

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in the Company, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

K&C REIT plc

(incorporated and registered in England and Wales under company registration number 09080097)

Circular to shareholders

Receipt of financial statements for the year ended 30 June 2016 Adoption of New Articles, creation of Restricted Preference Shares and cancellation of existing Executive Option Arrangements Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 7 to 13 of this document and which recommends you vote in favour of the Resolutions.

Your attention is drawn to a notice convening a General Meeting of the Company to be held at 10.00 a.m. on 20 February 2017 at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG is set out at the end of this document.

A Form of Proxy for use at the General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it to the Company's Registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 16 February 2017.

Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the General Meeting should they choose to do so. Further instructions relating to the form of proxy are set out in the Notice of General Meeting.

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EXPECTED TIMETABLE

Posting of Circular and Form of Proxy	27 January 2017
Latest time and date for receipt of completed Forms of Proxy for General Meeting or electronic proxy appointments	10.00 a.m. on 16 February 2017
General Meeting	10.00 a.m. on 20 February 2017

DEFINITIONS

In this document, the following expressions have the following meanings unless the context otherwise requires:

"2016 Accounts"	the consolidated financial statements of the Company and the reports of the directors and the auditors for the year ended 30 June 2016;
"Act" or "Companies Act"	the Companies Act 2006 (as amended from time to time);
"Acquisitions"	any acquisition including (but not limited to) the acquisition of: all or part of the issued share capital of a company; any entity whose assets comprise principally of any property; and properties;
"Admission Document"	the admission document issued by the Company on 30 June 2015;
"Aggregate Uplift"	in relation to any period, the sum of (1) any amounts (before the deduction of any fees, commissions or other expenses) subscribed for Ordinary Shares in cash during that period; and (2) the purchase prices of any Care Home Sector Acquisitions completed by any member of the Group during that period;
"AIM"	the AIM market operated by the London Stock Exchange;
"AIM Rules"	the AIM Rules for Companies;
"Auditors"	the auditors of the Company from time to time or if or, if the auditors are unable or unwilling to act in connection with the reference in question, a chartered accountant nominated by the Directors and engaged on such terms as the Directors, acting as agent for the Company and the relevant holder of Restricted Preference Shares, shall in their absolute discretion see fit;
"Auditors' Certificate"	the certificate to be produced by the Auditors within 28 days of the publication of the audited consolidated accounts of the Group for each financial year of the Company up to (and including) the year ending 30 June 2022 in order to confirm whether or not, by reference to such Relevant Audited Accounts, any of the Milestones has been achieved and, accordingly, how many Restricted Preference Shares have Vested;
"AUM" or "Assets under Management"	the aggregate fair market value of the Group's investment properties (which, for the avoidance of doubt, shall be before the deduction of any borrowings secured on the investment properties of the Group) plus net current assets as derived from the audited consolidated accounts of the Group as at the balance sheet date closest to (but prior to) such date and as determined, for the purposes of assessing whether or not a Milestone has been achieved, by the Auditors in accordance with the New Articles;
"Board" or "Directors"	the directors of the Company whose names are set out on page 7 of this document;
"Call Options"	the conditional options granted by each of White Amba and Gravity to the Company to acquire Restricted Preference Shares (or Ordinary Shares) pursuant to the Call Option Agreements;
"Call Option Agreements"	Gravity Call Option Agreement and the White Call Option Agreement;
"Cancellation Deeds"	the deeds executed by each of the Existing Executives and the Company in which of the Existing Executives conditionally agreed to the

	cancellation of his Executive Option Arrangements if he is allotted Restricted Preference Shares, as set out in sections 5 and 8 of the Chairman's Letter;
"Care Home Sector Acquisitions"	Acquisitions in the care home sector or any other Acquisitions relating to real property irrespective (in the case of the White Call Option Agreement) of the source of the introduction to the Acquisition and (in the case of the Gravity Call Option Agreement) introduced by Gravity or Mr Bateman;
"Chairman's Letter"	the letter from the chairman of the Company to Shareholders on page 7 of this document;
"Company" or "K&C"	K&C REIT plc;
"Conversion Period"	the period of 30 days following the delivery to the holders of Restricted Preference Shares of any Auditors' Certificate;
"Deed of Commitment"	the deed dated 30 June 2015 made between (1) the Company and (2) the Existing Executives, described in section 4 of the Chairman's Letter;
"Existing Executives"	Timothy James, James Cane, Christopher James, Timothy Oakley, Oliver Vaughan and Benjamin James;
"Executive Option Arrangements"	the rights granted by the Company to the Existing Executives pursuant to the Initial Executive Option Agreements and the Deed of Commitment;
"Form of Proxy"	the form of proxy for use by Shareholders in relation to the General Meeting;
"Fully Diluted Share Capital"	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 or convert into Ordinary Shares which (taking into account the rights and restrictions attaching thereto) had become exercisable at such date were so exercised or fulfilled (including, for the avoidance of doubt, Ordinary Shares that may be issued on such date following the exercise of the conversion rights attaching to the Vested Restricted Preference Shares, but not any Unvested Restricted Preference Shares);
"General Meeting"	the general meeting of K&C to be held at 10.00 a.m. on 20 February 2017, or any adjournment thereof;
"Gravity"	Gravity Investment Group Limited, the holder as at the date of this document of 5,000,000 Ordinary Shares (representing approximately 9.66 per cent. of the Company's current issued share capital);
"Gravity Call Option Agreement"	the conditional agreement dated 26 January 2017 entered into by the Company and Gravity as described in section 9 of the Chairman's Letter;
"Group"	the Company and its subsidiaries;
"Independent Directors"	Michael Davies and Patricia Farley (being all the Directors other than (a) those Directors who are also Existing Executives and (b) Dominic White);

"Initial Executive Option Agreements"	the option agreements entered between the Company and each of the Existing Executives, granting the Existing Executives the right to subscribe for a total of 3,000,000 Ordinary Shares at 1p per share and the expression "Initial Executive Options" shall be construed and interpreted accordingly;
"K&C (Osprey)"	K&C (Osprey) Limited, a wholly owned subsidiary of the Company which was formerly called The Osprey Management Company Limited;
"London Stock Exchange"	London Stock Exchange PLC;
"Milestones"	the milestones relating to AUM and NAV Per Share which are set out in section 7 of the Chairman's Letter;
"Mr Bateman"	Chris Bateman, who owns and controls Gravity;
"NAV Per Share"	the net asset 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 balance sheet date to which the Relevant Audited Accounts are drawn up and as determined, for the purposes of assessing whether or not a Milestone has been achieved, by the Auditors in accordance with the New Articles;
"New Articles"	the new articles of association of the Company to be adopted by the passing of Resolution 2 in the Notice;
"Notice"	the notice of the General Meeting, which is set out at the end of this document;
"Offer"	an offer made in accordance with the City Code on Takeovers and Mergers for all the issued and to be issued shares in the Company carrying voting rights (irrespective of whether or not such offer is recommended for acceptance by the board of directors of the Company) and in the event of such an offer being amended or increased, the term "Offer" shall include the amended or increased offer and such amended or increased offer shall for the purposes of the New Articles be deemed to have been made on the date that the original Offer was made;
"Ordinary Shares"	ordinary shares of one penny each in the capital of the Company;
"PRS"	the residential private rented sector;
"Preference Share Resolutions"	the Resolutions numbered 2, 3, and 4 in the Notice;
"Reference Periods"	the financial years ending 30 June 2017 to 2022 inclusive;
"Relevant Audited Accounts"	in relation to any date, the audited consolidated accounts of the Group as at the balance sheet date closest to (but not later than) such date;
"Relevant Percentage"	in relation to any date, the percentage of Ordinary Shares in issue at such date that have resulted from the conversion of Vested Restricted Preference Shares in the previous ten years up to and including that date as a percentage of the issued Ordinary Share capital at such date;
"Resolutions"	the resolutions to be proposed at the General Meeting, as set out in the Notice;

"Restricted Preference Shares" or "Preference Shares"	restricted preference shares of one penny each in the capital of the Company to be created by and having the rights set out in the New Articles, as described in section 6 of the Chairman's Letter;
"Shareholders"	holders of Ordinary Shares;
"Stockdale"	Stockdale Securities Limited, the nominated adviser of the Company;
"Subscription"	the subscription for a total of 5,000,000 Ordinary Shares at 10p per share described in section 1 of the Chairman's Letter;
"Target Period"	the period of 18 months commencing on the date of the first subscription by Gravity and White Amba for Restricted Preference Shares;
"Unconditional Date"	in relation to any Offer, the date that such Offer is declared or becomes unconditional in all respects;
"Unvested Restricted Preference Shares"	those Restricted Preference Shares in respect of which none of the Milestones has been achieved;
"Vested Restricted Preference Shares"	those Restricted Preference Shares in respect of which at least one of the Milestones has been achieved and the expression "Vest" shall be construed and interpreted accordingly;
"White Amba"	White Amba Limited, a company owned and controlled by Dominic White, the chief executive of the Company;
"White Call Option Agreement"	the conditional agreement dated 26 January 2017 entered into by the Company and White Amba as described in section 9 of the Chairman's Letter;
"White Subscription Option"	the right described in section 8 of the Chairman's Letter granted by the Company to White Amba to allow it to subscribe for a further 10,000,000 Restricted Preference Shares at 1p per share at any time during the White Subscription Option Period;
"White Subscription Option Period"	the period of 18 months commencing on the date that White Amba subscribes for its initial tranche of 5,000,000 Restricted Preference Shares.

LETTER FROM THE CHAIRMAN OF K&C REIT plc

(incorporated and registered in England and Wales under company registration number 09080097)

Registered office:

82 St John Street,
London EC1M 4JN

Michael Davies (*Non-executive Chairman*)
Dominic White (*Chief Executive*)
Timothy James (*Managing Director*)
James Cane (*Finance Director*)
Christopher James (*Operations Director*)
Timothy Oakley (*Construction Director*)
Oliver Vaughan (*Director*)
Patricia Farley (*Non-executive Director*)

27 January 2017

To the Shareholders (and, for information only, to the holders of options and warrants to subscribe for Ordinary Shares)

Dear Shareholder

1. Introduction

The preliminary results of the Group for the year ended 30 June 2016 were announced on 22 December 2016. You will find enclosed with this document a copy of the 2016 Accounts that were filed at Companies House on 23 December 2016. It was also announced on 22 December 2016 that:

- the Company had raised £500,000 at 10p per share, which represents a premium of approximately 43 per cent. to the mid-market price of K&C at today's date and of 6 per cent. to the latest reported net asset value per share. This capital was raised in two tranches of £250,000 each;
- Dominic White would be appointed as the chief executive of the Company with effect from 1 January 2017; and
- it was proposed to create a new long-term share incentive scheme based upon Restricted Preference Shares.

It was further announced on 9 January 2017 that the Company had received an additional loan of £25,000 from Gravity and that the Directors were considering a request from Gravity that this loan be converted into 250,000 Ordinary Shares at 10p per share. The Directors agreed to that request and those Ordinary Shares will be admitted to trading on AIM on 30 January 2017.

The Company has agreed, conditionally upon Shareholders authorising the creation and issue of the Restricted Preference Shares, to cancel the Executive Option Arrangements and to amend its articles of association so that it can, inter alia, issue Restricted Preference Shares in place of the Initial Executive Options.

This letter explains the background to the Resolutions which are being submitted for approval at the General Meeting, and why the Board considers that the Resolutions are in the best interests of Shareholders as a whole.

Set out at the end of this document is a notice convening the General Meeting, which will be held at 10.00 a.m. on 20 February 2017 at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG. There is also enclosed a Form of Proxy to enable you to vote on the Resolutions should you be unable to attend the General Meeting.

2. 2016 Accounts

In a year that was dominated by political and economic uncertainty, K&C REIT delivered good performance via its acquisitions of two special purpose vehicles, which integrated well and traded satisfactorily in the year ended 30 June 2016, with NAV Per Share at year-end of 9.4p. K&C's progress has been further supported by the announcement of the Subscription and the appointment of Dominic White as our new chief executive, which we believe will lead to a strong and exciting pipeline of opportunities. We look forward to this year with confidence.

3. Strategy update

The Group operates in the residential private rented sector (PRS), with an emphasis on Central London. The residential sector has several sub-categories, including PRS, which was K&C's original focus, retirement residential, residential care and social housing. K&C's operations in the market broadened following the acquisition of K&C (Osprey) to include the retirement residential sub-category in London and the southeast of the UK.

Following a review of all the sub-categories in the residential sector, K&C remains positive on PRS and retirement residential, and continues to explore other appropriate income-producing opportunities. Given the growing demand for residential care property and the income yields available to investors, K&C will also consider opportunities to acquire buildings leased to operators in this segment.

4. Executive Option Arrangements

The Company currently incentivises the Existing Executives by way of the grant of the Initial Executive Options and the entry into the Deed of Commitment.

In the Deed of Commitment, the Company agreed with the Existing Executives that, provided an Executive remains an employee of the Group, the Company will enter into further option agreements with the Existing Executives on the same terms (save as set out below) as the Initial Executive Option Agreements in order to provide further tranches of options to the Existing Executives, provided always that the number of Ordinary Shares that may be issued on the exercise options, warrants or other rights to Ordinary Shares held by directors (including non-executive 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 requirement on the Company to grant each future tranche of Executive Options is dependent on the tranche conditions set out in the table in paragraph 10.16 of Part X of the Admission Document having occurred. The tranches only become exercisable if the assets under management of the Group (i.e. the aggregate fair market value of the property value of the Group) and also the net asset value per share exceed certain thresholds. In order for the Existing Executives to have been granted options to subscribe for a further 57,000,000 Ordinary Shares at 1p per share (i.e. giving the Existing Executives a right to subscribe for a total of 60,000,000 Ordinary Shares at 1p per share) the assets under management would have to have exceeded £75 million and the net asset value per share would have to have exceeded 12p.

5. Cancellation of Executive Option Arrangements and issue of Restricted Preference Shares

The Company has agreed that, if the Preference Share Resolutions are all duly passed, the Executive Option Arrangements be cancelled. The Existing Executives and the Company have agreed that, conditionally upon the Preference Share Resolutions being passed and them each subscribing for the number of Restricted Preference Shares set out in section 8 below, the rights and obligations of the Existing Executives and the Company under the Initial Executive Option Agreements and the Deed of Commitment be cancelled and that there be no liability of any party to the other in respect of such cancellation. In addition, the Company has agreed, conditionally upon the Preference Share Resolutions being passed, to issue Restricted Preference Shares to Gravity and White Amba. Further details of the issues of Restricted Preference Shares appear in section 8 below.

6. Rights attaching to the Restricted Preference Shares

Resolution 2 will be proposed at the General Meeting in order to amend the existing articles of association of the Company by setting out the rights of the Restricted Preference Shares. If the Preference Share Resolutions are passed and the Restricted Preference Shares are created and issued, the following rights will attach to the Restricted Preference Shares:

Voting

The holders of the Restricted Preference 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.

Dividends

Restricted Preference Shares shall confer no right to participate in the profits of the Company.

Return of capital

On a winding-up or a return of capital, the holders of the Restricted Preference Shares shall rank *pari passu* with the holders of Ordinary Shares save that on a distribution of assets the amount to be paid to the holders of the Restricted Preference Shares shall be limited to the nominal capital paid up or credited as paid up on such Restricted Preference Shares (which, as described below, shall be 1p per Restricted Preference Share). The holders of the Restricted Preference Shares shall not be entitled to any further right of participation in the assets of the Company.

Conversion into Ordinary Shares

If any of the Milestones described below are achieved, the registered holder of Restricted Preference Shares may, until the date that is 30 days after the delivery to the holders of Restricted Preference Shares, in respect of the year ending 30 June 2022, of confirmation by the Auditors by the delivery of an Auditors' Certificate that the relevant Milestones have been achieved, convert any Vested Restricted Preference Shares into fully paid Ordinary Shares at the rate of £0.01 (one penny) in nominal amount of Ordinary Shares for every £0.01 (one penny) in nominal amount of Restricted Preference Shares; namely, on a one-for-one basis.

The New Articles provide that the percentage of Ordinary Shares in issue at any time that have resulted from the conversion of Vested Restricted Preference Shares in the previous ten years up to and including the date of conversion must not exceed 10 per cent. of the issued Ordinary Share capital. There is a period of 30 days after the delivery of each Auditors' Certificate during which the holders of Vested Restricted Preference Shares can give notice of their wish to convert their Vested Restricted Preference Shares into Ordinary Shares. If, at the expiry of any Conversion Period, the conversion of all of the Vested Restricted Preference Shares would result in the Relevant Percentage exceeding 10 per cent., the number of Vested Restricted Preference Shares that are converted will be scaled back on a pro-rata basis for each holder of Vested Restricted Preference Shares who wishes to convert so that the Relevant Percentage will be 10 per cent. or less.

Takeover Offer

If an Offer (namely, an offer from a third party to acquire all of the issued and to be issued Ordinary Shares) becomes or is declared unconditional in all respects (irrespective of whether or not such offer is recommended for acceptance by the board of directors of the Company), the New Articles provide that it shall be deemed that the Milestone that has been achieved as at the Unconditional Date shall be advanced by one Milestone. For example: if only the first Milestone has been achieved as at the Unconditional Date it shall be deemed that the second Milestone has been achieved; and if all Milestones up to and including the fifth Milestone have been achieved as at the Unconditional Date, it shall be deemed that the sixth (and final) Milestone has been achieved. The provisions in the New Articles relating to the advancement of Milestones would not apply if there was a change of control of the Company because of a reverse takeover (as defined in the AIM Rules).

The purpose of the advancement of the Milestones (as described above) upon an Offer becoming or being declared unconditional in all respects is to remove any possible conflict of interests between those Directors who hold Restricted Preference Shares and Shareholders as a whole. The proposed advancement of Milestones means that there can be certainty as to how any potential bidder for the Company would value the Restricted Preference Shares because it would then be clear as to which Restricted Preference Shares would be (or become) Vested Restricted Preference Shares.

7. Milestones

It is proposed that, immediately following the General Meeting, a total of 50,000,000 Restricted Preference Shares be issued at 1p per share. This will mean that the Company will receive a total of £500,000 on such completion of such subscription. As described in section 6 above, the Restricted Preference Shares have very limited rights until they Vest (namely, until the both elements of each Milestone have been achieved).

The Milestones are those set out below and have the effect that the Restricted Preference Shares only Vest in stages. In order for all the Restricted Preference Shares to Vest in full, both elements of each Milestone must be achieved, namely that the Assets under Management must exceed £100 million (as compared to £75 million under the Executive Option Arrangements) and the NAV Per Share must exceed 15p (as compared to 12p under the Initial Executive Option Arrangements), in both cases by 30 June 2022.

The Milestones and the percentages in which the Restricted Preference Shares will Vest are as set out in the table below. Please note that a tranche of Restricted Preference Shares will vest only if both elements of each Milestone have been achieved.

<i>Tranche number</i>	<i>Milestone</i>	<i>Percentage of Restricted Preference Shares held that will Vest if the Milestone has been achieved</i>
1	AUM exceed £10,000,000 and NAV Per Share exceeds 10p	6.67%
2	AUM exceed £20,000,000 and NAV Per Share exceeds 11p	22.75%
3	AUM exceed £30,000,000 and NAV Per Share exceeds 12p	10.33%
4	AUM exceed £45,000,000 and NAV Per Share exceeds 13p	11.50%
5	AUM exceed £60,000,000 and NAV Per Share exceeds 14p	16.25%
6	AUM exceed £100,000,000 and NAV Per Share exceeds 15p	32.50%
		<u>100.00%</u>

The New Articles provide that the Milestones shall be calculated by reference to the audited consolidated accounts of the Group for each of the Reference Periods. The New Articles also provide that the Auditors shall, within 28 days of the publication of any Relevant Audited Accounts, produce a certificate confirming whether or not, by reference to such Relevant Audited Accounts, any of the Milestones has been achieved and, accordingly, how many (if any) Restricted Preference Shares have Vested. The Auditors will produce such a certificate in respect of each Reference Period, but once a Milestone has been achieved, the achievement of that Milestone cannot be affected by any subsequent performance of the Group.

8. Proposed Issue of Restricted Preference Shares

The Company has agreed with the Existing Executives and White Amba that, if the Preference Share Resolutions are passed, the Existing Executives and White Amba will subscribe the amount written against their name in the table below for the number of Restricted Preference Shares at 1p per share, for a total subscription of £350,000.

<i>Name of Executive</i>	<i>Amount to be subscribed £</i>	<i>Restricted Preference Shares to be subscribed for No.</i>
White Amba	50,000	5,000,000
Timothy James	96,000	9,600,000
James Cane	3,000	300,000
Christopher James	60,000	6,000,000
Timothy Oakley	30,000	3,000,000
Oliver Vaughan	81,000	8,100,000
Benjamin James	30,000	3,000,000
Total	<u>£350,000</u>	<u>35,000,000</u>

In addition, the Call Option Agreement entered into between the Company and White Amba has granted White Amba the right, exercisable by notice in writing to the Company, to subscribe for up to a further 10,000,000 Restricted Preference Shares at 1p per share at any time during the White Subscription Option Period. White Amba and Mr White have each agreed to indemnify the Company against certain tax consequences of White Amba subscribing for Restricted Preference Shares at 1p per share in the future. If White Amba does not subscribe for the further 10,000,000 Restricted Preference Shares before the expiry of the White Subscription Option Period, then, with effect from the day after the expiry of the White Subscription Option Period, any Restricted Preference Shares for which White Amba did not subscribe shall be available for issue to such person or persons as the Company may, in its absolute discretion, decide.

It is also conditionally agreed that, if the Preference Share Resolutions are passed, Gravity will subscribe £150,000 for 15,000,000 Restricted Preference Shares at 1p per share. Under the Subscription, Gravity subscribed for 5,000,000 Ordinary Shares. In addition, Gravity and the Company have agreed that Gravity's loan to the Company of £25,000

be converted into 250,000 Ordinary Shares at 10p per share. The Board has resolved to issue Restricted Preference Shares to Gravity because it anticipates that Gravity will introduce Care Home Sector Acquisitions to the Group. As described in section 9 below, the Gravity Call Option Agreement provides that the Call Option granted by Gravity can be exercised by the Company to claw back some of the Restricted Preference Shares issued to Gravity if the value of Care Home Sector Acquisitions introduced by Gravity does not exceed certain levels.

In summary, the Existing Executives, White Amba and Gravity will, together, subscribe for a total of 50,000,000 Restricted Preference Shares at 1p per share. This will mean that the Company will receive a total of £500,000 on such completion of such subscriptions.

If any Restricted Preference Shares become Vested Restricted Preference Shares and those Vested Restricted Preference Shares are Converted into Ordinary Shares, the holdings of Ordinary Shares of Shareholders will be diluted. However, it is not possible to state with any accuracy what the percentage of the enlarged issued Ordinary Share capital of the Company following any such Conversion will be comprised of Vested Restricted Preference Shares that have Converted. This is because that percentage depends upon numerous assumptions. For example, it is likely that the Company will have carried out one or more equity fundraisings in order to finance acquisitions. Also, because Milestones are measured by reference to audited accounts, the first date on which a Restricted Preference Share can Vest will be following the publication of the audited consolidated accounts of the Group for the year ending 30 June 2017, and it is not possible to say what the issued Ordinary Share capital of the Company will be on that date. However, as described in section 6 above, the New Articles provide that the percentage of Ordinary Shares in issue at any time that have resulted from the conversion of Vested Restricted Preference Shares in the previous ten years up to and including the date of conversion must not exceed 10 per cent. of the issued Ordinary Share capital.

9. Clawback

The Company has entered into the Call Option Agreements with each of White Amba and Gravity. The Call Option Agreements are both conditional agreements pursuant to which White Amba and Gravity have agreed: (1) to subscribe for 5,000,000 and 15,000,000 Restricted Preference Shares respectively conditional on the Preference Share Resolutions being duly passed on or before 28 February 2017; and (2) to grant the Company the right to acquire certain of the Restricted Preference Shares acquired by them if the involvement of White Amba and Gravity does not bring the increase in the value of the assets of the Company that is anticipated.

The Call Options are both exercisable at 1p per Restricted Preference Share (being the subscription price to be paid per Restricted Preference Share by each of White Amba and Gravity). The Call Options can be exercised by the Company on one or more occasions and in respect of all, or some only, of the Restricted Preference Shares under option. The Call Options also cover any Ordinary Shares held by White Amba or Gravity which they have acquired by converting Vested Restricted Preference Shares into Ordinary Shares. Certain requirements of the Companies Act and, possibly, the AIM Rules must be complied with before the exercise of the Call Options can be completed.

The Call Options can be exercised by the Company if the Aggregate Uplift fails to reach certain levels by the expiry of the Target Period, as set out below.

The Company may, during the period of five years commencing immediately after the expiry of the Target Period, acquire from each of White Amba and Gravity up to 5,000,000 Restricted Preference Shares for 1p per Restricted Preference Share if the Aggregate Uplift during the Target Period is as follows:

<i>Range of Aggregate Uplift during the Target Period</i>	<i>Maximum number of Restricted Preference Shares that can be acquired from each of White Amba and Gravity</i>
Less than £30,000,000	5,000,000
Equal to or more than £30,000,000 but less than £40,000,000	2,500,000
Equal to or more than £40,000,000	Nil

In summary, the maximum number of Restricted Preference Shares that may be acquired as part of the Call Option arrangements with White Amba and Gravity is therefore 10,000,000 Restricted Preference Shares (i.e. 5,000,000 Restricted Preference Shares from each of Gravity and White Amba), being one sixth of the maximum number of Restricted Preference Shares that can be issued, or one third of the Restricted Preference Shares issued to each of Gravity and White Amba (assuming that White Amba exercises the White Subscription Option in full).

10. Related-party transaction

The entry by those Existing Executives who are Directors into the Cancellation Deeds and the subscription by the Existing Executives, White Amba and Gravity for Restricted Preference Shares and the entry by White Amba and Gravity into a Call Option Agreement as described in sections 8 and 9 above constitute related-party transactions for the purposes of rule 13 of the AIM Rules. Patricia Farley and I (in our capacity as the Independent Directors) consider, having consulted Stockdale, that the terms of the Cancellation Deeds, the subscription by the Existing Executives for Restricted Preference Shares and the Call Option Agreements are fair and reasonable insofar as K&C's shareholders are concerned, in accordance with AIM Rule 13.

In reaching that conclusion, the Independent Directors (and Stockdale) noted the following points:

- The Milestones to be achieved before Restricted Preference Shares can Vest are more onerous than the milestones under the Executive Option Arrangements.
- The potential benefits of Restricted Preference Shares to the Executives are no greater than those of the Executive Option Arrangements, and the Executives have to invest at risk in order to achieve those potential benefits.
- The Company will receive up to £600,000 for the subscription for Restricted Preference Shares. This will benefit the cash flow of the Group considerably.
- The fact that the Existing Executives, White Amba and Gravity are willing to subscribe a total of up to £600,000 for Restricted Preference Shares shows their collective confidence in the long-term future of the Group.
- It is anticipated that Gravity will introduce Care Home Sector Acquisitions to the Group and the Gravity Call Option Agreement permits the Company to claw back some of Gravity's Restricted Preference Shares if the value of Acquisitions introduced by Gravity in the residential care home sector or any other Acquisitions does not exceed certain levels.
- Other than James Cane and Christopher James, none of the Existing Executives received any salary or fees from the Group between the Company's admission to AIM on 3 July 2015 and receipt of funds by the Group from the Subscription.

11. General Meeting

The General Meeting will be held at 10.00 a.m. on 20 February 2017 at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG. The Notice is set out at the end of this document.

The Resolutions to be proposed at the General Meeting are:

- Resolution 1, an ordinary resolution to receive the consolidated financial statements of the Company and the report of the directors and the auditors for the year ended 30 June 2016;
- Resolution 2, a special resolution to adopt the New Articles;
- Resolution 3, an ordinary resolution granting authority to the Directors to issue up to 60,000,000 Restricted Preference Shares pursuant to section 551 of the Companies Act; and
- Resolution 4, a special resolution to disapply the statutory pre-emption rights contained in section 561 of the Companies Act in relation to the issue of up to 60,000,000 Restricted Preference Shares.

Copies of: the New Articles; both Call Option Agreements; and all the Cancellation Deeds; will be available for inspection at the registered office of the Company during normal business hours on any weekday (weekends and public holidays excepted) from the date of this notice until 20 February 2017 and at the place of the General Meeting for 15 minutes prior to and during the General Meeting.

12. Recommendation

Your Board considers that the Resolutions to be proposed at the General Meeting are in the best interests of Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 9,120,001 Ordinary Shares, representing approximately 17.61 per cent. of the issued share capital of the Company (as at 26 January 2017, being the last business day before the date of this document).

13. Action to be taken

The General Meeting will be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG. Shareholders are entitled to attend and vote at the General Meeting. A Form of Proxy for use by Shareholders is enclosed. Whether or not you intend to be present in person at the General Meeting, you are requested to complete the form in accordance with the instructions thereon and return it to the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 16 February 2017.

If you complete and return the Form of Proxy (or if you appoint a proxy or proxies electronically), you can still attend and vote at the General Meeting if you wish.

Yours faithfully

Michael Davies

Non-executive Chairman

K&C REIT PLC

(incorporated and registered in England and Wales under company registration number 09080097)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that the 2016 General Meeting of K&C REIT PLC (the “**Company**”) will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 20 February 2017 at 10.00 a.m. to pass the following resolutions, of which resolutions 1 and 3 shall be proposed as ordinary resolutions and resolutions 2 and 4 shall be proposed as special resolutions:

Ordinary Resolution

1. To receive the consolidated financial statements of the Company and the report of the directors and the auditors for the year ended 30 June 2016.

Special Resolution

2. **THAT** the articles of association presented to the meeting and, for the purposes of identification, initialled by the chairman are adopted in substitution for, and to the exclusion of, the existing articles with effect from the conclusion of the meeting.

Ordinary Resolution

3. **THAT**, subject to Resolution 2 being passed as a special resolution without amendment, and in addition to (and not in substitution for) all existing authorities and without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities, the directors of the Company (the “**Directors**”) be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the “**Act**”) 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 (such shares and rights being together referred to as “**Relevant Securities**”) up to an aggregate nominal value of £600,000 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) in connection with the issue of restricted preference shares of 1p each in the capital of the Company; provided that such authority shall expire on the expiry of the Target Period (as defined in the circular of the Company dated 27 January 2017), save that, the Directors may, before the relevant expiry date, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry date and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred by this Resolution had not expired.

Special Resolution

4. **THAT**, subject to Resolution 2 being passed as a special resolution without amendment and Resolution 3 being passed as an ordinary resolution without amendment, and in addition to (and not in substitution for) existing powers and without prejudice to any allotment of equity securities (as defined in section 560 of the Companies Act 2006 (the “**Act**”)) already made or agreed to be made pursuant to such powers, the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities for cash pursuant to the authority conferred upon them by Resolution 3 as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £600,000 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) in connection with the issue of restricted preference shares of 1p each in the capital of the Company; provided that such authority shall expire on the expiry of the Target Period (as defined in the circular of the Company dated 27 January 2017), save that, the Directors may before the relevant expiry date make an offer or agreement which would or might require equity securities to be allotted after such expiry date and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

27 January 2017

By Order of the Board

Robert Roberts
Company Secretary

Registered office:
82 St John Street,
London EC1M 4JN

NOTES TO THE NOTICE OF GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
 - 10.00 a.m. on 16 February 2017; or,
 - if the General Meeting is adjourned, at 10.00 a.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the General Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Share Registrars Limited who will arrange for the appropriate documentation to be provided to you.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.

Appointment of proxy using hard copy proxy form

6. To appoint a proxy using the proxy form, the form must be:
 - completed and signed;
 - posted or delivered to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR; and
 - received by the Company no later than 10.00 a.m. on 16 February 2017.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the proxy form and would like to change the instructions using another proxy form, please contact Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company no later than 10.00 a.m. on 13 February 2017. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the General Meeting and voting in person. If you have appointed a proxy and attend the General Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10. As at 6.00 p.m. on 26 January 2017, the Company's issued share capital comprised 51,785,623 ordinary shares of 1 penny each. Each ordinary share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 26 January 2017 was 51,785,623.

Documents on display

11. A copy of the proposed new Articles of Association of the Company, the Call Option Agreements and the Cancellation Deeds will be available for inspection at the registered office of the Company during normal business hours on any weekday (weekends and public holidays excepted) from the date of this notice until 20 February 2017 and at the place of the General Meeting for 15 minutes prior to and during the General Meeting.