-divided into an Ordinary Share of £0.01 and a deferred share of £0.09 (with no income or voting rights and very limited capital rights on the winding-up of the Company). The deferred shares were subsequently acquired by the Company for an aggregate consideration of £0.01.

PART VI

(A) ACCOUNTANTS' REPORT ON SILCOTT PROPERTIES

The Directors
K&C REIT plc
82 St John Street
London
EC1M 4JN

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

30 June 2015

Dear Sirs

Silcott Properties Limited ("Silcott Properties")

Introduction

We report on the historical financial information on Silcott Properties set out in Part VI (B) of this document. This financial information has been prepared for inclusion in the admission document issued by K&C REIT plc and dated 30 June 2015 (the "Admission Document") relating to the proposed placing of 35,663,400 Ordinary Shares at 10 pence per share, the acquisition of Silcott Properties and the admission of K&C REIT plc's Enlarged Share Capital to trading on AIM and on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibility

The directors of K&C REIT plc are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to Silcott's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Part VI(B) gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Silcott as at the dates stated and of its comprehensive loss, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and applicable financial reporting framework as set out in the notes to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

MOORE STEPHENS LLP

Chartered Accountants

(B) HISTORICAL FINANCIAL INFORMATION ON SILCOTT PROPERTIES

STATEMENTS OF COMPREHENSIVE INCOME

		<i>31 October</i> <i>2012</i>	<i>31 October</i> <i>2013</i>	<i>31 October</i> <i>2014</i>
	<i>Note</i>	£	£	£
Turnover		104,161	111,667	112,740
Administrative expenses		<u>80,742</u>	<u>68,699</u>	<u>71,224</u>
Operating profit and profit on ordinary activities before taxation	3	23,419	42,968	41,516
Tax on profit on ordinary activities	4	<u>2,727</u>	<u>6,768</u>	<u>6,206</u>
Profit for the year		<u>20,692</u>	<u>36,200</u>	<u>35,310</u>
Other comprehensive income				
Gains on property revaluation	6	<u>1,500,000</u>	<u>500,000</u>	<u>500,000</u>
Comprehensive income for the financial year		<u><u>1,520,692</u></u>	<u><u>536,200</u></u>	<u><u>535,310</u></u>

BALANCE SHEET

		31 October 2012 £	31 October 2013 £	31 October 2014 £
	Note			
Non-current assets				
Investment properties	6	3,000,000	3,500,000	4,000,000
Current assets				
Trade and other receivables	7	387,944	370,875	354,209
Cash at bank		8,748	13,623	21,323
Total current assets		396,692	384,498	375,532
Current liabilities				
Trade and other payables	8	15,492	14,650	18,546
Current portion of borrowings	9	16,555	17,170	17,808
Net current assets		32,047	31,820	36,354
Total assets less current liabilities		3,364,645	3,852,678	4,339,178
Non current liabilities				
Long term borrowings	9	519,417	501,250	482,440
Net assets		2,845,228	3,351,428	3,856,738
Shareholders' equity and reserves				
Share capital	10	1,000	1,000	1,000
Revaluation reserve		2,821,686	3,321,686	3,821,686
Retained earnings		22,542	28,742	34,052
Shareholders' funds		2,845,228	3,351,428	3,856,738

STATEMENTS OF CHANGES IN EQUITY

	<i>Share capital £</i>	<i>Revaluation reserve £</i>	<i>Retained earnings £</i>	<i>Total £</i>
At 1 November 2011	1,000	1,321,686	25,850	1,348,536
Comprehensive income	–	1,500,000	20,692	1,520,692
Dividends paid	–	–	(24,000)	(24,000)
At 30 October 2012	1,000	2,821,686	22,542	2,845,228
Comprehensive income	–	500,000	36,200	536,200
Dividends paid	–	–	(30,000)	(30,000)
At 30 October 2013	1,000	3,321,686	28,742	3,351,428
Comprehensive income	–	500,000	35,310	535,310
Dividends paid	–	–	(30,000)	(30,000)
At 31 October 2014	1,000	3,821,686	34,052	3,856,738

STATEMENT OF CASH FLOWS

	<i>31 October 2012 £</i>	<i>31 October 2013 £</i>	<i>31 October 2014 £</i>
Cash flows from operating activities			
Loss for the period	23,419	42,968	41,516
Adjustments for			
Interest expense	18,973	18,453	17,764
Increase in trade and other receivables	26,233	17,069	16,666
Increase in trade and other payables	(6,163)	(842)	3,896
Cash generated from operations	62,462	77,648	79,842
Tax paid	(2,727)	(6,768)	(6,206)
Interest paid	(18,973)	(18,453)	(17,764)
Net cash flows generated from operating activities	40,762	52,427	55,872
Cash flows from financing activities			
Repayment of long term loan	(16,214)	(17,552)	(18,172)
Dividends paid	(24,000)	(30,000)	(30,000)
Net cash used in financing activities	(40,214)	(47,552)	(48,172)
Net increase in cash during the period	548	4,875	7,700
Cash, beginning of period	8,200	8,748	13,623
Cash, end of period	8,748	13,623	21,323

1. Accounting Convention

Statement of Compliance

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, using the accounting policies described below. This financial information covers the three years ended 31 October 2014.

2. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

Use of estimates

The preparation of financial information in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Significant estimates and judgments in these financial statements are required principally in determining the reported estimated fair value of investment properties. Actual results could differ significantly from these estimates.

Functional and presentational currency

The financial information is presented in UK sterling ("£"), which is the functional and presentational currency.

Revenue recognition

Rental income is recognized on an accruals basis. Rental income is generally due for payment in advance of the 30-days period to which it relates.

Investment properties

Silcott Properties classifies its investments in investment properties as financial assets at fair value through profit or loss.

Investment properties are initially recognised at cost. Subsequent to initial recognition, they are measured at fair value. Material gains and losses arising from changes in the fair value are recognised in the statement of comprehensive income.

Generally, periodic physical inspection and professional valuation are used to determine the estimated value of an investment property.

Due to the inherent uncertainty of the valuation process, the fair values may be significantly different to the actual amounts received on disposal.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Impact of standards issued but not yet applied

<i>Standard</i>	<i>Effective date</i>
IFRS 9 – Financial Instruments	1 January 2018
IFRS 10 – Consolidated Financial Statements	1 January 2014
IFRS 11 – Joint Arrangements	1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2014
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017

The Directors of K&C REIT plc have yet to assess the full impact of the above standards, however, initial indications are that they should not materially affect the company.

3. Operating Profit

The operating profit is stated after charging:

	2012 £	2013 £	2014 £
Director's remuneration and other benefits etc	—	—	—

4. Taxation

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the years was as follows:

	2012 £	2013 £	2014 £
Current tax			
UK corporation tax	2,727	6,768	6,206
Tax on profit on ordinary activities	2,727	6,768	6,206

5. Dividends

	2012 £	2013 £	2014 £
Ordinary shares of £1.00 each			
Final	24,000	30,000	30,000

6. Investment Properties

	2012 £	2013 £	2014 £
At 1 November	1,500,000	3,000,000	3,500,000
Revaluation	1,500,000	500,000	500,000
At 31 October	3,000,000	3,500,000	4,000,000

Having taken independent advice, the Directors of K&C REIT plc have valued the investment properties on the basis of estimated open market value by reference to market evidence for comparable properties.

7. Trade and Other Receivables

	2012 £	2013 £	2014 £
Amounts due from parent undertaking	383,816	368,868	348,868
Other debtors	4,128	2,008	5,341
	387,944	370,875	354,209

8. Trade and Other Payables

	2012 £	2013 £	2014 £
Taxation and social security	4,333	6,768	6,206
Other payables	11,159	7,822	12,340
	<u>15,492</u>	<u>14,590</u>	<u>18,546</u>

9. Borrowings

	2012 £	2013 £	2014 £
Amounts due in:			
Less than one year	16,555	17,170	17,808
Between 1 and 2 years	17,170	17,808	18,470
Between 2 and 5 years	55,435	57,495	59,633
Over 5 years	446,813	425,946	404,337
	<u>535,972</u>	<u>518,420</u>	<u>500,248</u>

The borrowings comprise a bank loan secured on the company's freehold premises. The loan is repayable in equal quarterly instalments over 25 years from 9 September 2009.

10. Called Up Share Capital

Allotted, issued and fully paid

<i>Number</i>	<i>Class</i>	<i>Nominal value</i>	2012 £	2013 £	2014 £
1,000	Ordinary	£1.00	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

11. Future Minimum Lease Payments Receivable

	2012 £	2013 £	2014 £
Leases expiring in less than one year	<u>67,778</u>	<u>56,908</u>	<u>67,648</u>

12. Ultimate Parent Company

The ultimate parent company is Tuscan Properties Limited, a company incorporated in the British Virgin Islands.

13. Related Party Transactions

The accounts include charges made by Jarvis & Co, a company controlled by a director of the company, for management services:

	2012 £	2013 £	2014 £
Management services (inclusive of VAT)	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>

13. Related Party Transactions (continued)

As at the year-end, the company was owed the following amounts:

	2012 £	2013 £	2014 £
Amounts due from Tuscan Properties Limited	<u>383,816</u>	<u>368,868</u>	<u>348,868</u>

14. Ultimate Parent Company

Prior to the proposed acquisition by K&C REIT plc, Silcott Properties has been a subsidiary of Tuscan Properties Limited, a company incorporated in the British Virgin Islands.

PART VII

PRO-FORMA STATEMENT OF NET ASSETS

The Directors
K&C REIT plc
82 St John Street
London
EC1M 4JN

The Directors
Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

30 June 2015

Dear Sirs

K&C REIT plc ("K&C" or "the Company")

We report on the unaudited pro forma consolidated statement of net assets which has been prepared for inclusion in the admission document issued by the Company and dated 30 June 2015 (the "Admission Document") relating to the proposed placing of 35,663,400 Ordinary Shares of £0.01 each at 10 pence per share (the "Fundraising"), the acquisition of Silcott Properties Limited (the "Acquisition") and the admission of the Company's Enlarged Share Capital to trading on AIM. The statement has been prepared for illustrative purposes only on the basis set out therein to provide information about how the Fundraising and the Acquisition might have affected the financial information on the Company as at 31 December 2014. This report is required by paragraph 20.2 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with the AIM Rules and for no other purpose.

Responsibilities

It is responsibility of the directors of the Company to prepare the pro forma consolidated statement of net assets in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules, as to the proper compilation of the pro forma consolidated statement of net assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma consolidated statement of net assets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting Standards issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma consolidated statement of net assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma consolidated statement of net assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the pro forma consolidated statement of net assets has been properly compiled on the basis stated;
and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

MOORE STEPHENS LLP
Chartered Accountants

PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS

The unaudited pro forma consolidated statement of net assets of the Company has been prepared on the basis set out below to illustrate how the Fundraising and the Acquisition might have affected the financial information on the Company as at 31 December 2014. The pro forma consolidated statement of net assets has been prepared for illustrative purposes only and because of its nature, does not reflect the actual financial position of the Company.

	<i>K&C £000</i>	<i>Silcott Properties £000</i>	<i>Fundraising adjustment £000</i>	<i>Acquisition adjustment £000</i>	<i>Pro forma £000</i>
Non-current assets					
Investment properties	692	4,000	–	–	4,692
	<u>692</u>	<u>4,000</u>	<u>–</u>	<u>–</u>	<u>4,692</u>
Current assets					
Trade and other receivables	8	354	–	–	362
Cash and cash equivalents	51	21	3,565	(3,330)	307
	<u>59</u>	<u>375</u>	<u>3,565</u>	<u>(3,330)</u>	<u>679</u>
Total assets	<u>751</u>	<u>4,375</u>	<u>3,565</u>	<u>(3,330)</u>	<u>5,361</u>
Current liabilities					
Loan notes	874	–	(215)	–	874
Trade and other payables	321	19	864	149	1,353
Borrowings	–	18	–	–	18
	<u>1,195</u>	<u>37</u>	<u>649</u>	<u>149</u>	<u>2,030</u>
Total current liabilities	<u>1,195</u>	<u>37</u>	<u>649</u>	<u>149</u>	<u>2,030</u>
Non-current liabilities	–	519	–	–	519
	<u>–</u>	<u>519</u>	<u>–</u>	<u>–</u>	<u>519</u>
Total liabilities	<u>1,195</u>	<u>556</u>	<u>649</u>	<u>149</u>	<u>2,549</u>
Net (liabilities)/assets	<u>(444)</u>	<u>3,819</u>	<u>2,916</u>	<u>(3,479)</u>	<u>2,812</u>

Adjustments:

1. The Fundraising adjustment represents the cash received on Fundraising, the associated admission costs and the capitalisation of the 24 March Loan Note.
2. The Acquisition adjustment represents the cash paid to acquire Silcott Properties and associated fees.

Notes:

3. The net assets of K&C as at 31 December 2014 have been extracted without adjustment from the unaudited interim report set out in Part V.
4. The net assets of Silcott Properties have been extracted without adjustment from the financial information set out in Part VI (A) as at 31 October 2014.
5. Save as set out above, no account has been taken of trading or other transactions of K&C or Silcott Properties since 31 December 2014 or 31 October 2014 respectively.

PART VIII
VALUATION REPORT



Ref: JBM/cer

VALUATION REPORT

on

**25 Coleherne Road
London SW10**

Carried out for the use of

**K & C REIT PLC and Allenby Capital
Limited**

as at

22 June 2015

PROPERTY: 25 Coleherne Road London SW10 9BS (the "Property")

INSTRUCTIONS

In accordance with instructions of recent date from K&C REIT PLC and Allenby Capital Limited we have inspected the Property and made all relevant enquiries in order to provide you with our opinion of the current Market Value (as defined below) of the freehold interest in the Property, having regard to the assured shorthold tenancies discussed, and anticipating a sale in one transaction to K&C REIT plc.

This report is addressed to K&C REIT plc ("K&C") and its nominated adviser Allenby Capital Limited ("Nomad") and is issued for inclusion in the Admission Document dated 26 June 2015 ("Admission Document") prepared in connect with K&C's application to have its ordinary shares admitted to trading on the AIM market operated by the London Stock Exchange ("Admission") and may only be used in connection with the transaction referred to in this report and for the purpose of Admission.

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We have also reviewed the report on title of the Property issued by Fasken Martineau Solicitors LLP dated on or about the date of this Report and confirm that our valuation fully reflects the disclosures contained within.

Our valuation is provided to you in accordance with the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards 2014 (the standards) as amended and as set out in the RICS Red Book.

We confirm that:

- (i) We are not aware of any conflict of interest or potential conflict of interest which may arise as a result of complying with your instructions. We will therefore be acting as Independent Valuers, as defined in the RICS Red Book.
- (ii) Our professional indemnity insurance on a per claim basis is adequate in respect of this valuation.
- (iii) We have adopted the RICS definition of Market Value which is as follows:
"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."
- (iv) We understand that our valuation is required related to K&C's purchase of the company that owns the Property.
- (v) The Property has been inspected and valued by J B Meredith FRICS.

PROPERTY: 25 Coleherne Road London SW10 9BS (the "Property")

1.0 APPROACH TO VALUATION

We have approached the valuation of the Property by adopting the comparable method of valuation in respect of buildings and flats. This involves the analysis and comparison of similar property types and their constituent parts. Adjustments are made reflecting location, size, type, condition and presentation.

In this case our value opinion assumes selling on a one transaction basis but to maximise sale proceeds over a period of say 12 months it may be preferable to obtain possession of individual flats and undertake breaking up with individual flat sales.

2.0 VALUATIONS

2.1 Market Value

Having carefully considered the matter, we are of the opinion that the value of the property described is as follows:

- (i) the current aggregate Market Value of the 10 flats (if vacant) in average order as described is circa:

£4 million
(four million pounds)

- (ii) the current value of the building as an investment with current stated gross rental income of some £114,000 p.a. is circa:

£4 million
(four million pounds)

In the present market we consider that a period of up to 6 months is a reasonable period within which to negotiate completion of a sale by private treaty of the Property at the level of our valuation, taking into account the nature of the Property and the condition of the market.

3.0 SUITABILITY FOR LOAN SECURITY

We understand that K&C will not be obtaining debt finance for its purchase of the Property.

4.0 RISKS

4.1 Property market risks

There are particular risks applied to the property market within the context of the wider economic environment. These include:

- (i) Future Movements in Economic Environment

Changes to the macro and micro economic environment directly impact on the value of residential property. In particular, any interest rate movements beyond those currently anticipated may have a detrimental impact on value. Our valuation is made against the present economic background, which we consider to be relatively stable in the medium term.

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The world's economies and media are now recovering from the 'credit crunch' of the last few years and the related abnormal market conditions have become steadier.

(ii) Future Movements in Stamp Duty

Future Stamp Duty increases and/or a further tightening of duty avoidance measures, however, will have a direct impact on the value of property and may also impact on the liquidity of owner occupied residential property or on future investors' perceptions of the property residential market as an asset class.

(iii) Liquidity

The property investment market is still restrained by the availability of bank finance although investor liquidity from overseas is quite good.

(iv) Pricing

Property as an asset class is not a homogeneous product, and pricing has traditionally been linked to historic evidence from relevant comparable transactions. Such evidence can be scarce and this, coupled with liquidity issues, may affect the pricing of an asset.

4.2 Property Specific Risks

The specific property risks in this instance are largely confined to the market risk which we summarize as follows:

(i) Market Risk

At the date of writing this report this is regarded as normal.

(ii) Planning Risk

Minimal. Our understanding is that the 10 residential units in this building have existed for many years undisputed by the local authority and the nine that we have inspected are fully self-contained. Our verbal enquiries at Kensington Town Hall confirm that the building is not a registered 'house in multiple occupation'. The report on title prepared by Fasken Martineau LLP confirms the permitted use of the building for Class C3 residential purposes.

(iii) Management Risk

All the indications in the building are that it is properly managed now with quality orderly occupiers.

5 OVERVIEW

This is a well presented freehold terraced investment building on 4 floors plus basement within a Victorian terrace of similar buildings.

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6 LOCATION

The property is located on the east side of the road close to its junction with Old Brompton road and effectively in the heart of the Earls Court area.

A short distance away Earls Court Exhibition Hall and the surrounding area of 77 acres is undergoing redevelopment currently and many new residential apartments will be created over the next 2/3 years. This is generally considered to be in line with serious upgrading of the area generally.

Situation

The surrounding area is predominantly residential with quality conversion flats and period houses with some pockets of social housing. The area is considered to be very conveniently situated for all usual urban amenities with good transportation links to the centre and West End of London.

7 DESCRIPTION

This is a freehold converted terraced building on 4 floors plus basement within a Victorian terrace of similar.

The property is currently arranged with staircase access as 10 studio flats (2 per floor) each self-contained with its own WC, bathroom/shower arrangement, kitchen area and electric independent heating.

8 ACCOMMODATION

We have been provided with a plan of the building and the saleable floor area of the flats, measured by others, is approx. 3500 sq.ft.

The individual floor areas of the flats are indicated on the plan (with 2 small sundry mezzanine areas) and we inspected all the flats, except the basement rear, flat 2.

All the indications are that the building is structurally sound and well maintained and the individual flats are upgraded regularly. A mains operated smoke alarm system has been installed.

9 ENVIRONMENTAL ISSUES

We have made informal oral enquiries of the local planning authority, who advise us that the historic use of the property is residential. The likelihood of contamination is therefore considered to be low. This comment is made without liability.

10 TENURE & TENANCIES

We have valued the freehold interest in the property.

The ten self-contained flats are all said to be let on assured shorthold tenancies and at the date of this report the total rents receivable from nine of the flats amount to £114,000 per annum (the tenth flat is in the process of being let).

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11 STATUTORY ENQUIRIES

We have made informal oral enquiries of the local planning authority, Royal Borough of Kensington & Chelsea.

- (i) *Restrictive Planning Conditions* – Not applicable.
- (ii) *Building Regulations* – All the indications are that, at the date of the last major adaptation, regulations were complied with and we noted no glaring shortcomings.
- (iii) *Planning* – We have assumed that any further proposals of the property will require the submission of a planning application.
- (vi) *Fire Regulations* – When the flats were converted they would have complied with relevant regulations.

12 SERVICES

We understand that the subject property has the benefit of mains water, electricity, and drainage services. It is clear that quite significant upgrading and renewal has occurred in the last 10 years.

13 SITE AND GROUND CONDITIONS

We noted no evidence of unusual factors.

14 COMPARABLE EVIDENCE

The individual flats are potentially saleable in their present condition, if required, and based upon enquiries on various websites etc. analysis of the last 8 flat sales in the street resulted in an average £1158 per sq.ft. over the last two years.

As to freehold buildings - on the opposite side of the street in May 2013 the smaller (3240 sq.ft.) but similar end of terrace building No.10 sold via Farleys, similarly arranged as 10 self-contained flats, with very similar rental income to the subject property, at £956 per square foot or £3.1 million.

In the area west of this new development flats are now being sold off plan in the price range up to £1700/1800 per square foot. There is no strict comparison between the two types of property but nevertheless in our view with a proper marketing campaign the flats described would currently support asking prices in the region of £1350 per square foot. Sales at this level (if they proceed smoothly at the relevant time) have the potential to generate gross sale proceeds of £5 million.

15 PRINCIPAL VALUATION CONSIDERATIONS

The principal valuation considerations can be identified as the following:

- This is a relatively rare complete freehold building in well-presented order and with a good rental stream.
- Investors are actively seeking such situations at the present time with good rental income available, particularly in well-run buildings such as this.

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16 GENERAL ASSUMPTIONS AND CONDITIONS

16.1 General Assumptions

Our valuation has been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we reserve the right to review our opinion.

1. That the freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the freehold title.
2. That we have been supplied with all information likely to have an effect on the value of the property, and that the information supplied to us and summarised in this report is both complete and correct.
3. That the building has been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control.
4. That the property is not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building is structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the property and this report do not constitute a building survey.
6. That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
7. That the property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

16.2 General Conditions

Our valuation has been carried out on the basis of the following general conditions:

1. We have made no allowance for any capital gains tax or other taxation liability that might arise upon a sale of the property.
2. No allowance has been made for any expenses of realisation.

17.0 CONFIDENTIALITY

Finally, in accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the parties to



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whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk.

Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

**J B Meredith FRICS
RICS Registered Valuer**

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PART IX

SUMMARY OF THE REIT REGIME AND UK TAXATION

The paragraphs in Section I and Section II below are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC generally published practice, each of which is subject to change without notice (potentially with retrospective effect). Neither Section I nor Section II is intended to constitute legal or tax advice to a prospective investor or a Shareholder.

Prospective investors should seek their own professional advice, as well, as to the implications of any other relevant laws and regulations imposed by jurisdictions other than the UK and should familiarise themselves with the UK (and, if relevant, non-UK) tax consequences of investing in the Company and should consult their own professional advisers, as appropriate, with respect to what such consequences could be.

Section I

1. GENERAL

The summary of the REIT Regime below is intended to be a general guide and is not exhaustive; it represents no more than a high level summary of the Company's understanding of certain aspects of the REIT Regime.

2. UK REIT REGIME

Investing in property through a UK taxable corporate investment vehicle has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder may effectively bear tax twice on the same income: first, indirectly, when the corporate investment vehicle pays corporation tax on its profits, and secondly, directly (subject to any available exemption or with the benefit of a tax credit) when the shareholder receives a dividend. Entities benefiting from an exemption from UK tax on income and capital gains, such as UK pension funds, bear tax indirectly when investing through a taxable closed-ended corporate vehicle that is not a REIT, which they would not suffer if they were to invest directly in property assets.

As part of a REIT Group, members of a REIT Group do not pay UK tax on income and capital gains from their Qualifying Property Rental Businesses in the UK and elsewhere (and non-UK resident REIT group members with a UK Qualifying Property Rental Business do not pay UK direct taxes on income from their UK Qualifying Property Rental Businesses), provided that certain conditions are satisfied. Instead, distributions in respect of the tax-exempt Qualifying Property Rental Businesses are treated for UK tax purposes as UK property income in the hands of a shareholder.

Section II of this Part IX contains further detail on the UK tax treatment of shareholders in a REIT.

Gains arising in a UK resident company on the disposal of shares in a property owning company may, however, be subject to UK corporation tax.

In addition, companies which are members of a REIT Group remain subject to overseas direct taxes in respect of any property rental business carried on outside the UK, and UK and overseas direct taxes are still payable in respect of any income and gains from a REIT Group's businesses (generally including any property trading business) not included in a REIT Group's Qualifying Property Rental Business ("residual business").

While within the REIT Regime, the Qualifying Property Rental Business is treated as a separate business for corporation tax purposes from residual business and a loss incurred by the Qualifying Property Rental Business cannot be set off against profits of the residual business (and *vice versa*).

A dividend paid by the principal company of a REIT Group relating to profits or gains of that group's Qualifying Property Rental Business is referred to as a "PID". Other normal dividends paid by the principal company of a REIT Group (including dividends attributable to residual business) are referred to as "Non-PID" dividends. Both PIDs and Non-PID dividends may be satisfied by stock dividends. Section II of this Part IX contains further detail on the UK tax treatment of shareholders in the principal company of a REIT Group.

In this Part (and elsewhere in this Document in a tax context), references to a company's accounting period are to its accounting period for UK corporation tax purposes. This period can differ from a company's accounting period for other purposes.

3. QUALIFYING AS A REIT

Subject to meeting certain conditions, a group of companies may become a REIT Group if the principal company of that group serves notice on HMRC before the date on which members of that group wish to become a REIT Group, specifying the date on which the group is to become a group UK REIT.

In order to qualify as a REIT Group, the principal company of that group and companies which are members of that group must satisfy certain conditions. A non-exhaustive summary of the conditions is set out below.

(A) *Company conditions*

The principal company must be solely resident in the UK for tax purposes; that company must not be an open-ended investment company and that company's ordinary shares must be traded on a recognised stock exchange (including the AIM market (AIM) of the London Stock Exchange). Throughout an accounting period, save for a relaxation in respect of the first three accounting periods following entry into the REIT Regime, shares forming part of the principal company's ordinary share capital must either be listed (within the meaning of section 1137(2)(b) of the CTA 2010) or must be traded on a recognised stock exchange.

The principal company must also either not be a "close company" for UK tax purposes, or be a "close company" only because it has a participator which is an institutional investor (e.g. a trustee or manager of an authorised unit trust or certain pension schemes, certain open-ended investment companies, or a person acting in the course of a long-term insurance business). The close company condition is relaxed during a REIT Group's first three years as a REIT.

A company is a "close company", generally speaking, if its affairs are controlled (through the holding of in excess of 50 per cent. of share capital, voting rights, income on a distribution or assets on a winding up, etc.) by five or fewer participators (or by participators who are directors), unless, broadly, shares carrying more than 35 per cent. of its voting rights are beneficially held by the public and such shares have within the previous twelve months been listed and subject to dealings on a recognised stock exchange.

(B) *Share capital restrictions*

Each share issued by the principal company must either form part of the principal company's ordinary share capital or be a non-voting restricted preference share, and there must be only one class of ordinary share issued by the principal company.

(C) *Restrictions on types of borrowing*

The principal company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent, or where the interest depends to any extent on the results of the principal company's business or on the value of any of its assets, or where the lender is entitled on repayment to an amount which is not reasonably comparable with the amount generally repayable (in respect of an equal amount of consideration) under the terms of issue of securities listed on a recognised stock exchange.

(D) *Financial Statements*

The principal company must prepare financial statements in accordance with statutory requirements set out in sections 532 and 533 of the CTA 2010 and submit these to HMRC. In particular, the financial statements must contain the information about the group's Qualifying Property Rental Business for an accounting period, the group's Qualifying Property Rental Business in the UK and the group's residual business for each accounting period.

(E) **Property rental business**

Companies which are members of a REIT Group must carry on a Qualifying Property Rental Business involving at least three properties with no single property representing more than 40 per cent. of the total value of all the properties involved in that Qualifying Property Rental Business. Assets must be valued in accordance with international accounting standards and, where international accounting standards offer a choice between a cost basis and a fair value basis, that valuation must be at fair value.

(F) **Balance of business**

The aggregate income profits of a REIT Group's Qualifying Property Rental Business must be at least 75 per cent. of that group's aggregate profits. Those profits are calculated, in this context, in accordance with international accounting standards, before deduction of tax, and so as to exclude (broadly) gains and losses on both the disposal and revolution of properties and certain exceptional items.

At the beginning of each accounting period the sum of the value of the assets relating to a REIT Group's Qualifying Property Rental Business and the value of the assets relating to the group's residual business consisting of cash held on deposit (gilts, or money and investments held in any form which the Commissioners of HMRC may specify by means of regulations; as at the date of this Admission Document no such regulations have been made) or relevant UK REIT shares (shares held in the principal company of another REIT Group or in a company UK REIT) must represent at least 75 per cent. of the total value of assets held by the group (the **"75 per cent. assets test"**).

(G) **Distribution of profits**

In relation to each accounting period, the principal company of a REIT Group must distribute, on or before the filing date for that company's corporation tax return for that accounting period, so much of a REIT Group's UK profits arising in that period as are REIT investment profits and at least 90 per cent. of the rest of the group's UK profits which arise in that period.

4. EFFECTS OF BECOMING A GROUP UK REIT

(A) **Tax exemption**

A REIT Group does not pay UK corporation tax on profits (income and capital gains) derived from its property rental business. UK corporation tax will still be due in the normal way in respect of any income and gains from a REIT Group's residual business.

(B) **Distributions by the principal company in a REIT Group**

The principal company of a REIT Group is required (to the extent permitted by law) to distribute to shareholders (by way of cash or stock dividend), on or before the filing date for that company's tax return for the accounting period, at least 90 per cent. of the income profits (broadly, calculated using normal UK corporation tax rules) of the UK resident members of the REIT Group in respect of that group's Qualifying Property Rental Business and of the non-UK resident members of the REIT Group insofar as they are derived from any Qualifying Property Rental Business carried on by those members arising in each accounting period (the **"90 per cent. distribution condition"**).

Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although in certain circumstances where the profits of the period are increased from the amount originally shown in the financial statements delivered to HMRC, this charge can be mitigated if an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level. For the purpose of satisfying this distribution condition, any dividend withheld to comply with the 10 per cent. rule (as described below) will be treated as having been paid.

Subject to certain exceptions, the principal company of a REIT Group is required to withhold income tax at source at the basic rate (currently 20 per cent.) from PIDs. A REIT must also provide shareholders with a certificate setting out the amount of tax withheld. Tax is not required to be deducted when a distribution is paid to certain types of shareholder including UK corporate and UK tax-exempt bodies (such as SIPPs and ISAs). Where a distribution is made to a shareholder resident

in a country with a double taxation treaty with the UK, tax should be withheld and the shareholder may seek a refund of the tax where the treaty withholding tax rate is lower than the rate at which tax is withheld.

(C) ***The “10 per cent.” rule***

The principal company of a REIT Group may become subject to an additional tax charge if that company pays a dividend to, or in respect of, a person beneficially entitled, directly or indirectly, to 10 per cent. or more of the principal company's dividends or share capital or who that controls, directly or indirectly, 10 per cent. or more of the voting rights in the principal company.

This tax charge only applies where a dividend is paid to a person that is a company or is treated as a body corporate in accordance with the law of an overseas jurisdiction with which the UK has a double taxation agreement, or in accordance with such a double taxation agreement. It does not apply where a nominee has such a 10 per cent. or greater holding unless the persons on whose behalf the nominee holds the shares meet the test in their own right.

This tax charge will not be incurred if the principal company has taken reasonable steps to avoid paying dividends to such a person. HMRC guidance describes certain actions that might be taken to show that a principal company has taken such “reasonable steps”. One of these actions is to include restrictive provisions in the principal company's articles of association to address this requirement. The Articles (which are summarised in paragraph 5 of Part X of this Document) are consistent with the provisions described in the HMRC guidance.

(D) ***Interest cover ratio***

A tax charge will arise if, in respect of any accounting period, the ratio of a REIT Group's income profits (before capital allowances) to the financing costs incurred (in both cases) in respect of that group's Qualifying Property Rental Business is less than 1.25. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 (subject to a cap of 20 per cent. of the income profits) is chargeable to corporation tax.

5. INVESTMENT IN OTHER REITS

The Finance Act 2013 provided for changes to Part 12 of CTA 2010 in order to facilitate investments by REITs in other REITs. The legislation exempts a distribution of profits or gains of one REIT's Qualifying Property Rental Business to another REIT. The investing REIT is required to distribute 100 per cent. of such distributions to its shareholders. The investment by one REIT in another REIT is, effectively, treated as a Qualifying Property Rental Business asset for the purposes of the 75 per cent. assets test.

6. PROPERTY DEVELOPMENT AND PROPERTY TRADING BY A UK REIT

A property development undertaken by a company which is a member of a REIT Group can be within that group's Qualifying Property Rental Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of: (a) the date on which the relevant company becomes a member of a REIT Group, and (b) the date of the acquisition of the development property, and a member of the REIT Group sells the development property within three years of completion of the development, the property will be treated as never having been part of the Qualifying Property Rental Business for the purposes of calculating any gain arising on disposal of the property. Any gain will be chargeable to corporation tax.

If a company which is a member of a REIT Group disposes of a property (irrespective of whether that property is a development property) in the course of a trade, the property will be treated as never having been within that group's Qualifying Property Rental Business for the purposes of calculating any profit arising on disposal of the property. Any profit will be chargeable to corporation tax.

7. MOVEMENT OF ASSETS IN AND OUT OF A QUALIFYING PROPERTY RENTAL BUSINESS

In general, where an asset owned by a UK resident member of a REIT Group and used for that group's Qualifying Property Rental Business begins to be used for that group's residual business, there will be a

tax-exempt disposal of the asset. Where an asset owned by a REIT Group and used for the residual business begins to be used for the Qualifying Property Rental Business, this will generally constitute a taxable market value disposal of the asset for UK corporation tax purposes, except for capital allowances purposes.

8. JOINT VENTURES

The REIT Regime also makes provision for corporate joint ventures. If one or more members of a REIT Group are beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company (or its subsidiaries) is carrying on a Qualifying Property Rental Business which satisfies the 75 per cent. profits test and the 75 per cent. assets test (the “**JV company**”) and certain other conditions are satisfied, the principal company of the REIT Group may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Qualifying Property Rental Business of the REIT Group for tax purposes. In such circumstances, the income and assets of the JV company will count towards the 90 per cent. distribution test and the 75 per cent. profits test, and the JV company’s assets will count towards the 75 per cent. assets test.

A REIT Group’s share of the underlying income and gains arising from any interest in a tax-transparent vehicle carrying on a Qualifying Property Rental Business, including offshore unit trusts or partnerships, should automatically fall within the REIT tax exemption, and will count towards the 75 per cent. profits and assets tests, provided the REIT Group is entitled to at least 20 per cent. of the profits and assets of the relevant tax transparent vehicle. The REIT Group’s share of the Qualifying Property Rental Business profits arising will also count towards the 90 per cent. distribution test.

9. ACQUISITIONS AND TAKEOVERS

If a REIT Group is taken over by another REIT, the acquired REIT Group does not necessarily cease to be a REIT Group and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of the Group REIT’s Qualifying Property Rental Business and capital gains on disposal of properties in the Group REIT’s Qualifying Property Rental Business.

The position is different where a REIT Group is taken over by an acquirer which is not a REIT. In these circumstances, the acquired REIT Group is likely in most cases to fail to meet the requirements for being a REIT (unless the acquirer qualifies as an institutional investor under section 528(4A) of the CTA 2010 and the shares of the REIT Group’s principal company continue to be admitted to trading on a recognised stock exchange and are either listed or traded) and will therefore be treated as leaving the REIT Regime at the end of the group’s accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from tax exemptions on the profits of its Qualifying Property Rental Business and capital gains on disposal of property forming part of the group’s Qualifying Property Rental Business. The properties in the Qualifying Property Rental Business are treated as having been sold and reacquired at market value for the purposes of corporation tax on chargeable gains immediately before the end of the preceding accounting period. These disposals should be tax free as they are deemed to have been made at a time when the acquired REIT Group was still in the REIT Regime and future capital gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value. If the acquired REIT Group ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as property income distributions before that date should not be recharacterised retrospectively as normal dividends.

10. TAX AVOIDANCE ARRANGEMENTS

If HMRC believes that a member of a REIT Group has been involved in certain tax avoidance arrangements (irrespective of whether those arrangements relate to that group’s Qualifying Property Rental Business and/or residual business), HMRC may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. In addition, if HMRC considers that the circumstances are sufficiently serious or if two or more notices in relation to obtaining a tax advantage are issued by HMRC in a ten year period, HMRC may require the group to exit from the REIT Regime.

11. EXIT FROM THE REIT REGIME

After entering the REIT Regime, the principal company of a REIT Group can give notice to HMRC that it wishes to leave the REIT Regime at any time.

If a REIT Group voluntarily leaves the REIT Regime within ten years of joining that regime and disposes of any property that was involved in the group's Qualifying Property Rental Business within two years of leaving, any uplift in the base cost of the property as a result of the deemed disposals on entry into and exit from the REIT Regime (or as a movement from the group's Qualifying Property Rental Business to its residual business) is disregarded in calculating the gain or loss on the disposal.

It is important to note that it cannot be guaranteed that the Company or a group of which it is the principal member will comply with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances. For example, HMRC may require the REIT Group to exit the REIT Regime in the event that:

- (a) HMRC regards a breach of the conditions relating to the REIT Regime (including in relation to the group's Qualifying Property Rental Business), or an attempt to avoid tax, as sufficiently serious;
- (b) the principal company of the REIT Group, and/or other members of the REIT Group, have committed a certain number of minor or inadvertent breaches of the conditions in a specified period; or
- (c) HMRC has issued two or more notices in relation to the avoidance of tax within a ten year period of the first notice having been given.

Shareholders should note that it is possible that a REIT Group can lose its status as a REIT as a result of actions by third parties (for example, in the event of a successful takeover by a company that is not a REIT Group) or other circumstances outside the control of the REIT Group.

Section II

1. INTRODUCTION

Where the REIT Regime applies, a company with a UK Qualifying Property Rental Business does not pay UK direct taxes on income and capital gains from that company's Qualifying Property Rental Businesses in the UK and elsewhere ("tax-exempt business") provided that certain conditions are satisfied. Instead, distributions attributed (in accordance with statutory rules) to tax-exempt business, and in particular distributions required to meet the minimum distribution requirement, are treated for UK tax purposes as UK property income in the hands of Shareholders. However, companies which are members of a REIT Group remain liable for corporation tax in the normal way in respect of income and gains from the group's business (generally including any property trading business) which is not included in the group's tax-exempt business ("residual business"). A dividend attributed to a group's residual business is treated for UK tax purposes as a normal dividend.

A dividend paid by the principal company of a REIT Group relating to profits or gains of that group's tax-exempt business is referred to in this section as a property income distribution ("**PID**"). Any normal dividend paid by the principal company of a REIT Group out of the profits of the group's residual business is referred to as a "Non-PID Dividend".

The Company does not expect that it (and does not expect that other companies which are members of the group of which the Company is the principal company) will pay UK direct taxes on income and chargeable gains from the group's Qualifying Property Rental Business in the UK and elsewhere.

The following paragraphs relate only to certain limited aspects of the UK tax treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of Ordinary Shares in the Company, in each case after the Company becomes a REIT. These paragraphs apply only to a Shareholder who is the absolute beneficial owner of both the Ordinary Shares in and dividends from the Company and holds Ordinary Shares as an investment and, except where otherwise indicated, they apply only to a Shareholder who is resident for tax purposes solely in the United Kingdom. These paragraphs do not apply to Substantial Shareholders, nor do they apply to certain categories of Shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their Ordinary Shares by reason of their or another's employment, persons who hold their Ordinary Shares by virtue of an interest in any partnership, collective investment

schemes, insurance companies, life assurance companies, mutual companies, Lloyds members, or (to the extent that the tax position of an individual is or may be affected by the exercise of powers relating to taxation which have been devolved pursuant to the Scotland Act 2012 or pursuant to the Wales Act 2014) individuals resident in Scotland or Wales.

Prospective investors who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

2. UK TAX TREATMENT OF PIDS

(a) UK taxation of Shareholders who are individuals

Subject to certain exceptions, a PID will generally be treated in the hands of an individual as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID, together with any property income distribution from any other UK REIT, is treated as a separate UK property business from any other UK property business (a “different UK property business”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder’s UK property business. No dividend tax credit will be available in respect of a PID. However, an amount equal to the basic rate of income tax (currently 20 per cent.) on a PID will be withheld by the Company where required. Please see also paragraph (d) entitled “Withholding Tax” below.

(b) UK taxation of Shareholders who are companies

Subject to certain exceptions, a PID will generally be treated in the hands of a company which is within the charge to UK corporation tax as the profit of a property business (as defined in Part 4 of the Corporation Tax Act 2009 (“Part 4 property business”). A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate Part 4 property business from any other Part 4 property business (a “different Part 4 property business”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different Part 4 property business cannot be offset against a PID as part of a single calculation of the Shareholder’s Part 4 property business profits. Please see also paragraph (d) entitled “Withholding tax” below.

(c) UK taxation of Shareholders who are not resident for tax purposes in the UK

Where a Shareholder who is resident outside the UK for tax purposes receives a PID, the PID will generally be chargeable to UK income tax as a profit of a UK property business and this tax will generally be withheld by the Company. Please see also paragraph (d) entitled “Withholding tax” below.

(d) Withholding tax

(i) General

Subject to certain exceptions summarised below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from a PID (whether paid in cash or in the form of a stock dividend). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

(ii) Shareholders solely resident in the UK

Where tax has been withheld at source by the Company, a Shareholder who is an individual resident for tax purposes in the UK may, depending on that Shareholder’s particular circumstances, either be liable to further UK income tax on a PID at that Shareholder’s applicable marginal income tax rate, incur no further UK tax liability on a PID, or be entitled to claim repayment of some or all of the UK income tax withheld on a PID.

A Shareholder which is a company resident for tax purposes in the UK will generally be liable to pay UK corporation tax on a PID and if (exceptionally) income tax is withheld at source, the tax withheld can be set against that company's liability to UK corporation tax or against any income tax which that company is itself required to withhold in the accounting period in which the PID is received.

(iii) *Shareholders who are not resident for tax purposes in the UK*

It is not possible for a Shareholder to make a claim under a relevant double taxation treaty for a PID to be paid by the Company gross or subject to withholding at a reduced tax rate. The right of a Shareholder to claim the repayment of any part of the UK income tax withheld from a PID will depend on the existence and terms of any double taxation convention between the UK and the country in which the Shareholder is resident for tax purposes.

(iv) *Exceptions to requirement to withhold income tax*

In certain circumstances, the Company is not obliged to withhold UK income tax at source from a PID.

These circumstances include where the Company reasonably believes that the person beneficially entitled to a PID is a company resident in the UK for tax purposes, a charity or a company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring a PID into account in computing the chargeable profits of that permanent establishment.

In addition, exceptions also apply where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), or the account provider for a Child Trust Fund, in each case, provided the Company reasonably believes that a PID will be applied for the purposes of the relevant fund, scheme, account or plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such a Shareholder to submit a valid claim form (copies of which may be obtained on request from the Company's Registrars or the registered office of the Company). Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

3. UK TAXATION OF NON-PID DIVIDENDS

Non-PID Dividends paid by the Company will be taxed in the same way as dividends paid by a Company which has not elected for REIT status, whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK. The Company will not be required to withhold tax at source when paying a Non-PID Dividend.

(a) **UK resident Shareholders**

An individual Shareholder who is resident in the UK for tax purposes and who receives a Non-PID Dividend from the Company will generally be entitled to a tax credit which that Shareholder may set off against that Shareholder's total income tax liability on the dividend. The tax credit is equal to ten per cent. of the aggregate of the Non-PID Dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of ten per cent. of the gross dividend, so that the tax credit will satisfy in full that Shareholder's liability to income tax on the Non-PID Dividend.

A UK resident individual Shareholder who is liable to income tax at the higher rate will be liable to tax on the gross dividend at the rate of 32.5 per cent. The gross dividend is regarded as the top slice of the Shareholder's income. After taking into account the 10 per cent. tax credit, a higher rate tax payer will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the net cash dividend received). Any shareholder subject to tax at the additional rate will be liable to tax on the gross dividend at the rate of 37.5 per cent. (which is equal to approximately 30.56 per cent. of the net cash dividend received).

It is not possible for a UK resident Shareholder to claim repayment of the tax credit in respect of Non-PID Dividends.

A Shareholder that is within the charge to UK corporation tax will be subject to corporation tax on Non-PID Dividends paid by the Company, unless the Non-PID Dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder, although it is expected that a Non-PID Dividends paid by the Company should normally be exempt. Such a Shareholder will not be able to claim repayment of tax credits attaching to Non-PID Dividends.

(b) *Non-UK resident Shareholders*

A non-UK resident Shareholder holding shares directly will not be liable to UK income tax on a Non-PID Dividend received from the Company.

The right of a Shareholder, who is not resident for tax purposes in the UK, to a tax credit in respect of a Non-PID Dividend received from the Company and to claim payment of any part of that tax credit will depend on the existing terms of any double taxation convention between the UK and the country in which the holder is resident. A Shareholder who is not solely resident in the UK should consult his or her own tax adviser concerning the tax liabilities on dividends received from the Company, whether they are entitled to claim any part of that tax credit and, if so, the procedure for doing so.

4. UK Taxation of chargeable gains in respect of ordinary shares in the Company

For the purpose of UK tax on chargeable gains, the amount paid by a Shareholder for Ordinary Shares will constitute the base cost of that Shareholder's holding of Ordinary Shares. If a Shareholder disposes of all or some of his Ordinary Shares (or of an interest in such Ordinary Shares), a liability to tax on chargeable gains may arise. The quantum of any such liability will depend on the base cost which can properly be allocated to such Ordinary Shares, the consideration received (or treated for the purposes of UK tax on chargeable gains as being received) on the disposal of Ordinary Shares, the Shareholder's circumstances and any reliefs to which a Shareholder is entitled.

In the case of a Shareholder within the charge to corporation tax on capital gains, an indexation allowance will apply to the amount paid for the shares.

The current rate of tax is up to 28 per cent. for individuals, trustees and personal representatives and 20 per cent. for companies within the charge to corporation tax.

A Shareholder who is not resident in the UK for tax purposes may not, depending on that Shareholder's circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of Ordinary Shares (unless the Shareholder carries on a trade, profession or vocation in the UK through a permanent establishment (in the case of a company) as branch or agency (in the case of an individual) with which Ordinary Shares are connected).

A Shareholder who is an individual and is temporarily not UK resident may be liable to UK capital gains tax on any chargeable gain realised on that Shareholder's return to the UK. A Shareholder who is resident for tax purposes outside the UK may be subject to foreign taxation on capital gains depending on their circumstances (and subject to any available exemptions or reliefs).

5. UK STAMP DUTY AND UK STAMP DUTY RESERVE TAX (“SDRT”)

The statements in this section are intended as a general guide to the current UK stamp duty and SDRT position for shares traded on AIM and not listed on any other market.

There is no UK stamp duty or SDRT on the issue or transfer of shares admitted to trading on a recognised growth market, providing they are not listed or traded on any other market. HMRC has confirmed that AIM is a recognised growth market for the purposes of this exemption. Therefore as long as AIM remains a recognised growth market and the shares in the Company are not listed on any other market, there should be no UK stamp duty or SDRT on the issue or transfer of Ordinary Shares.

6. TAX REPORTING

In response to a perceived threat of tax evasion from US taxpayers who fail to disclose offshore investments and assets to the US taxing authorities, the United States enacted legislation, known as the ‘Foreign Account Tax Compliance Act’ (“FATCA”) which requires non-US financial institutions to identify, monitor and report in respect of, US persons who are so called “account holders” in the financial institutions.

Over 45 jurisdictions (including the UK) have now entered into Inter-governmental Agreements (“IGAs”) with the US and the US has reached agreements in substance with at least 53 jurisdictions. IGAs introduce FATCA-type regulations and reporting requirements in respect of US persons into the domestic law of those jurisdictions.

In addition, the UK has entered into International Tax Compliance Agreements (“ITCAs”) with ten Crown Dependencies and Overseas Territories, which require financial institutions to identify, monitor and report in respect of UK tax residents.

The Company is expected to be a “reporting financial institution”, as defined in the applicable IGA and ITCAs and, as a result, it will be required to comply with the client due diligence and reporting requirements which arise under these agreements.

As a reporting financial institution the Company would be required to obtain information from its account holders (in effect, although not necessarily limited to, its shareholders) regarding their potential status as either US account holders or tax residents in the Isle of Man, Jersey, Guernsey or Gibraltar and to comply with the due diligence, verification and reporting procedures.

The UK IGA and the ITCAs provide that equity interests that meet the conditions for interests regularly traded on an established securities market, which includes AIM, are not reportable interests for the purpose of the IGA or ITCAs.

The United Kingdom has also adopted the OECD’s Common Reporting Standard (the “CRS”) with effect from 1 January 2016, and implemented (also with effect from 1 January 2016) the European Union Council Directive 2014/107/EU (the “DAC”), which provide for automatic exchange of information between, respectively, signatories to the OECD’s Multilateral Competent Authority Agreement and EU Member States.

The Company is expected to be a “reporting financial institution”, as defined in the CRS and Annex I to the DAC and, as a result it will be required to comply with the client due diligence and reporting requirements under the CRS and the DAC relating to “Financial Accounts” maintained by the Company. However, the CRS and the DAC provide that a “Financial Account” does not include an account that is subject to regulation as an investment vehicle for purposes other than retirement and is regularly traded on an established securities market.

On the basis that AIM should be treated for these purposes as an established securities market, the Ordinary Shares should not be reportable for the purposes of the CRS or the DAC.

PART X

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated in England and Wales under the Act with registered number 09080097 on 10 June 2014 as a public company limited by shares with the name “K&C REIT plc”. The Company was issued with a certificate to commence business under section 761 of the Act by the Registrar of Companies on 2 October 2014.
- 1.2 The principal legislation under which the Company operates is the Act.
- 1.3 The Company’s registered office is in England and is located at 82 St John Street, London EC1M 4JN, United Kingdom, telephone number +44 (0)20 7417 0417. The Company is domiciled in the UK.
- 1.4 The Company is the ultimate holding company of the Group. The Company has two subsidiaries, set out below:

<i>Name</i>	<i>Jurisdiction</i>	<i>Percentage of issued share capital held by the Company</i>	<i>Principal activity</i>
Kensington & Chelsea REIT Limited	England and Wales	100%	Holds properties
Silcott Properties Limited ⁽¹⁾	England and Wales	100%	Holds freehold property at 25 Coleherne Road, London SW10 9BS

Notes:

(1) Silcott Properties will be acquired by the Company on Admission.

- 1.5 Further details of K&C Ltd and Silcott Properties are set out in paragraph 2 of this Part X below.
- 1.6 The liability of the members of the Company is limited.
- 1.7 The Group’s reporting accountants and auditor are Moore Stephens LLP, whose address is at 150 Aldersgate Street, London EC1A 4AB.
- 1.8 The address of the Company’s corporate website, at which the information required by AIM Rule 26 can be found, is www.kandc-reit.co.uk.

2. Subsidiary companies

2.1 K&C Ltd

- 2.1.1 K&C Ltd was incorporated in England and Wales on 19 August 2013 as a private company limited by shares with the name “Kensington & Chelsea REIT Limited”. The company number is 08654998. The registered office of K&C Ltd is located at 82 St John Street, London EC1M 4JN. K&C Ltd has four directors, being each of Oliver John Vaughan, Timothy Michael James, Christopher Douglas James and Timothy John Knight Oakley. K&C Ltd appointed Robert James Roberts as company secretary with effect from 19 August 2013. K&C Ltd is a wholly owned subsidiary of the Company. On 8 September 2014, the entire issued capital of K&C Ltd (being 15,000,000 ordinary shares of 0.5 pence each) was acquired by the Company pursuant to the Share Exchange Agreement. There are no outstanding convertible, exchangeable or redeemable securities or securities with warrants issued by K&C Ltd.

2.2 **Silcott Properties**

2.2.1 Silcott Properties was incorporated in England and Wales on 17 May 1993 as a private company limited by shares with the name “Rowley Bridge Limited”. Silcott Properties changed its name to “Silcott Properties Limited” on 14 June 1993. The company number is 02818584.

2.2.2 As at the date of this Document, the registered office of Silcott Properties is located at Bentham Farm House, Victoria Road, Southborough, Tunbridge Wells, Kent TN4 0LT. Following completion of the Acquisition, the registered office of Silcott Properties will be located at 82 St John Street, London EC1M 4JN.

2.2.3 As at the date of this Document, Silcott Properties has one director, being Paul Anthony Jarvis. On completion of the Acquisition, it is proposed that one or more directors of the Company are appointed as directors of Silcott Properties. Mr. Jarvis will, pursuant to the Acquisition Agreement, remain a director of Silcott Properties until Tuscan Properties has received the purchase price for the shares in Silcott Properties which is expected to occur within three business days of Admission. Silcott Properties has appointed Penelope Jarvis as company secretary. On or shortly following completion of the Acquisition it is proposed to appoint Robert James Roberts, the company secretary of the Company, as the company secretary of Silcott Properties.

2.2.4 Following completion of the Acquisition, Silcott Properties will become a wholly owned subsidiary of the Company. There are no outstanding convertible, exchangeable or redeemable securities or securities with warrants issued by Silcott Properties.

3. **Securities being admitted to trading**

3.1 The Ordinary Shares are ordinary shares of 1p each in the capital of the Company and are issued in British pounds sterling subject to the provisions of the Act and the Articles. The ISIN of the Ordinary Shares is GB00BRKCYB38.

3.2 The Ordinary Shares are in registered form and may be held in certificated form or under CREST. The Company's registrars, Share Registrars Limited, are responsible for keeping the Company's register of members.

3.3 A description of the rights attaching to the Ordinary Shares is set out in paragraph 5 of this Part X.

3.4 The Ordinary Shares are subject to statutory pre-emption rights under the Act whereby the Company may not allot Ordinary Shares to any person unless it has first made an offer to each existing shareholder to allot a pro-rata number of such Ordinary Shares on the same or more favourable terms.

3.5 Save as is set out in paragraph 5 of this Part X, there are no restrictions on the free transferability of the Ordinary Shares.

3.6 The Fundraising Shares will be issued on Admission, which is expected to be on 3 July 2015. The issue of the Fundraising Shares was authorised by a board resolution passed on 25 June 2015 and by shareholder resolutions passed on 14 May 2015 (as described below at paragraph 4.2 of this Part X).

3.7 The Fundraising will result in the issue and allotment of 35,663,400 Fundraising Shares, representing a dilution to existing shareholders (assuming they do not participate in the Fundraising) of 48 Ordinary Shares for every one Ordinary Share they currently own, which is equivalent to a dilution of 98 per cent.

3.8 No person has made a public takeover bid for the Company's issued share capital since incorporation.

4. **Share Capital**

4.1 The following sets out a brief history of the share capital of the Company since incorporation:

4.1.1 The Company was incorporated with an issued share capital of £2.00 divided into 400 Pre-Reorganisation Ordinary Shares each, of which 200 were held by Timothy Michael James

and 200 were held by Timothy John Knight Oakley, the subscribers to the Company's memorandum of association.

- 4.1.2 On 8 September 2014, the Company issued 14,999,600 Pre-Reorganisation Ordinary Shares pursuant to the Share Exchange Agreement. Consequently, more than 10 per cent. of the share capital of the Company as at the date of this Document has been paid for with assets other than cash. For further details of the Share Exchange Agreement, see paragraph 10 of this Part X. Following completion of the Share Exchange Agreement, there were 15,000,000 Pre-Reorganisation Ordinary Shares in issue.
- 4.1.3 Pursuant to resolutions passed at a duly convened general meeting of the Company held on 14 May 2015:
- (a) the Pre-Reorganisation Shares were consolidated into ordinary shares of 10 pence each ("**Interim Ordinary Shares**") in the capital of the Company on a 20 for 1 basis; and
 - (b) each such Interim Ordinary Share was sub-divided into one Ordinary Share and one Deferred Share, in each case having the rights and restrictions set out in the Articles (see paragraph 5 below).
- 4.1.4 Immediately following the Reorganisation there were 750,000 Ordinary Shares and 750,000 Deferred Shares in issue.
- 4.1.5 On 14 May 2015, shortly following the Reorganisation, the Company issued and allotted one Ordinary Share to Christopher James at the Issue Price, which proceeds were then (in part) used to finance the purchase by the Company of all of the 750,000 Deferred Shares in issue for an aggregate purchase price of £0.01 pursuant to the terms of the Buyback Agreement, further details of which are set out at paragraph 10.18 of this Part X.
- 4.1.6 Following completion of the Buyback Agreement, each of the Deferred Shares was cancelled.
- 4.1.7 On Admission 2,222,222 Ordinary Shares will be issued as a consequence of the automatic conversion of the 5 September Loan Notes. For further details of the 5 September Loan Notes, see paragraph 10 of this Part X.
- 4.1.8 The issued share capital of the Company, as at the date of this Document and immediately following Admission, is set out in the table below. All Ordinary Shares in issue are fully paid.

	<i>Issued and fully paid-up ordinary share capital</i>	
	<i>Number of Ordinary Shares</i>	<i>Nominal value</i>
At the date of this Document	750,001	£7,500
On Admission ⁽¹⁾	43,785,623	£437,856

Notes:

- (1) Calculated on the basis that: the Fundraising is fully subscribed; the Acquisition is completed; and the 5 September Loan Notes are converted.

- 4.2 On 14 May 2015, the following resolutions were passed at a duly convened general meeting of the Company:
- 4.2.1 a special resolution to approve the consolidation and sub-division of the Company's share capital as described at paragraph 4.1.3 of this Part X above;
- 4.2.2 an ordinary resolution to authorise the directors for the purposes of section 551 of the Act in substitution for all existing authorities thereunder (but without prejudice to any allotment of shares, or grant of rights already made, offered or agreed to be made pursuant to such authorities) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company:
- (a) up to an aggregate nominal value of £2,000,000 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company) provided that such authority shall expire

at the earlier of 31 December 2015 and the conclusion of the first annual general meeting of the Company;

- (b) in addition to any authority referred to at paragraph (a) above which has not expired, up to an aggregate nominal value of £20,300 in connection with the issue of options, warrants, broker warrants or other rights to subscribe for shares of the Company on or around the time of the Fundraising to any person who is or who is proposed to be a nominated adviser, financial adviser or broker to the Company provided that such authority shall expire on the earlier of 31 December 2015 and the conclusion of the first annual general meeting of the Company; and
- (c) in addition to any authority referred to at paragraphs (a) or (b) above which has not expired, up to an aggregate nominal value of £537,000 in connection with the issue of options, warrants or other rights to subscribe for shares of the Company to any person who is or who is proposed to be a director, employee or officer of, or consultant to, the Company, provided that such authority shall expire on the day before the fifth anniversary of the passing of the resolution;

4.2.3 special resolution to empower the directors pursuant to section 570 of the Act in substitution for all existing powers but without prejudice to any allotment of equity securities (as defined in section 560 of the Act) already made or agreed to be made pursuant to such powers to allot equity securities for cash as if section 561 of the Act did not apply to any such allotment, provided that such power is limited to:

- (a) the allotment of equity securities up to an aggregate nominal value of £2,000,000 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company), provided that such power shall expire at the earlier of 31 December 2015 and the conclusion of the first annual general meeting of the Company;
- (b) in addition to any unexercised powers referred to at paragraph (a) above, the allotment of equity securities up to an aggregate nominal value of £20,300 in connection with the issue of options, warrants, broker warrants or other rights to subscribe for shares of the Company on or around the time of the Fundraising to any person who is or who is proposed to be a nominated adviser, financial adviser or broker to the Company, provided that such power shall expire at the earlier of 31 December 2015 and the conclusion of the first annual general meeting of the Company; and
- (c) in addition to any unexercised powers referred to at paragraphs (a) or (b) above, the allotment of equity securities up to an aggregate nominal value of £537,000 in connection with the issue of options, warrants or other rights to subscribe for shares of the Company to any person who is or who is proposed to be a director, employee or officer of, or consultant to, the Company, provided that such power shall expire on the day before the fifth anniversary of the passing of the resolution; and

4.2.4 an ordinary resolution to approve the Buyback Agreement.

- 4.3 No Ordinary Shares are currently held in treasury by the Company or by any other person on its behalf.
- 4.4 On 8 September 2014, the Company issued the Founder Warrants pursuant to the Share Exchange Agreement. For a description of the terms of the Founder Warrants, see paragraph 10 of this Part X.
- 4.5 The Company has agreed, conditional on Admission taking place on or before 30 September 2015, to grant 3,000,000 Executive Options and 582,349 Non-Executive Options. For a description of the terms of the Executive Options and Non-Executive Options, see paragraph 10 of this Part X.
- 4.6 On 30 June 2015, the Company agreed, conditional on Admission taking place on or before 30 September 2015, to issue the Allenby Warrant to Allenby Capital. For a description of the Allenby Warrant, see paragraph 10 of this Part X.

- 4.7 Save for the Founder Warrants, the Executive Options, the Non-Executive Options, the Allenby Warrant, the March Loan Notes (other than the March Loan Notes issued to Christopher James) and the 5 September Loan Notes:
- 4.7.1 the Company does not have in issue any securities not representing share capital;
 - 4.7.2 there are no outstanding convertible, exchangeable or redeemable securities or securities with warrants issued by the Company;
 - 4.7.3 there are no acquisition rights or obligations over authorised but unissued capital or undertakings to increase the capital of the Company; and
 - 4.7.4 there is no capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option.
- 4.8 Save as disclosed in paragraphs 4 and 10 of this Part X, there are no arrangements for involving the employees in the capital of the Company.

5. Articles of Association

- 5.1 The Articles contain provisions, *inter alia*, to the following effect:

5.1.1 Objects

The activities of the Company are not restricted by the Articles and thus the Company has unlimited legal capacity.

5.1.2 Rights attaching to shares (*Article 4*)

(a) Capital

On a winding-up or a return of capital, the assets of the Company available for distribution following the distribution of assets shall be applied in paying to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares only after paying to the holders of the Ordinary Shares the nominal capital paid up or credited as paid up on the ordinary shares held by them respectively, together with the sum of £10,000,000 on each Ordinary Share. The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company. The capital rights attaching to the Ordinary Shares are set out in paragraph 5.1.19 below.

(b) Income

The Deferred Shares shall confer no right to participate in the profits of the Company. The dividend rights attaching to the Ordinary Shares are set out in paragraph 5.1.18 below.

(c) Voting

The holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting. The voting rights attaching to the Ordinary Shares are set out in paragraph 5.1.9 below.

5.1.3 Share capital (*Article 4*)

Subject to the statutory provisions regarding pre-emption rights and any resolution of the Company relating to pre-emption rights or relating to any authority to allot any shares in the Company (or grant any right to subscribe for or convert any securities into any shares of the Company), the directors may allot (with or without conferring a right of renunciation), grant options over, offer or otherwise deal with or dispose of shares of the Company to or in favour of such persons, on such terms and conditions, at a premium or at par and at such times as the directors think fit.

Subject to the relevant statutory provisions, any new shares in the capital of the Company may be allotted with such preferential right to dividend and such priority in the distribution of assets or subject to such postponement of dividends or in the distribution of assets and with or subject

to such preferential or limited or qualified right of voting at general meetings as the Company may from time to time by ordinary resolution determine or, if no such determination be made, as the directors shall determine.

5.1.4 Redemption rights (*Article 4*)

Subject to the relevant statutory provisions, the Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the directors may determine the terms, conditions and manner of redemption of such shares.

5.1.5 Conversion rights

The Ordinary Shares do not carry the right for holders to convert them into any other class of security in the Company.

5.1.6 Reduction of capital (*Article 13*)

The Company may from time to time by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner authorised, and with and subject to any incident prescribed or allowed, by the Act and the rights attached to existing shares. These conditions are not more stringent than required by law.

5.1.7 Purchase of own shares (*Article 14*)

The Company may purchase its own shares (including any redeemable shares) but so that no such purchase shall take place save in accordance with the Act. These conditions are not more stringent than required by law.

5.1.8 Variation of rights (*Article 15*)

Subject to the relevant statutory provisions, if at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class may be varied or abrogated:

- (a) in such manner (if any) as may be provided by such rights; or
- (b) in the absence of any such provision, either with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise.

These conditions are not more significant than required by law.

5.1.9 Voting rights (*Article 19*)

Subject to any special terms as to voting upon which any shares may have been issued or may for the time being be held or a suspension or abrogation of voting rights pursuant to the Articles, every member present in person, by a duly authorised corporate representative or by proxy, shall upon a show of hands have one vote and every member so present shall upon a poll have one vote for every share of which he is holder or, in the case of a corporate representative or proxy, every share in respect of which the relevant member has appointed him to act as his corporate representative or proxy.

A member may appoint more than one proxy to attend the same general meeting (although two proxies of the same individual member may not both count towards a quorum). A proxy need not be a member of the Company.

5.1.10 Transfer of shares (*Article 10*)

All transfers of uncertificated shares shall be made in accordance with and be subject to the CREST Regulations. All transfers of certificated shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors.

The directors may, in their absolute discretion (but subject to any rules or regulations of the London Stock Exchange or any rules published by the FCA applicable to the Company from time to time) refuse to register any transfer of shares unless certain conditions are satisfied including that the transfer:

- (a) is in respect of a fully paid share;
- (b) is in respect of a share on which the Company does not have a lien;
- (c) is in respect of only one class of share;
- (d) is in favour of a single transferee or not more than four joint holders as transferee; and
- (e) is duly stamped or duly certified or otherwise shown to the satisfaction of the directors to be exempt from Stamp Duty.

The directors may also, in their absolute discretion (but subject to any rules or regulations of the London Stock Exchange or any rules published by the FCA applicable to the Company from time to time) refuse to register any transfer of shares where the transferor is in default in complying with a “statutory notice” as described at paragraph 5.1.11 of this Part X below, subject to certain limitations.

Additionally, in respect of a transfer of uncertificated shares, the directors may, in their absolute discretion (but subject to any rules or regulations of the London Stock Exchange or any rules published by the FCA applicable to the Company from time to time) refuse to register a transfer of shares in such other circumstances (if any) as may be permitted by the CREST Regulations.

If the directors refuse to register a transfer, they shall, within two months after, in the case of certificated shares, the date on which the transfer was lodged with the Company or, in the case of uncertificated shares, the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the facilities and requirements of the relevant system, send to the transferee notice of the refusal.

5.1.11 Restriction on shares (*Article 10*)

No member shall, unless the directors otherwise determine, be entitled to be present or to vote, either in person or by proxy, at any general meeting or at a separate meeting of the holders of any class of shares or upon any poll or to exercise any privilege as a member in relation to meetings of the Company in respect of any shares held by him (“**Relevant Shares**”) if either:

- (a) any calls or other moneys due and payable in respect of the Relevant Shares remain unpaid; or
- (b) he or any other person appearing to be interested in any Relevant Shares has been duly served, pursuant to any provision of the Act concerning the disclosure of interests in voting shares, with a notice (a “**statutory notice**”) lawfully requiring the provision to the Company (within such period (not being less than 14 days) after service of the statutory notice as is specified in such notice) of information regarding any Relevant Shares and he or such other person interested in the Relevant Shares is in default in complying with the statutory notice.

5.1.12 General meetings (*Article 15*)

An annual general meeting of the Company must be held each year. The directors may call a general meeting which is not an annual general meeting whenever they think fit and shall in any event do so when and in the manner required by the Act. General meetings shall also be convened on such requisition, or in default may be convened by requisitionists, as provided by the Act.

An annual general meeting shall be called by not less than 21 days’ notice in writing and all other general meetings shall be called by not less than 14 days’ notice in writing (or such shorter period as the Act permits). The notice shall specify the place, the day and hour of meeting and, in case of special business, the general nature of such business. The notice shall

be given to the members (other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive notice from the Company), to the directors and to the Company's auditor.

The quorum for a general meeting shall be not less than two members present in person, by a duly authorised corporate representative or by proxy and entitled to vote.

5.1.13 Appointment and retirement of directors (*Articles 27 and 28*)

Unless and until otherwise determined by the Company in general meeting, the number of directors shall not be less than two and, unless and until otherwise determined by the determined by the Company in general meeting, the maximum number of directors shall be eight.

At the first annual general meeting of the Company, all the directors must retire from office. At every subsequent annual general meeting, any directors:

- (a) who have been appointed by the directors since the last annual general meeting; or
- (b) who were not appointed or reappointed at one of the preceding two annual general meetings,

must retire from office and may offer themselves for reappointment by the members.

The directors shall have power at any time to appoint any person either to fill a casual vacancy or as an addition to the board. Subject to the provisions of the relevant statutory provisions and of the Articles, any director so appointed shall hold office only until the dissolution of the annual general meeting of the Company next following such appointment unless he is re-elected during such meeting, and he shall not retire by rotation at such meeting or be taken into account in determining the rotation of retirement of directors at such meeting.

5.1.14 Remuneration of directors and expenses (*Articles 21 and 24*)

A director may hold any other office or place of profit in the Company (except that of auditor) in conjunction with the office of director on such terms as to remuneration and otherwise as the directors may arrange.

The salary or remuneration of any executive chairman, chief executive, joint-chief executive, managing director, joint-managing director or executive director of the Company shall, subject as provided in any contract, be such as the directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, or may include the making of provision for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension, health insurance and life assurance benefits, or may be upon such other terms as the directors determine.

There shall be paid out of the funds of the Company by way of remuneration of directors who are not managing or executive directors fees at such rates as the directors may from time to time determine provided that such fees do not in aggregate exceed £250,000 or such other figure as the Company in general meeting from time to time may decide.

The directors may establish or concur or join with other companies (being subsidiary undertakings of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, annuities, sickness or compassionate allowances, life-assurance benefits, donations, gratuities or other benefits for employees (including any director who may hold or have held any office or place of profit) and ex-employees of the Company and of any such other companies and their wives, widows, relatives, families or dependants, or any class or classes of such persons.

Subject to certain limitations set out in the Articles, the directors (including any alternate directors) shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in respect of or about the performance of their duties as directors,

including any expenses incurred in attending meetings of the board or of committees of the board or general meetings.

5.1.15 Proceedings of directors (*Article 29*)

The directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and determine the quorum necessary for the transaction of business. Until otherwise determined, two directors present in person or by his alternate shall constitute a quorum.

5.1.16 Conflicts of interest (*Article 24*)

A director shall not vote at a board meeting in respect of any contract, arrangement, transaction or proposed contract, transaction or arrangement or any other proposal whatever in which he (together with any person connected (within the meaning of section 252 of the Act) with him) has any material interest otherwise than by virtue of his interests in shares or debentures or other securities in the Company save that a director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (a) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him, or any other person, at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) any proposal, contract, arrangement or transaction concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or member or otherwise howsoever provided that he (together with any person connected (within the meaning of section 252 of the Act) with him) is not the holder of or interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest for the purposes of the provisions described in this paragraph 5.1.16);
- (e) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a pension, superannuation or similar fund or scheme, a retirement, death or disability benefits fund or scheme or an employees' share scheme which has been approved by or is subject to and conditional upon approval by HMRC for taxation purposes or does not accord to any director as such any privilege or benefit not awarded to the employees to which such fund or scheme relates; or
- (f) any proposal concerning the grant, purchase and/or maintenance of any insurance for the benefit of directors or for the benefit of persons, including directors.

A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested (including, without limitation, fixing or varying the terms of his appointment or the termination or extension thereof).

A director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company (excluding a conflict of interest in relation to a transaction or arrangement with the Company). If such a conflict arises, the directors (other than the conflicted director, who shall not be counted in the quorum at any

meeting of the directors and shall not vote on any resolution of the directors in relation to such authorisation) may, pursuant to section 175 of the Act, resolve to authorise the conflict on such terms as they may determine.

5.1.17 Borrowing powers (*Article 26*)

Subject to the provisions of the Act, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.1.18 Dividends (*Articles 32 and 34*)

The ability of the Company to pay dividends is limited by the provisions set out in Article 41 (as described in paragraph 5.1.22 of this Part X below).

Subject to the relevant statutory provisions, the Company may by ordinary resolution in general meeting declare a dividend to be paid to the members according to their respective rights and interests in the profits, but no larger dividend shall be declared than is recommended by the directors. Subject to the relevant statutory provisions, the directors may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the directors to be justified by the profits of the Company available for distribution.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend (and to Article 41), all dividends shall be declared and paid pro rata according to the amounts paid up on the shares in respect of which the dividend is paid.

With the sanction of an ordinary resolution of the Company in general meeting, any dividend may be paid and satisfied either wholly or in part by the distribution of specific assets (including, without limitation, paid-up shares or debentures of any other company) and the directors shall give effect to any such resolution provided that no such distribution shall be made unless recommended by the directors.

Subject to certain conditions, the directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of such dividend or dividends as are specified by such resolution.

Subject to the relevant statutory provisions and rights attached to shares, the Company or the board may fix any date as the record date for any dividend.

All dividends or other sums payable on or in respect of a share unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. All dividends unclaimed for a period of twelve years from the date they became due for payment shall be forfeited and shall revert to the Company absolutely.

5.1.19 Liquidation (*Article 40*)

The liquidator on any winding-up of the Company (whether voluntary or under supervision or compulsory) may, with the authority of a special resolution and after deduction of any provision made under section 187 of the Insolvency Act 1986 and section 247 of the Act, divide the assets of the Company among the members and for such purpose may set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between members or classes of members.

5.1.20 Untraced shareholders (*Article 38*)

The Company shall be entitled to sell at the best price reasonably obtainable any shares of a member or any shares to which a person is entitled by transmission (including, without limitation

and in any such case, any shares issued during the twelve-year period referred to below by reference to any such shares) if and provided only that:

- (a) for a period of twelve years, no cheque, warrant or money order sent by the Company through the post in a pre-paid letter addressed to the member or to any person entitled by transmission to the shares at his address on the Company's register of members or other last known address given by the member or any person entitled by transmission to the Company to which cheques, warrants and money orders are to be sent, has been cashed and no communication has been received by the Company from the member or the person entitled by transmission, provided that, in any such period of twelve years, the Company has paid at least three dividends (whether interim, final, special or otherwise) in respect of the shares in question and no such dividend has been claimed;
- (b) the Company has at the expiration of the said period of twelve years, by advertisement in one national United Kingdom daily newspaper and in a newspaper circulating in the area in which the address referred to in paragraph a) is located, given notice of its intention to sell such shares;
- (c) the Company has not, during the further period of three months after the date of the advertisement and prior to the exercise of the power of sale, received any communication from the member or person entitled by transmission; and
- (d) the Company has first given notice in writing to the London Stock Exchange of its intention to sell such shares.

5.1.21 Rights of non-United Kingdom shareholders

Any member whose registered address is not in the United Kingdom and who has not given the Company a United Kingdom address at which notices may be given to him (or, subject to the provisions of the Articles and the relevant statutory provisions regarding electronic communications, an address to which notices may be sent using electronic communications) is not entitled to receive notices. Save as set out in paragraph 5.1.22, the Articles do not contain any provisions that expressly limit the rights of non-United Kingdom shareholders as compared to United Kingdom shareholders.

5.1.22 Real Estate Investment Trust (*Article 41*)

For the purposes of this paragraph 5.1.22 only, the following words and expressions shall bear the following meanings:

"Distribution" means any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution not involving a cash payment being made;

"Distribution Transfer" means a disposal or transfer (however effected) by a Person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a Distribution and no Person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) a Substantial Shareholder;

"Distribution Transfer Certificate" means a certificate in such form as the Directors may specify from time to time to the effect that the relevant Person has made a Distribution Transfer, which certificate may be required by the Directors to satisfy them that a Substantial Shareholder is not beneficially entitled (directly or indirectly) to a Distribution;

"Excess Charge" means, in relation to a Distribution which is paid or payable to a Person, all tax or other amounts which the Directors consider may become, or is, payable by the Company or any other member of the Group under section 551 of the CTA 2010 (as such section may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharge attributable to such tax as a result of such Distribution being paid to or in respect of that Person;

“Group” means the Company and the other companies in its group for the purposes of section 606 of the CTA 2010 (as such section may be modified, supplemented or replaced from time to time);

“interest in the Company” includes, without limitation, an interest in a Distribution made or to be made by the Company;

“Person” means a natural person, corporation, partnership or other entity or organisation of any kind incorporated or unincorporated;

“Relevant Registered Shareholder” means a Shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder);

“Reporting Obligation” means any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Company’s status as a REIT;

“Substantial Shareholding” means the shares in the Company in relation to which or by virtue of which (in whole or in part) a Person is a Substantial Shareholder; and

“Substantial Shareholder” means any Person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Group to be liable to pay tax under section 551 of the CTA 2010 (as such section may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution to or in respect of such Person including, at the date of adoption of the Articles, any holder of excessive rights as defined in section 553 of the CTA 2010. The definition of “excessive rights” is shown in greater detail in paragraph 5.2 below.

(a) *Notification of Substantial Shareholder and other status*

- (i) Each Shareholder and any other relevant Person shall serve notice in writing on the Company at the registered office on:
 - (A) him becoming a Substantial Shareholder or him being a Substantial Shareholder on the date the Articles come into effect (together with the percentage of voting rights, share capital or dividends he controls or is beneficially entitled to, details of the identity of the Shareholder(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the Directors may require from time to time);
 - (B) him becoming a Relevant Registered Shareholder or being a Relevant Registered Shareholder on the date the Articles come into effect (together with such details of the relevant Substantial Shareholder and such other information, certificates or declarations as the Directors may require from time to time); and
 - (C) any change to the particulars contained in any such notice, including on the relevant Person ceasing to be a Substantial Shareholder or a Relevant Registered Shareholder.
- (ii) Any such notice shall be delivered by the end of the second Business Day after the day on which the Person becomes a Substantial Shareholder or a Relevant Registered Shareholder (or the date the Articles come into effect, as the case may be) of the change in relevant particulars or within such shorter or longer period as the Directors may specify from time to time.
- (iii) The Directors may at any time give notice in writing to any Person requiring him, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the Directors may specify in the notice), to deliver to the Company such information, certificates and declarations as the Directors may require to establish whether or not he is a Substantial Shareholder or a Relevant Registered Shareholder or to comply with any Reporting Obligation. Each such Person shall deliver such information, certificates and declarations within the period specified in such notice.

(b) *Distributions in respect of Substantial Shareholdings*

- (i) In respect of any Distribution, the Directors may, if the Directors determine that the condition set out in paragraph 5.1.22(b)(ii) is satisfied in relation to any shares in the Company, withhold payment of such Distribution on or in respect of such shares. Any Distribution so withheld shall be paid as provided in paragraph 5.1.22(c) and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.
- (ii) The condition referred to in paragraph 5.1.22(b)(i) is that, in relation to any shares in the Company and any Distribution to be paid or made on and in respect of such shares:
 - (A) the directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder; and
 - (B) the directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid,and, furthermore, if the shares comprise all or part of a Substantial Shareholding in respect of more than one Substantial Shareholder this condition is not satisfied unless it is satisfied in respect of all such Substantial Shareholders.
- (iii) If a Distribution has been withheld on or in respect of any shares in the Company in accordance with paragraph 5.1.22(b)(i), it shall be paid as follows:
 - (A) if it is established to the satisfaction of the Directors that the condition in paragraph 5.1.22(b)(ii) is not satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid; and
 - (B) if the directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid (provided the Directors are satisfied that following such transfer such shares concerned do not form part of a Substantial Shareholding); and
 - (C) if the directors are satisfied that as a result of a transfer of interests in shares referred to in paragraph (B) above the remaining shares no longer form part of a Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid.

In this sub-paragraph, references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

- (iv) A Substantial Shareholder may satisfy the directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The directors shall be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the directors shall be entitled to require such other information, certifications or declarations as they think fit.
- (v) The directors may withhold payment of a Distribution on or in respect of any shares in the Company if any notice given by the directors pursuant to paragraph 5.1.22(a)(iii) in relation to such shares shall not have been complied with to the satisfaction of the directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the directors unless the directors withhold payment pursuant to paragraph 5.1.22(b)(i) and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.
- (vi) If any Distribution shall be paid on a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall pay an amount equal to the amount of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount to the Company

on demand by the Company. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to paragraph 5.1.22(d)(ii) or out of any subsequent Distribution in respect of the shares to such Person or to the shareholders of all shares in relation to or by virtue of which the directors believe that Person has an interest in the Company (whether that Person is at that time a Substantial Shareholder or not).

(c) *Distribution Trust*

- (i) If a Distribution is paid on or in respect of a Substantial Shareholding (except where the Distribution is paid in circumstances where the Substantial Shareholder is not beneficially entitled to the Distribution), the Distribution and any income arising from it shall be held by the payee or other recipient to whom the Distribution is transferred by the payee on trust absolutely for the Persons nominated by the relevant Substantial Shareholder under paragraph 5.1.22(c)(ii) in such proportions as the relevant Substantial Shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within twelve years after the date the Distribution is made, for the Company or such Person as may be nominated by the directors from time to time.
- (ii) The Substantial Shareholder of shares of the Company in respect of which a Distribution is paid shall be entitled to nominate in writing any two or more Persons (not being Substantial Shareholders) to be the beneficiaries of the trust on which the Distribution is held under paragraph 5.1.22(c)(i) and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be held on trust for the nominated Persons, failing which the Distribution shall be held on trust for the nominated Persons in equal proportions. No Person may be nominated under this article who is or would, on becoming a beneficiary in accordance with the nomination, become a Substantial Shareholder. If the Substantial Shareholder making the nomination is not by virtue of paragraph 5.1.22(c)(i) the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.
- (iii) Any income arising from a Distribution which is held on trust under paragraph 5.1.22(c)(i) shall until the earlier of (i) the making of a valid nomination under paragraph 5.1.22(c)(ii) and (ii) the expiry of the period of twelve years from the date when the Distribution is paid be accumulated as an accretion to the Distribution. Income shall be treated as arising when payable, so that no apportionment shall take place.
- (iv) No Person who by virtue of paragraph 5.1.22(c)(i) holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.
- (v) No Person who by virtue of paragraph 5.1.22(c)(i) holds a Distribution on trust shall be liable for any breach of trust unless due to his own fraud or wilful wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

(d) *Obligation to dispose*

- (i) If at any time, the directors believe that:
 - (A) in respect of any Distribution declared or announced, the condition set out in paragraph 5.1.22(b)(ii) is satisfied in respect of any shares in the Company in relation to that Distribution;
 - (B) a notice given by the directors pursuant to paragraph 5.1.22(a)(iii) in relation to any shares in the Company has not been complied with to the satisfaction of the directors within the period specified in such notice; or

- (C) any information, certificate or declaration provided by a Person in relation to any shares in the Company for the purposes of the preceding provisions was materially inaccurate or misleading;

the directors may give notice in writing (a “**Disposal Notice**”) to any Persons they believe are Relevant Registered Shareholders in respect of the relevant shares requiring such Relevant Registered Shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the Directors consider to be appropriate in the circumstances) to dispose of such number of shares the directors may in such notice specify or to take such other steps as will cause the condition set out in paragraph 5.1.22(b)(ii) no longer to be satisfied. The directors may, if they think fit, withdraw a Disposal Notice.

- (ii) If:

- (A) the requirements of a Disposal Notice are not complied with to the satisfaction of the directors within the period specified in the relevant notice and the relevant Disposal Notice is not withdrawn; or
- (B) a Distribution is paid on a Substantial Shareholding and an Excess Charge becomes payable,

the directors may arrange for the Company to sell all or some of the shares to which the Disposal Notice relates or, as the case may be, that form part of the Substantial Shareholding concerned. For this purpose, the directors may make such arrangements as they deem appropriate. In particular, without limitation, they may authorise any officer or employee of the Company to execute any transfer or other document on behalf of the holder or holders of the relevant shares and, in the case of a share in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.

- (iii) Any sale pursuant to paragraph 5.1.22(d)(ii) shall be at the price which the directors consider is the best price reasonably obtainable and the directors shall not be liable to the holder or holders of the relevant share for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.
- (iv) The net proceeds of the sale of any share under paragraph 5.1.22(d)(ii) (less any amount to be retained pursuant to paragraph 5.1.22(b)(vi) and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant shares upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- (v) The title of any transferee of shares shall not be affected by an irregularity or invalidity of any actions purportedly taken pursuant to this paragraph.

(e) *General*

- (i) The directors shall be entitled to presume without enquiry, unless any director has reason to believe otherwise, that a Person is not a Substantial Shareholder or a Relevant Registered Shareholder.
- (ii) The directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular Person) pursuant to the provisions described in this paragraph 5.1.22 and any such determination or decision shall be final and binding on all Persons unless and until it is revoked or changed by the directors. Any disposal or transfer made or other thing done by or on behalf of the Board or any director pursuant to the provisions described in this paragraph 5.1.22 shall be binding on all Persons and shall not be open to challenge on any ground whatsoever.
- (iii) Without limiting their liability to the Company, the directors shall be under no liability to any other Person, and the Company shall be under no liability to any Shareholder or any other Person, for identifying or failing to identify any Person as a Substantial Shareholder or a Relevant Registered Shareholder.

- (iv) The directors shall not be obliged to serve any notice required under the provisions described in this paragraph 5.1.22 upon any Person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any Person upon whom notice is required to be served under the provisions described in this paragraph 5.1.22 shall not prevent the implementation of or invalidate any procedure under the provisions described in this paragraph 5.1.22.
- (v) Any notice required or permitted to be given pursuant to this paragraph 5.1.22 may relate to more than one share and shall specify the share or shares to which it relates.
- (vi) The directors may require from time to time any Person who is or claims to be a Person to whom a Distribution may be paid without deduction of tax under Regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 to provide such certificates or declarations as they may require from time to time.

5.2 Section 553 of the CTA 2010 provides that:

5.2.1 a “holder of excessive rights” means a person who meets (a) “condition A”, and (b) either condition B or C;

5.2.2 condition A is that the person:

- (a) is beneficially entitled (directly or indirectly) to at least ten per cent. of the dividends paid by the distributor;
- (b) is beneficially entitled (directly or indirectly) to at least ten per cent. of the distributor's share capital; or
- (c) controls (directly or indirectly) at least ten per cent. of the voting rights in the distributor;

5.2.3 condition B is that the person is a company;

5.2.4 condition C is that:

- (a) the person is treated as a body corporate for tax purposes:
 - (i) in accordance with the law of a territory outside the United Kingdom with which arrangements have been entered into to provide relief from double taxation; or
 - (ii) in accordance with an international agreement containing such arrangements; and
- (b) those arrangements have effect by virtue of an order under section 2 of the Taxation International and Other Provisions) Act 2010;

5.2.5 “the distributor” is defined in section 551(2) of CTA 2010 and means: (a) in the case of a REIT Group, the principal company of the group; and in the case of a company REIT, the company.

5.3 The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form.

6. **MANDATORY TAKEOVER BIDS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO THE ORDINARY SHARES**

6.1 ***Mandatory Bids***

The Takeover Code applies to the Company. Under the Rule 9 of the Takeover Code, if:

- 6.1.1 a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or

6.1.2 a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or its concert parties during the previous twelve months.

6.2 **Squeeze-out and sell-out**

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares not assented to the offer. In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

7. **DIRECTORS' AND OTHER INTERESTS**

7.1 The following table lists each Director together with his title, age, date of appointment and date of expiration of current term of office:

<i>Name</i>	<i>Title</i>	<i>Age</i>	<i>Date of appointment</i>	<i>Expiration of current term of office</i>
Nigel Terrence Payne	Non-Executive Chairman	55	9 April 2015	To be proposed for reappointment at the Company's first annual general meeting
Timothy Michael James	Chief Executive	61	10 June 2014	To be proposed for reappointment at the Company's first annual general meeting
Timothy John Knight Oakley	Construction Director	65	10 June 2014	To be proposed for reappointment at the Company's first annual general meeting
Christopher Douglas James	Operations Director	65	10 June 2014	To be proposed for reappointment at the Company's first annual general meeting
James Andrew Cane	Finance Director	63	22 September 2014	To be proposed for reappointment at the Company's first annual general meeting
Oliver John Vaughan	Executive Director	68	10 June 2014	To be proposed for reappointment at the Company's first annual general meeting
Patricia Mary Farley	Non-Executive Director	68	19 January 2015	To be proposed for reappointment at the Company's first annual general meeting
George Henry Rolls	Non-Executive Director	55	31 March 2015	To be proposed for reappointment at the Company's first annual general meeting

- 7.2 The interests (all of which are, unless otherwise stated, beneficial) of each Director, including the interests of their spouse, civil partner, any infant child and any other person whose interests in shares the Director is taken to be interested in pursuant to Part 22 of the Act in the share capital of the Company as at the date of this Document, and as they are expected to be immediately following Admission, are as follows (including such interests which could, with reasonable diligence, be ascertained by that Director, whether or not held through a third party):

Interests as at the date of this Document:

<i>Name</i>	<i>No. Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital (%)</i>	<i>No. Founder Warrants</i>	<i>No. Executive Options</i>	<i>No. Non- Executive Options</i>
Nigel Terrence Payne	Nil	Nil	Nil	Nil	Nil
Timothy Michael James	175,000	23.33	175,000	Nil	Nil
Timothy John Knight Oakley	50,000	6.67	50,000	Nil	Nil
Christopher Douglas James	100,001	13.33	100,000	Nil	Nil
James Andrew Cane	10,000	1.33	10,000	Nil	Nil
Oliver John Vaughan ⁽¹⁾	175,000	23.33	175,000	Nil	Nil
Patricia Mary Farley	20,000	2.67	20,000	Nil	Nil
George Henry Rolls	25,000	3.33	25,000	Nil	Nil

Note:

- (1) Includes 165,000 Ordinary Shares and 165,000 Founder Warrants held by Grosmont Investments Limited, a company controlled by Mr Vaughan.

Interests as at immediately following Admission:

<i>Name</i>	<i>No. Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital⁽²⁾ (%)</i>	<i>No. Founder Warrants</i>	<i>No. Executive Options</i>	<i>No. Non- Executive Options</i>
Nigel Terrence Payne	Nil	Nil	Nil	Nil	Nil
Timothy Michael James	2,175,000	4.97%	175,000	810,000	Nil
Timothy John Knight Oakley	250,000	0.57%	50,000	300,000	Nil
Christopher Douglas James	2,250,001	5.14%	100,000	600,000	Nil
James Andrew Cane	10,000	0.02%	10,000	180,000	Nil
Oliver John Vaughan ⁽¹⁾	675,000	1.54%	175,000	810,000	Nil
Patricia Mary Farley	120,000	0.27%	20,000	Nil	144,493
George Henry Rolls	525,000	1.20%	25,000	Nil	437,856

Notes:

- (1) Includes 665,000 Ordinary Shares and 165,000 Founder Warrants held by Grosmont Investments Limited, a company controlled by Mr Vaughan.
(2) Calculated on the basis that the Fundraising is fully subscribed.

- 7.3 In addition to the interests described at paragraph 7.2 above of this Part X, the Directors have interests in the March Loan Notes as set out in the table immediately below. See paragraphs 10.4 to 10.7 of this Part X for further information on the terms of the March Loan Notes.

<i>Name:</i>	<i>Tranche of March Loan Notes</i>	<i>Nominal amount of March Loan Notes held</i>
Nigel Terrence Payne	Nil	Nil
Timothy Michael James	Nil	Nil
Timothy John Knight Oakley	Nil	Nil
Christopher Douglas James	24 March Loan Notes	£215,000
James Andrew Cane	Nil	Nil
Oliver John Vaughan	7 March Loan Notes	£125,000
Patricia Mary Farley	Nil	Nil
George Henry Rolls	Nil	Nil

Notes:

- (1) A total of £250,000 in nominal value of 7 March Loan Notes have been issued. The remaining £125,000 in nominal value of the 7 March Loan Notes are held by Edward and Susan Vandyk.
- (2) In addition to 7 March Loan Notes and 24 March Loan Notes, K&C Ltd has also issued a total of £209,000 in nominal value of 14 March Loan Notes. The 14 March Loan Notes are all held by Edward and Susan Vandyk.
- (3) As described in paragraph 10 below of this Part X, the Company has assumed the liability for paying the principal due under the 24 March Loan Notes and, on Admission, such liability will be released by Christopher James in consideration of him being issued 2,150,000 Ordinary Shares credited as fully paid at the Issue Price.

- 7.4 The Disclosure and Transparency Rules require a person who acquires or disposes of shares (or other financial instruments) carrying voting rights, and that acquisition or disposal results in the proportion of voting rights held by that person exceeding or falling below three per cent. (or any whole figure above three per cent), to disclose that interest to the Company. Save as disclosed at paragraph 7.2 of this Part X above and as set out below, the Directors are not aware of any person who is at the date of this Document, or who will be immediately following Admission, directly or indirectly, interested in three per cent. or more of the issued share capital of the Company:

Interests as at the date of this Document:

<i>Name</i>	<i>No. Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital (%)</i>	<i>No. Founder Warrants</i>	<i>No. Executive Options</i>	<i>No. Non- Executive Options</i>
Edward and Susan Vandyk ⁽¹⁾	55,000	7.33%	17,500	Nil	Nil
Benjamin James	50,000	6.67%	50,000	Nil	Nil
Thomas Francis Vaughan	30,000	4.00%	30,000	Nil	Nil
Alyson Barter	25,000	3.33%	25,000	Nil	Nil

Interests as at immediately following Admission:

<i>Name</i>	<i>No. Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital⁽³⁾ (%)</i>	<i>No. Founder Warrants</i>	<i>No. Executive Options</i>	<i>No. Non- Executive Options</i>
Simon Wharmby	2,020,000	4.61%	20,000	Nil	Nil
Xiao Min ⁽²⁾	2,222,222	5.08%	Nil	Nil	Nil
Kimono Investment Holdings Limited	1,500,000	3.43%	Nil	Nil	Nil
Tuscan Properties Limited	3,000,000	6.85%	Nil	Nil	Nil
Michael Wellesley-Wesley	2,100,000	4.80%	Nil	Nil	Nil
Venaglass Limited	10,000,000	22.84%	Nil	Nil	Nil

Notes:

- (1) Includes 27,500 Ordinary Shares and 8,750 Founder Warrants held by Edward Vandyk and 27,500 Ordinary Shares and 8,750 Founder Warrants held by Susan Vandyk.
- (2) All of the 5 September Loan Notes were issued to Xiao Min. For further details see paragraph 10.3 of this Part X.
- (3) Calculated on the basis that the Fundraising is fully subscribed.

- 7.5 Notwithstanding the deemed Concert Party (see paragraph 18 of Part I of this Document), the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. The Company and the Directors are not aware of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Company.
- 7.6 No person has any voting rights in respect of the share capital of the Company that differ from any other shareholder.
- 7.7 No Director (nor any member of a Director's family) has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares.
- 7.8 Save as set out in paragraph 16.6 of this Part X, none of the Directors has received any remuneration since incorporation. Subject to paragraph 7.9 below, it is estimated that, under the arrangements in

force at the date hereof, the aggregate emoluments (including remuneration paid and benefits-in-kind) payable to the Directors for the period ending 30 June 2015 will amount to nil.

7.9 Notwithstanding their contractual entitlement, it is the current intention of:

7.9.1 all Executive Directors to forgo their right to be paid a salary;

7.9.2 the non-executive Directors to accept the payment of reduced directors' fees, in the amount of £1,000 per non-executive Director per month (gross),

until the Company completes its first fundraising following Admission, after which the salaries payable to the Executive Directors, and the directors' fees payable to the non-executive Directors, will be at the rates described in paragraph 8 of this Part X. It is not intended that any clawback payment will be made to the Executive Directors and non-executive Directors for services provided between Admission and the date of such first fundraising following Admission.

7.10 Save as disclosed in this Document, none of the Directors has or has had any interest in transactions effected by the Company since its incorporation that are or were unusual in their nature or conditions or that are or were significant to the business of the Company.

7.11 The names of all the companies and partnerships of which each Director has been a director or partner at any time in the five years preceding the date of this Document (with the exception of members of the Group) are as follows:

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Nigel Terrence Payne	Gama Aviation plc Idiaz Consultancy Limited Merlin Consultancy Limited Merlin Financial Advisors LLP Perpetuus Advanced Materials Limited Stride Gaming plc Gateley (Holdings) plc Bubble Stuff Limited	Foreteller Limited Mucky Pups Childcare Limited Sportingbet Limited Redweb Security (UK) Limited Flexwork Limited
Timothy Michael James	Albany Capital Advisers Limited Avidfleet Management Limited Henniker Mews Residents' Association Limited Imagine No.1 LLP Kensington & Chelsea Aviation Limited Kensington & Chelsea Investments LLP Kensington & Chelsea Management Limited Number 10 Sydney Street Management Company Limited The First Mezzanine Film Fund LLP The Second Mezzanine Film Fund LLP Venrex I LLP	Albany Capital plc Albany China Limited BS Advisors Limited Kensington & Chelsea Property Search Limited London & Shanghai REIT Limited Wilton Investment Management LLP Silcott Investments Limited
Timothy John Knight Oakley	LAMDA Limited Townhouse (Conversions) Limited	Hogarth Charitable Trust Company Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Christopher Douglas James	CD James (Property Consultants) Limited Kensington & Chelsea Investments LLP Kensington & Chelsea Management Limited Wilton Asset Management Limited	Albany Capital Advisers Limited Albany Capital plc Albany China Limited Ashmoor Limited Kensington & Chelsea Property Search Limited MBC Aviation Limited Wilton Investment Management LLP
James Andrew Cane	Portland, Dixon Limited LAMDA Limited The Conservatoire for Dance and Drama	None
Oliver John Vaughan	Astaire Group Limited (formerly Astaire Group plc) Blue Oar Asset Management LLP Central Asian Minerals & Resources plc Corporate Synergy Holdings Limited Dowgate Capital Limited Evolve Capital plc Evolve Assets Limited Evolve Assets (RD Investment) Limited Grosmont Investments Limited Gulf International Minerals Limited (UK) Gulf International Minerals Limited (Canada) St Helen's Capital Partners LLP The Bell at Skenfrith Limited	Mandarin Consulting Limited Mandarin Recruitment Limited OVTV Limited Yachtinggateway.com Limited
Patricia Mary Farley	Eclipse Film Partners No. 35 LLP Imagine No. 1 LLP Imagine No. 2 LLP Imagine No. 3 LLP The Fifth Mezzanine Film Fund LLP	None
George Henry Rolls	Gama Aviation plc GEBU Partners Limited Perpetuus Advanced Materials Limited Geoffrey de Havilland Flying Foundation (trustee)	Cadogan Crowns Limited Totally plc Walker Logistics Limited Volare Aviation Limited

7.12 No director has had any previous names.

7.13 No director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.

7.14 Nigel Payne was a director of Redweb Security (UK) Limited which went into administration on 14 September 2009 with deficiencies to creditors of £1,535,245.54 and was a director of Foreteller Limited which went into creditors' voluntary liquidation on 9 November 2012 with deficiencies to creditors of £3,280,905.

- 7.15 Timothy James was a director of Pedstowe (London) Limited (formerly Humberts Limited) (resigned 25 November 2005). The company went into administrative receivership on 11 June 2008, and then voluntary creditors' liquidation on 7 May 2009. At the commencement of winding up, £26,862,000 of liabilities to creditors existed. The company was dissolved on 1 November 2014. Both Timothy James and Patricia Farley were directors of Pedstowe Limited (formerly Humberts Group plc), the ultimate parent company of Pedstowe (London) Limited.
- 7.16 James Cane was a director of Metcroft Limited (formerly Greenly's Service Group Limited) when it went into administrative receivership in 1991.
- 7.17 Oliver Vaughan was a director of the following companies, which went into creditors' voluntary liquidation or administrative receivership:
- 7.17.1 AB428 Limited (formerly Marine Force Limited) (resigned 14 October 2002). The company went into administrative receivership on 26 September 2002. The date of final dissolution was 21 March 2006, with a deficiency to creditors of £1,421,269;
 - 7.17.2 eBop Media Plc (resigned 30 May 2000) and eBop Limited (resigned 30 May 2000). Both companies went into liquidation on 19 December 2000 with estimated deficiencies to creditors of £209,336 and £2,038,958 respectively;
 - 7.17.3 Jetlodge Limited (formerly The Complete Picture Limited) (resigned 7 September 1995). This company was the subject of a creditors' voluntary winding-up that commenced in January 1996 and completed in June 1997. The amount owing to creditors was £207,341; and
 - 7.17.4 Databeat Digital Music Systems Limited (resigned December 1991). This company was the subject of a creditors' voluntary winding-up that commenced in February 1992 and completed in October 1994. The amount owing to non-preferential creditors was £324,977.
- 7.18 Save as disclosed above, none of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of any partnership voluntary arrangement, compulsory liquidation or administration of such partnership or has been a partner of a partnership at the time of or within twelve months preceding the date of the receivership of any asset of such partnership and none of the Directors has had any of his assets subject to any receivership.
- 7.19 None of the Directors has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

8. Directors' service agreements and letters of appointment

8.1 *Nigel Payne's Appointment Letter*

Nigel Payne was appointed non-executive chairman of the Company on 9 April 2015. He has entered into a letter of appointment with the Company dated 30 June 2015. Mr Payne's appointment shall continue for an initial term of two years from the date of Admission unless and until terminated by either party giving to the other not less than one month's notice in writing or he is not re-elected as a director at the first Annual General Meeting. The letter of appointment contains certain provisions for earlier termination in the event of, amongst other things, a breach by Mr Payne. Under the terms of the letter of appointment, Mr Payne shall, subject to the arrangements set out in paragraph 7.9 of this Part X, be paid a fee of £25,000 per annum commencing from the date of Admission. It is acknowledged in the agreement that Mr Payne may from time to time hold directorships or otherwise be interested in other companies operating in similar sectors. However, Mr Payne is required to declare any such existing interest to the Board, and obtain permission of the Board in respect of proposed future interests. He is not permitted to hold any interests that may conflict with her position with the Company. The letter of appointment is governed by English Law.

8.2 ***Timothy James's Service Agreement***

Timothy James's employment with the Company will commence on Admission. Mr James has entered into a service agreement with the Company dated 30 June 2015 pursuant to which he has agreed to devote such time as is necessary to carry out his role as Chief Executive Officer of the Company. Mr James's appointment is for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Mr James shall, subject to the arrangements set out in paragraph 7.9 of this Part X, receive a salary of £50,000 per annum. Under the terms of the service agreement, Mr James is not entitled to participate in any private medical insurance scheme and no death-in-service benefits apply. The Company has agreed to comply with its employer duties in respect of Mr James in accordance with Part 1 of the Pensions Act, however, save for this no pension contribution from the Company is provided or access to a pension scheme given. The service agreement contains provision for early termination in the event of a fundamental breach by Mr James, in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr James on gardening leave. The service agreement imposes certain restrictions on Mr James including restrictions on the use of confidential information and intellectual property and post termination restrictions for a period of six months including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non-compete provisions. The service agreement is governed by English law.

8.3 ***Timothy Oakley's Service Agreement***

Timothy Oakley's employment with the Company will commence on Admission. Mr Oakley has entered into a service agreement with the Company dated 30 June 2015 pursuant to which he has agreed to devote such time as is necessary to carry out his role as Construction Director of the Company. Mr Oakley's appointment is for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Mr Oakley shall, subject to the arrangements set out in paragraph 7.9 of this Part X, receive a salary of £50,000 per annum. Under the terms of the service agreement, Mr Oakley is not entitled to participate in any private medical insurance scheme and no death-in-service benefits apply. The Company has agreed to comply with its employer duties in respect of Mr Oakley in accordance with Part 1 of the Pensions Act, however, save for this no pension contribution from the Company is provided or access to a pension scheme given. The service agreement contains provision for early termination in the event of a fundamental breach by Mr Oakley, in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr Oakley on gardening leave. The service agreement imposes certain restrictions on Mr Oakley, including restrictions on the use of confidential information and intellectual property and post-termination restrictions for a period of six months, including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non-compete provisions. The service agreement is governed by English law.

8.4 ***Christopher James's Service Agreement***

Christopher James's employment with the Company will commence on Admission. Mr James has entered into a service agreement with the Company dated 30 June 2015 pursuant to which he has agreed to devote such time as is necessary to carry out his role as Operations Director of the Company. Mr James's appointment is for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Mr James shall, subject to the arrangements set out in paragraph 7.9 of this Part X, receive a salary of £50,000 per annum for carrying out his employment and holding the position of Director. Under the terms of the service agreement, Mr James is not entitled to participate in any private medical insurance scheme and no death-in-service benefits apply. The Company has agreed to comply with its employer duties in respect of Mr James in accordance with Part 1 of the Pensions Act, however, save for this no pension contribution from the Company is provided or access to a pension scheme given. The service agreement contains provision for early termination in the event of a fundamental breach by Mr James, in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr James on gardening leave. The service agreement imposes certain restrictions on Mr James including restrictions on the use of confidential information and intellectual property and post-termination restrictions for a period of six months including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees and non-compete provisions. The service agreement is governed by English law.

8.5 **James Cane's Service Agreement**

James Cane's employment with the Company will commence on Admission. Mr Cane has entered into a service agreement with the Company dated 30 June 2015 pursuant to which he has agreed to devote such time as is necessary to carry out his role as the Finance Director of the Company. Mr Cane's appointment shall continue for an indefinite term until terminated by either party giving to the other not less than three months' notice in writing. Mr Cane shall, subject to the arrangements set out in paragraph 7.9 of this Part X, receive a salary of £50,000 per annum. Under the terms of the service agreement, Mr Cane is not entitled to participate in any private medical insurance scheme and no death-in-service benefits apply. The Company has agreed to comply with its employer duties in respect of Mr Cane in accordance with Part 1 of the Pensions Act, however, save for this no pension contribution from the Company is provided or access to a pension scheme given. The service agreement contains provision for early termination in the event of a fundamental breach by Mr Cane, in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr Cane on gardening leave. The service agreement imposes certain restrictions on Mr Cane, including restrictions on the use of confidential information and intellectual property and post-termination restrictions for a period of six months, including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non-compete provisions. The service agreement is governed by English law.

8.6 **Oliver Vaughan's Service Agreement**

Oliver Vaughan's employment with the Company will commence on Admission. Mr Vaughan has entered into a service agreement with the Company dated 30 June 2015 pursuant to which he has agreed to devote such time as is necessary to carry out his role as an executive director of the Company. Mr Vaughan's appointment is for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Mr Vaughan shall, subject to the arrangements set out in paragraph 7.9 of this Part X, receive a salary of £50,000 per annum for carrying out his employment and holding the position of Director. Under the terms of the service agreement, Mr Vaughan is not entitled to participate in any private medical insurance scheme and no death-in-service benefits apply. The Company has agreed to comply with its employer duties in respect of Mr Vaughan in accordance with Part 1 of the Pensions Act 2008 (the "**Pensions Act**"), however, save for this no pension contribution from the Company is provided or access to a pension scheme given. The service agreement contains provision for early termination in the event of a fundamental breach by Mr Vaughan, in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr Vaughan on gardening leave. The service agreement imposes certain restrictions on Mr Vaughan, including restrictions on the use of confidential information and intellectual property and post-termination restrictions for a period of six months, including non-solicitation and non-dealing provisions in respect of clients and prospective clients, non-solicitation provisions in respect of senior employees, and non-compete provisions. The service agreement is governed by English law.

8.7 **Patricia Farley's Appointment Letter**

Patricia Farley was appointed a non-executive director of the Company on 19 January 2015. She has entered into a letter of appointment with the Company dated 30 June 2015. Ms Farley's appointment shall continue for an initial term of two years from the date of Admission unless and until terminated by either party giving to the other not less than one month's notice in writing or she is not re-elected as a director at the first Annual General Meeting. The letter of appointment contains certain provisions for earlier termination in the event of, amongst other things, a breach by Ms Farley. Under the terms of the letter of appointment, Ms Farley shall, subject to the arrangements set out in paragraph 7.9 of this Part X, be paid a fee of £12,500 per annum commencing from the date of Admission. It is acknowledged in the agreement that Ms Farley may from time to time hold directorships or otherwise be interested in other companies operating in similar sectors. However, Ms Farley is required to declare any such existing interest to the Board, and obtain permission of the Board in respect of proposed future interests. She is not permitted to hold any interests that may conflict with her position with the Company. The letter of appointment is governed by English Law.

8.8 **George Rolls's Appointment Letter**

George Rolls was appointed a non-executive director of the Company on 31 March 2015. He has entered into a letter of appointment with the Company dated 30 June 2015. Mr Rolls's appointment shall continue for an initial term of two years from the date of Admission unless and until terminated

by either party giving to the other not less than one month's notice in writing. The letter of appointment contains certain provisions for earlier termination in the event of, amongst other things, a breach by Mr Rolls. Under the terms of the letter of appointment, Mr Rolls shall, subject to the arrangements set out in paragraph 7.9 of this Part X, be paid a fee of £25,000 per annum commencing from the date of Admission, which will increase to £30,000 per annum on the date which is one year from the date of the letter of appointment. It is acknowledged in the agreement that Mr Rolls may from time to time hold directorships or otherwise be interested in other companies operating in similar sectors. However, Mr Rolls is required to declare any such existing interest to the Board, and obtain permission of the Board in respect of proposed future interests. He is not permitted to hold any interests that may conflict with his position with the Company. The letter of appointment is governed by English Law.

9. Employees

- 9.1 The Group will, on Admission, have six employees (including executive directors but excluding non-executive directors). The following table shows how many employees were working for each Group company as at 30 June 2014, and will be working for each Group company as at Admission:

<i>Name of Company</i>	<i>Jurisdiction</i>	<i>Number of employees at 30 June 2014</i>	<i>Number of employees at Admission</i>
The Company	England and Wales	0	6
K&C Ltd	England and Wales	0	0
Silcott Properties	England and Wales	N/A ⁽¹⁾	0

Notes:

(1) Silcott Properties will be acquired by the Company on Admission.

10. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or K&C Ltd since their respective dates of incorporation and are, or may be, material:

10.1 Share Exchange Agreement

On 8 September 2014, the Company entered into an agreement between (1) the Company, (2) K&C Ltd and (3) Oliver Vaughan and others (being the holders of all the shares and warrants in K&C Ltd) (the “**Vendors**”) pursuant to which: (a) the Vendors sold all their shares in K&C Ltd to the Company; and (b) the Company, K&C Ltd and the Vendors agreed that the Vendors’ warrants to subscribe for shares in K&C Ltd were to be treated as cancelled with effect from completion of the Share Exchange Agreement.

The consideration due to the Vendors from the Company for the transfer of their shares in K&C Ltd was £74,998 (satisfied by the allotment and issue of 14,999,600 Pre-Reorganisation Ordinary Shares to the Vendors, in each case credited as fully paid at 0.5p per Pre-Reorganisation Ordinary Share). The consideration due to the Vendors from the Company for the cancellation of the Vendors’ warrants to subscribe for shares in K&C Ltd was the issue to the Vendors of an equivalent number of Founder Warrants to subscribe for Pre-Reorganisation Ordinary Shares.

The Vendors sold their shares in K&C Ltd to the Company with full title guarantee and each of the Vendors gave warranties (on a several basis) to the Company in relation to his shares in K&C Ltd, his warrants to subscribe for shares in K&C Ltd and his status and capacity. The Share Exchange Agreement is governed by English law.

The Share Exchange Agreement completed on 8 September 2014.

10.2 Founder Warrant Instrument

On 8 September 2014, the Company executed an instrument recording the constitution of Founder Warrants to subscribe for 15,000,000 Pre-Reorganisation Ordinary Shares at 0.5p per Pre-Reorganisation Ordinary Share (the “**Founder Warrant Instrument**”), as amended.

Following the Reorganisation, Moore Stephens LLP, the Company's auditors, certified that, in order to fairly and reasonably adjust the terms of the Founder Warrants to take account of the Reorganisation: (a) the Founder Warrant Instrument should be treated as constituting Founder Warrants to subscribe for 750,000 Ordinary Shares; (b) the exercise price should be adjusted to 10p per Ordinary Share.

The Founder Warrants may be exercised at any time before the earlier of 31 December 2018 and the date on which an offer made to acquire the entire issued share capital of the Company becomes unconditional provided that, on the exercise date, the Ordinary Shares are admitted to trading on AIM or the Main Market of the London Stock Exchange and the NAV is at least 10p.

For these purposes "NAV" shall have the meaning set out in description of the Executive Option Agreements at paragraph 10.16 of this Part X.

In order to exercise its subscription rights, a warrant holder shall deliver a duly completed notice of subscription to the Company together with the warrant certificates in respect of the Founder Warrants being exercised and accompanied by the relevant subscription price.

The Founder Warrant Instrument is governed by English law.

10.3 **5 September Loan Note Instrument**

On 5 September 2014, the Company entered into a convertible loan note instrument (the "**5 September Loan Note Instrument**") for the constitution of the 5 September Loan Notes, all of which were subsequently issued to Ms Xiao Min, as amended by deeds of variation dated 19 December 2014, 30 March 2015 and 23 June 2015.

The 5 September Loan Notes were issued on terms that they would automatically convert into Pre-Reorganisation Ordinary Shares on Admission at a ten per cent. discount to the Issue Price without the requirement for any action by or consent of the noteholders. The Company and Ms Min agreed by a letter agreement made by deed on 8 May 2015 that no adjustment was needed to the terms of the 5 September Loan Notes on account of the Reorganisation and that, accordingly, the number of Ordinary Shares (post-Reorganisation) to which the 5 September Notes convert on Admission should be the same as the number of Pre-Reorganisation Ordinary Shares to which the 5 September Loan Notes would have converted had Admission taken place immediately before the Reorganisation.

The 5 September Loan Notes are repayable (save to the extent they have been converted into Ordinary Shares) on 17 July 2015 (save for certain events of default, where early repayment may be demanded by the noteholders). The 5 September Loan Notes are unsecured and carry no entitlement to interest.

The Company gave certain warranties to noteholders as to (inter alia) its status, share capital and assets in the 5 September Convertible Loan Note Instrument.

The 5 September Loan Note Instrument is governed by English law.

As at Admission, the 5 September Loan Notes will automatically be converted into Ordinary Shares at a ten per cent. discount to the Issue Price and, consequently, there will be no unexercised rights of conversion remaining.

10.4 **7 March Loan Note Instrument and 14 March Loan Note Instrument**

K&C Ltd has entered into a loan note instrument for each of the 7 March Loan Notes and the 14 March Loan Notes, each as amended by deeds of variation dated 8 September 2014, 28 November 2014, as amended and restated (with the written consent of the relevant noteholders) on 29 April 2015 and as further amended on 25 June 2015 (in the case of the 7 March Loan Notes, the "**7 March Loan Note Instrument**" and, in the case of the 14 March Loan Notes, the "**14 March Loan Note Instrument**").

Each of the 7 March Loan Notes and the 14 March Loan Notes were used to fund the purchase of a Newbury Property being, in the case the 7 March Loan Notes, the property at 24 Martingale Chase,

Newbury, Berkshire RG14 2EN by K&C Ltd and, in the case of the 14 March Loan Notes, the property at 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX.

The 7 March Loan Note Instrument and the 14 March Loan Note Instrument are on substantially the same terms as each other.

The principal sum in respect of the 7 March Loan Notes and 14 March Loan Notes are, save where a noteholder demands early repayment of the principal following a “**7 and 14 March Loan Notes Early Repayment Event**” (as defined below), due to be repaid on the earlier of: (i) the business day after the first anniversary of the date of Admission; and (ii) 31 July 2016.

The respective holders of the 7 March Loan Notes and the 14 March Loan Notes are entitled to be repaid an amount equal to 100 per cent. of the principal borrowed, payable on the date of redemption, together with a payment in respect of interest of 14 per cent., payable on Admission.

“**7 and 14 March Loan Notes Early Repayment Events**” are defined in the 7 March Loan Note Instrument and the 14 March Loan Note Instrument as: (a) an Event of Default (defined to include circumstances in which K&C Ltd fails to pay any amount due under the relevant instrument, an insolvency event or where any representation warranty or statement made in such instrument is incorrect or misleading in any material respect); (b) the Company not having submitted its “pre-admission announcement” in accordance with Rule 2 of the AIM Rules by 26 June 2015; and (c) the sale by K&C Ltd of a Newbury Property (see 10.5 below for further detail on the apportionment of the net sale proceeds from the sale of Newbury Property).

When issued, the holders of the 7 March Loan Notes and 14 March Loan Notes had the right to request, in certain circumstances, that their respective loan notes be converted into shares in K&C Ltd and K&C Ltd had absolute discretion as to whether to effect the conversion or not. However, by the execution of amended and restated loan note instruments made by K&C Ltd dated 29 April 2015 and made with the written consent of the relevant noteholders the terms and conditions of the 17 March Loan Notes and 14 March Loan Notes were amended and restated so that, amongst other things, such loan notes were no longer convertible into shares in K&C Ltd.

K&C Ltd gave certain warranties as to (inter alia) its status, share capital and assets to noteholders in the 7 March Loan Note Instrument and the 14 March Loan Note Instrument.

The 7 March Loan Note Instrument and the 14 March Loan Note Instrument are governed by English law.

10.5 **Side Agreement with respect to the 7 March Loan Notes and 14 March Loan Notes**

K&C Ltd has entered into a side agreement dated 25 June 2015 with (1) Oliver Vaughan, who holds £125,000 of the 7 March Loan Notes and (2) Edward and Susan Vandyk (“**Mr and Mrs Vandyk**”), who hold £125,000 of the 7 March Loan Notes and all £209,000 of the 14 March Loan Notes.

Pursuant to such side agreement K&C Ltd agreed that it shall pay the net sale proceeds from the sale of any Newbury Property to Mr Vaughan and Mr and Mrs Vandyk (in part payment of the 7 March Loan Notes and 14 March Loan Notes) on a pro rata basis by reference to the aggregate amount of principal outstanding and owed to such noteholders under the 7 March Loan Notes and the 14 March Loan Notes (as if the 7 March Loan Notes and the 14 March Loan Notes constituted a single class of loan notes). The noteholders agreed that, to the extent that such net sale proceeds are insufficient to meet the Company’s obligations under the 7 March Loan Note and the 14 March Loan Note, the balance of monies due to noteholders shall be paid on the final redemption date.

K&C Ltd has further undertaken to Mr Vaughan and Mr and Mrs Vandyk to use reasonable endeavours to sell the Newbury Properties following Admission.

The side agreement is governed by English law.

10.6 **24 March Loan Note Instrument**

K&C Ltd has entered into a loan note instrument for the 24 March Loan Notes, as amended by deeds of variation dated 8 September 2014, 28 November 2014, as amended and restated (with the written consent of the relevant noteholder) on 29 April 2015 and as further amended on 25 June 2015 (the “**24 March Loan Note Instrument**”).

The 24 March Loan Notes were used to fund the purchase of the property at 10 Glebelands, Thatcham, Berkshire RG19 3QZ.

The principal sum in respect of the 24 March Loan Notes is, save where a noteholder demands early repayment of the principal following a “**24 March Loan Notes Early Repayment Event**” (as defined below), due to be repaid on the earlier of: (i) Admission; and (ii) 30 September 2015.

The holders of the 24 March Loan Notes are entitled to be repaid an amount equal to 100 per cent. of the principal borrowed, payable on the date of redemption, together with a payment in respect of interest of 14 per cent., payable on Admission.

“**24 March Loan Notes Early Repayment Events**” are defined in the 24 March Loan Note Instrument as: (a) an Event of Default (defined to include circumstances in which K&C Ltd fails to pay any amount due under the 24 March Loan Note Instrument, an insolvency event or where any representation warranty or statement made in the 24 March Loan Note Instrument is incorrect or misleading in any material respect); and (b) the Company not having submitted its “pre-admission announcement” in accordance with Rule 2 of the AIM Rules by 26 June 2015.

When issued the holders of the 24 March Loan Notes had the right to request, in certain circumstances, that their respective loan notes be converted into shares in K&C Ltd and K&C Ltd had absolute discretion as to whether to effect the conversion or not. However, by the execution of an amended and restated loan note instrument made by K&C Ltd dated 29 April 2015 and made with the written consent of the relevant noteholder the terms and conditions of the 24 March Loan Notes were amended and restated so that, amongst other things, such loan notes were no longer convertible into shares in K&C Ltd.

K&C Ltd gave certain warranties as to (inter alia) its status, share capital and assets to noteholders in the 24 March Loan Note Instrument.

The 24 March Loan Note Instrument is governed by English law.

10.7 **Glebelands Agreement**

On 25 June 2015 the Company entered into agreement (the “**Glebelands Agreement**”) with K&C Ltd and Christopher James, the sole holder of the 24 March Loan Notes, in which the Company agreed to purchase the property at 10 Glebelands, Thatcham, Berkshire RG19 3QZ (“**Glebelands**”) for £245,100 to be satisfied by the Company agreeing to assume the liability for paying the principal and interest due under the 24 March Loan Notes (the “**Glebelands Liability**”) and the burden of the mortgage referred to below over Glebelands (which secures the payment of the 24 March Loan Notes). Mr James was a party to the Glebelands Agreement in order to confirm his consent to the Company assuming the Glebelands Liability and the burden of the mortgage over Glebelands. In addition, the Christopher James Subscription Agreement has been entered into, as detailed in paragraph 10.15 below.

10.8 **Mortgages**

Each of the tranches of Loan Notes is secured by a mortgage as described in this paragraph 10.

K&C Ltd granted a mortgage over the freehold property situated at 24 Martingale Chase, Newbury, Berkshire, RG14 2EN dated 7 March 2014 to Oliver Vaughan and Edward and Susan Vandyk (“**Mr and Mrs Vandyk**”) as security for the 7 March Loan Notes issued to Oliver Vaughan and Mr and Mrs Vandyk in respect of a loan of, in aggregate, £250,000 made by Oliver Vaughan and Mr and Mrs Vandyk to K&C Ltd for the purchase of such property.

K&C Ltd granted a mortgage over the freehold property situated at 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX dated 14 March 2014 to Mr and Mrs Vandyk, as security for the 14 March Loan Notes issued to Mr and Mrs Vandyk in respect of a loan of £209,000 made by Mr and Mrs Vandyk to K&C Ltd for the purchase of such property.

K&C Ltd granted a mortgage over the freehold property situated at 10 Glebelands, Thatcham, Berkshire, RG19 3QZ dated 24 March 2014 to Christopher James, as security for the 24 March Loan Notes issued to Christopher James in respect of a loan of £215,000 made by Christopher James to K&C Ltd for the purchase of such property.

Each mortgage is on substantially the same terms and places certain restrictions on K&C Ltd with regard to repair and maintenance, alterations, development, insurance, payment of rent and outgoings and other matters relating to the property secured by the mortgage.

The mortgages are governed by English law.

10.9 ***Put and Call Option Agreement***

On 14 March 2014, K&C Ltd entered into a put and call option agreement (the “**Put and Call Option Agreement**”) between (1) K&C Ltd and (2) Mr and Mrs Vandyk with respect to the freehold property situated at 49 and 50 Cheap Street, Newbury, Berkshire RG14 5BX (“**49 and 50 Cheap Street**”). Pursuant to the Option Agreement, K&C Ltd granted Mr and Mrs Vandyk an option (the “**Call Option**”) to purchase, and Mr and Mrs Vandyk granted K&C Ltd an option (the “**Put Option**”) to require Mr and Mrs Vandyk to purchase, 49 and 50 Cheap Street.

By a deed of termination entered into on 29 April 2015 and made between (1) K&C Ltd and (2) Mr and Mrs Vandyk, the parties agreed that the Put and Call Option Agreement was to be terminated and was to have no further force or effect.

10.10 ***Acquisition Agreement***

The share sale agreement dated 15 April 2015 between (1) the Company (2) Détente Limited as Trustee of The Southern Cross Trust and (3) Tuscan Properties relating to the conditional acquisition by the Company of the entire issued share capital of Silcott Properties for a consideration of £3,630,000 and as further detailed in paragraph 8 of Part I of this Document.

10.11 ***Placing Agreement and related arrangements***

The Company has entered into a placing agreement dated 30 June 2015 made between (1) the Company and (2) Allenby Capital, pursuant to which Allenby Capital has agreed (conditionally, among other things, on Admission occurring not later than 8.00 a.m. on 3 July 2015 or such later date as the Company and Allenby Capital may agree, being not later than 17 July 2015) to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price.

The Company has agreed to pay to Allenby Capital a corporate finance fee of £220,000, and a commission of five per cent. on funds raised pursuant to the Placing by Allenby Capital. The Company has agreed to pay all other reasonably and properly incurred costs, charges and expenses of, and incidental to, the Placing and Admission, including all expenses of Allenby Capital, the reasonably and properly incurred fees and expenses of Allenby Capital's legal advisers, all fees and expenses in connection with Placing and Admission, including registrars' fees, printing, advertising and distribution expenses and all related irrecoverable VAT, if applicable.

The Company has given certain warranties and indemnities to Allenby Capital as to the accuracy of information in this Document and other matters in relation to the Company and its business. The Directors have given certain warranties to Allenby Capital as to the accuracy of information in this Document and other matters in relation to the Company and its business. Allenby Capital may terminate the Placing Agreement in certain circumstances prior to Admission.

The Company entered in an agreement with Daniel Stewart & Company Plc (“**Daniel Stewart**”) pursuant to an engagement letter dated 15 June 2015 written by Daniel Stewart to the Company. The Company has agreed to pay to Daniel Stewart a commission of five per cent. on funds raised pursuant to the Fundraising by Daniel Stewart for the purposes of the Fundraising. The Company

has agreed to pay all other reasonably and properly incurred costs, charges and expenses of, and incidental to, the Fundraising, including travel expenses and legal fees of Daniel Stewart. Daniel Stewart may terminate the engagement in certain circumstances.

The Company entered in an agreement with Q Street Capital Ltd. ("**Q Street**") pursuant to an engagement letter dated 2 June 2015 between Q Street and the Company. The Company has agreed to pay to Q Street a commission of five per cent. on funds raised pursuant to the Fundraising by Q Street for the purposes of the Fundraising.

The Company has entered into an agreement with Beaufort Securities in which the Company agreed to pay Beaufort Securities a commission of five per cent. on funds raised pursuant to the Fundraising by Beaufort Securities for the purpose of the Fundraising.

10.12 **Nominated Adviser and Broker Agreement**

The Company has entered into a nominated adviser and broker agreement dated 30 June 2015 (the "**Nomad and Broker Agreement**") made between (1) the Company, (2) Allenby Capital and (3) the Directors, pursuant to which the Company has appointed Allenby Capital to act as nominated adviser and broker for the purposes of the AIM Rules for Companies. The Company has agreed to pay Allenby Capital an annual fee of £45,000 plus VAT for its services as nominated adviser and broker. The Nomad and Broker Agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations. The Nomad and Broker Agreement is subject to termination on three months' notice by either party provided that such notice shall not take effect prior to the first anniversary of Admission.

10.13 **Lock-in Agreement**

A lock-in agreement dated 30 June 2015 has been entered into between (1) Allenby Capital, (2) the Company and (3) each of the Directors and an employee (together, the "**Locked-in Parties**") (the "**Lock-in Agreement**") pursuant to which each Locked-in Party has agreed with Allenby Capital and the Company not to dispose of any Ordinary Shares held by him for a period of twelve months from Admission (the "**Lock-in Period**"). Certain disposals are excluded from the Lock-in Agreement, including those relating to acceptance of a general offer made to all Shareholders, pursuant to a court order or in the event of the death of a Locked-in Party. For the twelve-month period following the Lock-in Period, each of the Locked-in Parties agrees that he shall only dispose of Ordinary Shares through Allenby Capital (or such other replacement broker as may be appointed by the Company from time to time) in such manner as Allenby Capital or the replacement broker may reasonably require so as to ensure an orderly market in the Ordinary Shares save that, during such period, the Locked-in Parties may dispose of their Ordinary Shares, *inter alia* (i) pursuant to a scheme of compromise or arrangement under Part 26 of the Act ; (ii) in accordance with a general offer for the share capital of the Company made in accordance with the Takeover Code; (iii) to a family member; or (iv) as otherwise permitted by Allenby Capital. The Lock-in Agreement also contains covenants given by the Locked-in Parties to use their reasonable endeavours to ensure that any persons deemed to be their connected persons adhere to the terms of the Lock-in Agreement.

10.14 **Allenby Warrant Agreement**

On 30 June 2015, the Company entered into a warrant agreement (the "**Allenby Warrant Agreement**") with Allenby Capital pursuant to which the Company granted Allenby Capital the right to subscribe for such number of Ordinary Shares as is equal to one per cent. of the issued share capital of the Company on Admission at the Issue Price for the period beginning on the date of Admission and ending on the fifth anniversary of the date of Admission.

The Allenby Warrant Agreement contains a mechanism whereby the subscription price may be adjusted following the occurrence of certain alterations to the Company's share capital, including a sub-division or consolidation of the Ordinary Shares.

The Allenby Warrant shall be exercised by the Allenby Capital giving notice to the Company in writing setting of the number of Ordinary Shares in respect of which it wishes to exercise the Allenby Warrant accompanied by payment of the relevant subscription price.

The agreement is governed by English law.

10.15 **Christopher James Subscription Agreement**

On 30 June 2015, the Company entered into the Christopher James Subscription Agreement whereby, conditional upon Admission occurring on or before 31 July 2015, Mr James and the Company agreed that on Admission £215,000 of the Glebelands Liability will automatically be converted into 2,150,000 Ordinary Shares credited as fully paid at the Issue Price by way of a release of £215,000 of the Glebelands Liability.

The Christopher James Subscription Agreement is governed by English law.

10.16 **Executive Option Agreements**

On 30 June 2015, the Company entered in option agreements with each of the Executives (being Timothy James, Christopher James, Timothy Oakley, James Cane, Oliver Vaughan and Benjamin James) granting options to subscribe, in aggregate, for up to 3,000,000 Ordinary Shares (the "Initial Executive Option Agreements") subject to certain vesting conditions set out below. The Executive Options granted by Initial Executive Option Agreements are conditional on Admission and granted to the Executives in the amounts shown in the table below.

<i>Name of Executive</i>	<i>Number of Ordinary Shares over which an Executive Option has been granted conditional on Admission</i>	<i>Percentage in which it is proposed that any future Executive Options are to be issued</i>
Timothy James	810,000	27
Christopher James	600,000	20
Timothy Oakley	300,000	10
James Cane	180,000	6
Oliver Vaughan	810,000	27
Benjamin James	300,000	10
Total	3,000,000	100

On 30 June 2015, the Company also executed a deed of commitment in favour of all of the Executives (the "Deed of Commitment") in which it agreed that, provided the Executive remains an employee of the Group, the Company will enter into further option agreements with the Executives on the same terms (save as set out below) as the Initial Executive Option Agreements in order to provide further tranches of Executive Options to the Executives provided always that the number of Ordinary Shares that may be issued on the exercise of Executive Options, Non-Executive Options, Founder Warrants or other rights to Ordinary Shares held by directors or employees of the Group shall not exceed 10 per cent. of the issued share capital of the Company from time to time. The percentage of any future grant of Executive Options will be allocated between the Executives in the percentages written against their names above, but if any Executive leaves the employment of the Group (a "**Departing Executive**") before any future tranches of Executive Options are granted then the Departing Executive will not be granted any of the future tranches and the number of Ordinary Shares over which the Executive Options are granted to the remaining Executives will not increase as a result of the Departing Executive leaving.

The requirement on the Company to grant each future tranche of Executive Options is dependent on the tranche conditions set out in the table below having occurred. Each tranche of Executive Options will have the vesting conditions and exercise periods set out in the table below.

<i>Tranche Condition</i>	<i>No. Executive Options granted/ to be granted</i>	<i>Vesting Conditions</i>	<i>Exercise Period</i>
Admission	3,000,000	Assets Under Management > £25 million and NAV > 10.5p	Between the first and fifth anniversary of vesting
<i>Tranche Condition</i>	<i>No. Executive Options granted/ to be granted</i>	<i>Vesting Conditions</i>	<i>Exercise Period</i>
Assets Under Management > £25 million	7,875,000	Assets Under Management > £50 million and NAV > 11p	Between the first and fifth anniversary of vesting
Assets Under Management > £50 million	15,750,000	Assets Under Management > £75 million and NAV > 11.5p	Between the first and fifth anniversary of vesting
Assets Under Management > £75 million	23,625,000	Assets Under Management > £100 million and NAV > 12p	Between the first and fifth anniversary of vesting

For these purposes:

“Assets Under Management” means, in relation to any date, the aggregate fair market value of the property value of the Group at such date (as derived from the Relevant Audited Accounts);

“Fully Diluted Share Capital” means, in relation to any date, the number of Ordinary Shares in issue as at such date plus the total number of Ordinary Shares that could be issued if all rights or obligations to subscribe for Ordinary Shares at such date were so exercised or fulfilled;

“NAV” means the net value of the Group (as derived from the consolidated statement of financial position in the Relevant Audited Accounts) divided by the Fully Diluted Share Capital as at the date to which the Relevant Audited Accounts are drawn up; and

“Relevant Audited Accounts” means, in relation to any date, the audited consolidated accounts of the Group as at the date closest to (but prior to) such date.

The Executive Options granted by the Initial Executive Option Agreements are exercisable at nominal value (being 1p per Ordinary Share) and any future tranches of the Executive Options will also be exercisable at nominal value.

The Initial Executive Option Agreements provide that if an Executive dies then his personal representatives have a period of 12 months after his death to exercise the Executive Option to the extent that it vested before his death. The Initial Executive Option Agreements also provide that if an Executive leaves the employment of the Group as a “good leaver” (as more particularly set out in the Initial Executive Option Agreements) then he may exercise the Executive Option to the extent that it vested for the remainder of the exercise period. The Executive Options are personal to the Executive and are not transferable. The Initial Executive Option Agreements are all governed by English law.

10.17 Non-Executive Option Agreements

On 30 June 2015, the Company entered in option agreements with George Rolls and Patricia Farley granting George Rolls an option to subscribe for up to 437,856 Ordinary Shares (being approximately 1 per cent. of the Enlarged Share Capital on Admission) and granting Patricia Farley an option to subscribe for up to 144,493 Ordinary Shares (being approximately 0.33 per cent. of the Enlarged

Share Capital on Admission). The Non-Executive Options granted to George Rolls and Patricia Farley are conditional on Admission.

The Non-Executive Options granted to George Rolls and Patricia Farley do not have any performance criteria attached to them, are exercisable at the Issue Price and may be exercised at any time during the period commencing one year from the date of Admission and ending on the date immediately preceding the date of the tenth anniversary of the date of Admission.

The Non-Executive Options granted to George Rolls and Patricia Farley provide that if the director dies then his or her personal representatives have a period of 12 months after his or her death to exercise the Non- Executive Option to the extent that it vested before his or her death. The Non-Executive Options lapse in certain circumstances if George Rolls or Patricia Farley cease to be a director of the Company. The Non-Executive Options are personal to the relevant non-executive director and are not transferable. The Non-Executive Options are both governed by English law.

The Board intends to grant further options to certain non-executive Directors in the future if appropriate to do so, subject always to no more than 10 per cent. of the Company's issued share capital being under option at any one time.

10.18 **Buyback Agreement**

On 14 May 2015 (and having been duly authorised by ordinary resolution of the Company's shareholders), the Company entered into a purchase agreement made between (1) the Company and (2) the holders of the 750,000 Deferred Shares then in issue, whereby each holder of the Deferred Shares (a "Deferred Shareholder") agreed to sell, and the Company agreed to buy, all of the Deferred Shares then held by such Deferred Shareholder.

The aggregate consideration payable by the Company for the sale of all the Deferred Shares was £0.01, which obligation was satisfied by the payment of the sum of £0.01 to Timothy James who holds such sum on trust for Deferred Shareholders in proportion to their respective entitlements to such consideration.

Pursuant to provisions under the Articles, the Company appointed any one director to sign the Buyback Agreement on behalf of the Deferred Shareholders.

The Buyback Agreement is governed by English law.

10.19 **Put Option Agreements**

The Put Option Agreements to be dated on or around the date of completion of the Acquisition Agreement entered into between the Vendor and each of Timothy Michael James, Christopher Douglas James and Oliver John Vaughan, further details of which are set out in paragraph 7 of Part I.

10.20 **Metro Bank Facility Letter**

The Company has entered into a secured term loan facility letter with Metro Bank plc ("**Metro Bank**") dated 25 June 2015 (the "**Metro Bank Facility Letter**") for the provision by Metro Bank of a single currency term loan facility of up to £1,515,000.00 in aggregate on a committed basis which matures in 2040. The proceeds of the Metro Bank Facility Letter are to be used for general corporate purposes.

The obligations of the Company under the Metro Bank Facility Letter will be guaranteed by Silcott Properties and secured by way of: (i) a share charge granted by the Company over all of the shares it holds in Silcott Properties, (ii) a fixed and floating charge granted by Silcott Properties over all of its assets and (iii) a legal mortgage granted by Silcott Properties over the Property; all of which are in customary form (the "**Security Documents**").

Monthly payments of principal and interest are required under the Metro Bank Facility Letter. The Company agrees to pay interest on the loan advanced to it under the Metro Bank Facility Letter at a percentage rate per annum equal to an aggregate of Metro Bank's published base lending rate and a margin of 3.25 per cent. Certain customary facility fees are payable to Metro Bank under the Metro Bank Facility Letter.

Metro Bank has the right for a period of 60 days ending on the fifth anniversary of the first drawdown under the Metro Bank Facility Letter (the “**First Drawdown Date**”) and for a period of 60 days ending on each successive fifth anniversary of the First Drawdown Date to require the Company to repay the loan and all accrued and unpaid interest and any other amounts payable under the facility documents by giving the Company 90 days’ written notice. A prepayment fee is payable by the Company upon an early prepayment of the loan at the Company’s request.

The Metro Bank Facility Letter requires (i) a debt service cover ratio (being the ratio of rental income (discounted for management costs and voids), to finance costs expressed as a percentage) of not less than 120 per cent. and (ii) a loan to value ratio where the liabilities under the Metro Bank Facility Letter shall not be more than 50 per cent. of the value of the Property. The Metro Bank Facility Letter contains certain other covenants, including, without limitation a restriction on the creation or subsistence of security over the assets secured pursuant to the Security Documents.

The Metro Bank Facility Letter also contains various events of default including, without limitation, failure to make payments under the Metro Bank Facility Letter, breach of the financial covenants set out above, breach of certain other obligations contained in the Metro Bank Facility Letter, breach of representations, certain events of administration or reorganisation and similar events, insolvency, cross-acceleration, invalidity of the finance documents, change of control, destruction and/or compulsory purchase of the Property.

11. RELATED-PARTY TRANSACTIONS

Save as disclosed at note 3 to the historical financial information on the Company set out at Part III(B), at note 4 to the historical financial information on K&C Ltd set out at Part IV(B) or at paragraphs 10, 16.6 and 16.7 of this Part X during the period from 19 August 2013 (being the date of the incorporation of K&C Ltd) until the date of this Document, neither the Company nor any other member of the Group has entered into any related-party transactions (being those set out in the standards adopted pursuant to Regulation (EC) No. 1606/2002).

12. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the estimated net proceeds of the Fundraising and the £1,515,000 available pursuant to the Metro Bank Facility Letter, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least twelve months from Admission.

13. REASONS FOR THE OFFER AND USE OF PROCEEDS

- 13.1 The gross proceeds of the Fundraising are expected to be approximately £3.6 million. The total costs and expenses payable by the Company in connection with the Fundraising are estimated to amount to approximately £660,000 plus commissions (exclusive of irrecoverable VAT). The net proceeds of the Fundraising are therefore expected to be approximately £2.8 million (approximately £2.7 million after VAT).
- 13.2 The Company’s estimate of its use of the net proceeds of the Fundraising and the £1,515,000 available pursuant to the Metro Bank Facility Letter, is as follows:

<i>Use of Funds</i>	<i>Amount</i>
Acquisition of Silcott Properties	£3,330,000
Expenses in relation to the Acquisition	£127,000
Working capital	£783,000

14. LITIGATION

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which have had or may have a significant effect on the Company’s or Group’s financial position or profitability since incorporation and, so far as the Company is aware, there are no such proceedings pending or threatened by or against any member of the Group.

15. NO SIGNIFICANT CHANGE

Save with respect to the Acquisition, Share Exchange Agreement, the 5 September Loan Notes and the expenses incurred in connection with the Placing (see paragraph 13.1 of this Part X above), there has been no significant change in the financial or trading position of the Group since 31 December 2014, being the date to which financial information has been prepared for this Document.

16. GENERAL

- 16.1 The accounting reference date of the Group is 30 June.
- 16.2 Allenby Capital has been appointed as nominated adviser and broker to the Company. Allenby Capital is registered in England and Wales with registered number 06706681 and its registered office is 3 St. Helen's Place, London EC3A 6AB. Allenby Capital is authorised and regulated by the FCA in the conduct of investment business and is a member of the London Stock Exchange. Allenby Capital has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which they appear in this Document.
- 16.3 Moore Stephens LLP has given and not withdrawn its written consent to the inclusion in this Document of references to its name and the reports set out at Parts III, IV, V and VI in the form and context in which they appear.
- 16.4 Meredith has given and not withdrawn its written consent to the inclusion in this Document of references to its name and the valuation report set out at Part VIII in the form and context in which it appears.
- 16.5 The Issue Price represents a premium of 900 per cent. over the nominal value of 1p per Ordinary Share.
- 16.6 The Company has agreed to pay Perry, Cane, a consultancy business owned by James Cane, fees of £55,000 plus VAT for services provided by James Cane to the Company for the period from its incorporation on 10 June 2014 to Admission. Such fees will be payable on Admission.
- 16.7 Within the last twelve months, the Company has paid a fee of £10,000 to Benjamin James for his services to the Company.
- 16.8 Save as disclosed at paragraphs 10, 16.6 and 16.7 above, no person (excluding professional advisers otherwise disclosed in this Document) has received, directly or indirectly, from the Company within twelve months preceding the date of this Document, or entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Company, on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.
- 16.9 Save for the Acquisition and save as disclosed in the section in Part I headed "7. Current Portfolio", there are no investments in progress, and there are no future investments in respect of which the Directors have already made firm commitments, which are significant to the Company.
- 16.10 The Directors are unaware of any exceptional factors that have influenced the Company's activities.
- 16.11 There are no trademarks, patents or other intellectual property rights, licences or particular contracts that are of material importance to the Company's business.
- 16.12 The Directors are unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

Dated: 30 June 2015

