

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended), if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your holding of ordinary shares of 10 pence each in the capital of KCR Residential REIT plc (the “**Company**”) (“**Ordinary Shares**”), please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank manager or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded to or transmitted in or into, any jurisdiction in which such act would constitute a violation of the relevant laws or regulations in such jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the stockbroker, bank manager or other agent through whom the sale or transfer was effected.

The Torchlight Subscription does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the Financial Conduct Authority of the United Kingdom (“**FCA**”) pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

KCR RESIDENTIAL REIT PLC

(Incorporated and registered in England and Wales with registered number 09080097)

Proposed approval of waivers of the obligations under Rule 9 of the Takeover Code

**Proposed subscription for 9,000,000 new Ordinary Shares each at
45 pence per share**

Proposed approval of Strategic Agreement and Option Agreement

**Proposed approval of the Redesignation and Gift Agreement and adoption
of new articles of association**

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn in particular to the letter from the Non-Executive Chairman of the Company which is set out in Part 1 of this document which contains the unanimous recommendation of the board of directors of the Company (the “Board**” or “**Directors**”) that you vote in favour of all of the Resolutions set out in the Notice of General Meeting referred to below.**

Arden Partners plc (“**Arden**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company in connection with the Torchlight Subscription and the proposed admission of the New Ordinary Shares to trading on AIM and the other Proposals described in this document. It will not regard any other person as its client and will not be responsible to anyone else for providing the protections afforded to its clients or for providing advice in

relation to such Proposals, the contents of this document or any other matter referred to herein. Arden has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Arden for the accuracy of any information or opinions contained in this document or for the omission of any information. Arden as nominated adviser to the Company owes certain responsibilities to the London Stock Exchange which are not owed to the Company, the Directors, Shareholders or any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document.

Notice of a General Meeting of the Company, to be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG at 10.00 a.m. on 29 July 2019, is set out at the end of this document. To be valid, the accompanying Form of Proxy should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR by no later than 10.00 a.m. on 25 July 2019. Completion and return of a Form of Proxy will not preclude members of the Company from attending and voting in person at the General Meeting should they so wish.

The Ordinary Shares are currently admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected, subject to, among other matters, the passing of the relevant Resolutions at the General Meeting, that Admission will become effective, and that dealings in the New Ordinary Shares will commence, at 8.00 a.m. on 6 August 2019. The New Ordinary Shares will not be admitted to trading on any other investment exchange. The New Ordinary Shares will, on Admission, rank equally in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

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. Neither the London Stock Exchange nor the FCA has examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List.

This document is not for release, publication or distribution outside the United Kingdom except to the extent that it would be lawful to do so. The release, publication or distribution of this document (in whole or in part) in or into or from jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy New Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the New Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or from the United States of America, Canada, Australia, Japan or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Japan or the Republic of South Africa or to any US person (within the definition of Regulation S made under the US Securities Act 1933 (as amended)).

Copies of this document are available free of charge at the Company's registered office during normal business hours on any Business Day and shall remain available for at least one month after Admission. In addition, a copy of this document will also be available free of charge from the Company's website at www.kcrreit.com/content/investors/aim-rules.asp.

Except as expressly referred to in this document, neither the contents of the Company's website, nor any website directly or indirectly linked to the Company's website, are incorporated in, or form part of, this document.

This document contains (or may contain) certain forward-looking statements with respect to the Company and certain of its goals and expectations relating to its future financial condition and performance which involve a number of risks and uncertainties. No forward-looking statement is a guarantee of future performance and actual results could differ materially from those contained in any forward-looking statements. Such forward-looking statements may use words such as "aim", "anticipate", "target", "expect", "estimate", "plan", "goal", "believe", "will", "may", "should" and other words having a similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of changes in interest rates and foreign exchange rates, changes in legislation, changes in consumer habits and other factors outside the control of the Company, that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. All forward-looking statements contained in this document are based upon information available to the Directors at the date of this document and the posting or receipt of the document does not give rise to any implication that there has been no change in the facts set out herein since that date.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2019
Announcement of the Proposals	7.00 a.m. on 12 July
Publication and posting of this document and the Form of Proxy	12 July
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	10.00 a.m. on 25 July
General Meeting	10.00 a.m. on 29 July
Announcement of the results of the General Meeting	29 July
Admission effective and dealings in the New Ordinary Shares expected to commence	8.00 a.m. on 6 August

Notes:

If any of the details contained in the timetable above should change, the revised times and/or dates will be notified by means of an announcement through a Regulatory Information Service.

Certain of the events in the above timetable are conditional upon, amongst other things, the approval of the Resolutions to be proposed at the General Meeting.

All references are to London time unless stated otherwise.

KEY STATISTICS

Number of Existing Ordinary Shares	15,791,777
Issue Price of the Subscription Shares and Loan Note Conversion Shares	45p
Number of Torchlight Subscription Shares	9,000,000
Number of Redesignation Shares	1,730,765
Number of Loan Note Conversion Shares	222,223
Number of Vaughan Conversion Shares	244,444
Number of the Remuneration Conversion Shares	270,842
Number of Ladbroke Grove Shares	287,358
Number of Thornton Shares	22,222
Total number of New Ordinary Shares	11,777,854
Enlarged Share Capital	27,569,631
Torchlight Subscription Shares as a percentage of the Enlarged Share Capital	32.6 per cent.
New Ordinary Shares as a percentage of the Enlarged Share Capital	42.7 per cent.
Market Capitalisation of the Company at the Issue Price on Admission	c. £12.4 million
Estimated gross proceeds of the Torchlight Subscription and the Thornton Subscription	c. £4.05 million
Estimated proceeds of the Torchlight Subscription and the Thornton Subscription (net of estimated expenses)	c. £3.68 million

DEFINITIONS

The following definitions apply throughout this document and in the accompanying Notice of General Meeting and Form of Proxy, unless the context requires otherwise:

“Admission”	admission of the New Ordinary Shares to trading on AIM in accordance with the AIM Rules for Companies;
“Agreement Period”	the period commencing on the date of the Strategic Agreement and ending on the third anniversary of Admission unless extended by mutual agreement;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules for Companies”	the AIM Rules for Companies and guidance notes as published by the London Stock Exchange from time to time;
“Arden”	Arden Partners plc, the Company’s nominated adviser, broker and independent financial adviser;
“Board” or “Directors”	the directors of the Company as at the date of this document whose names are set out on page 13 of this document;
“BTR”	build to rent;
“Business Day”	a day (other than a Saturday, Sunday or public holiday in England) when banks in London are open for general commercial business;
“Buyback”	the potential for market purchases by the Company of up to a maximum of 4,126,000 Ordinary Shares in accordance with the terms set out in the Buyback Resolution;
“Buyback Resolution”	the special resolution to approve, for the purposes of section 693(4) of CA 2006, the Buyback, which is set out at Resolution 12 of the Notice of General Meeting;
“Buyback Whitewash Resolution”	the ordinary resolution to approve the Panel’s waiver of the Torchlight Investors’ obligation to make an offer under Rule 9 of the Takeover Code following an increase in their combined shareholding as a result of market purchases of Ordinary Shares by the Company, which is set out at Resolution 3 of the Notice of General Meeting, and is required to be passed on a poll at the General Meeting;
“CA 2006”	the Companies Act 2006 (as amended);
“certificated” or “certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST);
“Certificate of Occupancy”	an occupancy permit issued under the Building Act 1993 in the state of Victoria in Australia, and its equivalent in other jurisdictions;
“Company” or “KCR”	KCR Residential REIT plc (registered in England with registration number 09080097) with its registered office at 82 St John Street, London EC1M 4JN;
“Conversion”	the Loan Note Conversion, the Vaughan Conversion and the Remuneration Conversion;
“Conversion Shares”	the Loan Note Conversion Shares, the Vaughan Conversion Shares and the Remuneration Conversion Shares;

“Convertible Loan Notes” or “CLNs”	the secured convertible loan notes created by a loan note instrument dated 7 July 2017;
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
“CREST Manual”	the manual, as amended from time to time, produced by Euroclear and available at www.euroclear.com ;
“CREST member”	a person who has been admitted to CREST as a system member (as defined in the CREST Manual);
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time;
“CREST Sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“Daily Official List”	the Daily Official List published by the London Stock Exchange;
“Dealing Day”	a day on which securities are traded on AIM;
“DGS”	DGS Capital Partners LLP, a limited liability partnership of which Michael Davies (the non-executive chairman of the Company) is a partner;
“Enlarged Share Capital”	the entire issued Ordinary Share capital of the Company following the issue of the New Ordinary Shares;
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Existing Articles”	the articles of association of the Company as at the date of this document;
“Existing Ordinary Shares”	the 15,791,777 Ordinary Shares in issue as at the date of this document;
“FCA”	the Financial Conduct Authority;
“Form of Proxy”	the form of proxy for use in connection with the General Meeting enclosed with this document;
“FSMA”	the Financial Services and Markets Act 2000 (as amended) including any regulations made pursuant thereto;
“General Meeting”	the General Meeting of the Company, convened for 10.00 a.m. on 29 July 2019, or any adjournment thereof, notice of which is set out at the end of this document;
“Gifted Shares”	the 2,769,235 Restricted Preference Shares to be gifted by the Restricted Preference Shareholders to the Company for nil consideration pursuant to the Redesignation and Gift Agreement;
“Group”	the Company and its subsidiaries;
“Independent Director”	a Director who is independent of the management of Torchlight and is free from any substantive business or other relationship with Torchlight which would be likely to interfere with the exercise of his independent judgement as a Director;

"Inland Homes"	Inland Homes plc (a company incorporated in England & Wales with registered number 05482990), being a shareholder in the Company;
"Irrevocable Shareholders"	Christopher James, Ruth Eaton, Benjamin James, Timothy Oakley, Joan Oakley, Poole Investments, Energiser Investments plc, Consumer Refund Service Ltd, White Amba and Michael Wellesley-Wesley;
"Inland Commercial Property"	Inland Commercial Property Limited, incorporated in England and Wales with company number 09534545, formerly KCR (Cygnet) Limited and Inland Commercial Limited;
"Issue Price"	45 pence per New Ordinary Share;
"K&C Coleherne"	K&C (Coleherne) Limited, a company incorporated in England and Wales with company number 02818584, formerly Silcott Properties Limited, and being a wholly owned subsidiary of the Company;
"K&C Osprey"	K&C (Osprey) Limited, a company incorporated in England and Wales with company number 01864755, formerly The Osprey Management Company Limited, and being a wholly owned subsidiary of the Company;
"KCR (Kite)"	KCR (Kite) Limited, a company incorporated in England and Wales with company number 00876696, formerly Karlind Management Services Limited, and being a wholly owned subsidiary of the Company;
"Ladbroke Grove Extension Deeds"	the deeds dated on or around 12 July 2019 entered into between in aggregate the parties to the Ladbroke Grove Loan Agreement, further details of which are set out in the second paragraph 4.11 of Part 3 of this document;
"Ladbroke Grove Loan"	the loan of £1.475 million to the Company by the Ladbroke Grove Lenders pursuant to the Ladbroke Grove Loan Agreement;
"Ladbroke Grove Loan Agreement"	the loan agreement described in paragraph 4.11 of Part 3 of this document, as amended by the Ladbroke Grove Extension Deeds;
"Ladbroke Grove Lenders"	St Anne's Trustees Limited, Robert Newman, John Arthur and Timothy Oakley;
"Ladbroke Grove Shares"	the 287,358 new Ordinary Shares to be issued to the Ladbroke Grove Lenders on the terms set out in the Second Ladbroke Grove Extension Deed;
"Loan Note Conversion"	the proposed conversion of the Convertible Loan Notes held by White Amba, Katie James and Kimono Investment Holdings Ltd, the details of which are set out in this document;
"Loan Note Conversion Shares"	the 222,223 new Ordinary Shares to be issued to White Amba, Katie James and Kimono Investment Holdings Ltd on the conversion of their respective Convertible Loan Notes;
"London Stock Exchange"	London Stock Exchange plc;
"MAR"	Market Abuse Regulation (2014/596/EU);
"NAV Per Share"	has the meaning attributed to that expression in the Existing Articles;

“Naylor Partners”	Naylor Partners Pty Ltd;
“New Articles”	the new articles of association of the Company proposed to be adopted by Resolution 9;
“New Ordinary Shares”	the Torchlight Subscription Shares, the Conversion Shares, the Redesignation Shares, the Ladbroke Grove Shares and the Thornton Shares and “New Ordinary Share” shall mean any one of them;
“Nominated Independent Director”	the Torchlight Director who is an Independent Director;
“Notice of General Meeting”	the formal notice convening the General Meeting as set out in this document;
“Official List”	the list maintained by the FCA (acting as competent authority for the purposes of Part V of FSMA) in accordance with section 74(1) of FSMA;
“Option”	the option (exercisable during the Option Period), conditionally granted by the Company to Torchlight, as more particularly described in paragraph 7 of Part 1 of this document, to subscribe for the Option Shares;
“Option Agreement”	the conditional agreement entered into on 12 July 2019 between the Company (1) and Torchlight (2) pursuant to which the Company will grant the Option to Torchlight;
“Option Period”	the period commencing on the date of Admission and ending on the third anniversary of Admission;
“Option Shares”	up to 50,000,000 Ordinary Shares;
“Option Whitewash Resolution”	the ordinary resolution to approve the Panel’s waiver of the Torchlight Investors’ obligation to make an offer under Rule 9 of the Takeover Code on the exercise of the Option, which is set out at Resolution 2 of the Notice of General Meeting, and is required to be passed on a poll at the General Meeting;
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company from time to time;
“Panel” or “Takeover Panel”	the Panel on Takeovers and Mergers;
“paragraph 1 associate”	means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
“Pence” or “p”	UK pence sterling, the lawful currency of the United Kingdom;
“PGC”	Pyne Gould Corporation Limited, a company incorporated in Guernsey with registered number 57987;
“Poole Investments”	Poole Investments Limited, a company incorporated in England and Wales with company number 02282021, being a Shareholder;
“Pounds” or “£”	UK pounds sterling, the lawful currency of the United Kingdom;

“PRS”	private rented sector;
“Practical Completion”	in relation to any Property, the point of time at which the development of that Property is complete, except for minor defects that can be put right without undue interference or disturbance to an occupier and a Certificate of Occupancy is issued, in each case as certified by an independent professional approved by the Company for this purpose owing a duty of care to the Company;
“Proposals”	together, the Torchlight Subscription, the waiver of the Torchlight Investors’ obligations under Rule 9 of the Takeover Code, the Conversion, the issue of the Ladbroke Grove Shares, the issue of the Thornton Shares, the entry by the Company into the Redesignation and Gift Agreement, Option Agreement and the Strategic Agreement and the adoption of the New Articles;
“Prospectus Rules”	the rules made by the FCA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market;
“RCL”	RCL Real Estate Holdings (a company incorporated in the Cayman Islands and registered with the Australian Securities and Investments Commission as a Foreign Company with Australian Registered Body Number 164 258 084), being a wholly owned subsidiary of Torchlight;
“Regulatory Information Service”	has the meaning given in the AIM Rules for Companies;
“Relationship Agreement”	the conditional agreement dated 12 July 2019 between the Company, Arden and Torchlight as more particularly described in paragraph 9 of Part 1 of this document;
“Remuneration Conversion”	the proposed conversion at the Issue Price by the Workers of certain amounts due to them in respect of accrued but unpaid salary, accrued but unpaid bonuses and other matters into a total of 270,842 Ordinary Shares;
“Remuneration Conversion Shares”	the 270,842 new Ordinary Shares to be issued to the Workers at the Issue Price as set out in paragraph 17 of Part 1 of this document;
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting at the end of this document;
“Restricted Preference Shares”	the 4,500,000 restricted preference shares of 10 pence each in the capital of the Company;
“Restricted Preference Shareholders”	the holders of the Restricted Preference Shares, being Dominic White, White Amba, James Cane, Timothy James, Christopher James, Benjamin James, Timothy Oakley and Oliver Vaughan;
“Redesignation and Gift Agreement”	the conditional agreement described in paragraph 15 of Part 1 of this document entered into by the Company (1) and the Restricted Preference Shareholders (2), whereby out of every 13 Restricted Preference Shares held by each Restricted Preference Shareholder, five will be redesignated as Ordinary Shares and the remaining eight and any fractional entitlements (which shall be consolidated) will be acquired by the Company for no consideration;

“Redesignation Shares”	the 1,730,765 new Ordinary Shares which, in aggregate, are proposed to be issued to the Restricted Preference Shareholders pursuant to the Redesignation and Gift Agreement;
“Related Party Resolution”	the ordinary resolution to approve, for the purposes of section 190 of CA 2006, the entry by the Company into the Redesignation and Gift Agreement with Dominic White, James Cane, Timothy James, and Oliver Vaughan, which is set out at Resolution 10 of the Notice of General Meeting;
“Relevant Family Members”	Katie James and Serena James (being the family members of Directors who are interested in Ordinary Shares);
“Rule 9 Offer”	the obligations under Rule 9 of the Takeover Code that would require the Torchlight Investors to make a general offer to Shareholders for all of the Ordinary Shares not already held by the Torchlight Investors;
“Shareholder(s)”	a person(s) who is/are registered as a holder(s) of Ordinary Shares from time to time;
“Share Registrars Limited”	Share Registrars Limited of The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, being KCR’s registrar;
“Strategic Agreement”	the conditional agreement entered into on 12 July 2019 between the Company (1) and RCL (2), as more particularly described in paragraph 8 of Part 1 of this document;
“Subscription Whitewash Resolution”	the ordinary resolution to approve the Panel’s waiver of the Torchlight Investors’ obligation to make an offer under Rule 9 of the Takeover Code on allotment and issue to them of the Torchlight Subscription Shares, which is set out at Resolution 1 of the Notice of General Meeting, and is required to be passed on a poll at the General Meeting;
“subsidiary”	a subsidiary of the Company as that term is defined in section 1159 and schedule 6 of the CA 2006;
“Takeover Code”	the City Code on Takeovers and Mergers, issued by the Panel;
“Thornton Shares”	the 22,222 new Ordinary Shares to be subscribed for by James Thornton, as set out in paragraph 10 of Part 1 of this document;
“Torchlight Director”	a Director appointed by Torchlight pursuant to the Relationship Agreement;
“Torchlight Investors”	Torchlight or, if Torchlight has served a Torchlight Nominee Notice, Torchlight and the Torchlight Nominees;
“Torchlight GP”	Torchlight GP Limited (a private limited company incorporated in the Cayman Islands with registered number 271471), being the general partner of Torchlight;
“Torchlight”	Torchlight Fund LP (a limited partnership established in the Cayman Islands);
“Torchlight Nominees”	the entities which have not yet been incorporated and which, once incorporated, will be wholly owned by Torchlight nominated by Torchlight in a Torchlight Nominee Notice to subscribe for certain of the Torchlight Subscription Shares pursuant to the Torchlight Subscription Agreement;

“Torchlight Nominee Notice”	a notice given by Torchlight to the Company pursuant to the Torchlight Subscription Agreement;
“Torchlight Subscription”	the proposed subscription by Torchlight for the Torchlight Subscription Shares at the Issue Price, the details of which are set out in this document;
“Torchlight Subscription Shares”	the 9,000,000 new Ordinary Shares to be subscribed for by Torchlight pursuant to the Torchlight Subscription Agreement;
“Torchlight Subscription Agreement”	the conditional agreement entered into on 12 July 2019 between the Company (1) and Torchlight (2) pursuant to which Torchlight agreed to subscribe for the Torchlight Subscription Shares at the Issue Price;
“Town House Scheme”	The Town House (Conversions) Pension Scheme (being the pension scheme of Timothy Oakley)
“uncertificated” or “in uncertificated form”	recorded on the relevant register or other record of the share or other 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;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland, its territories and dependencies;
“United States”, “United States of America” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all areas subject to its jurisdiction;
“30-Day VWAP”	the volume-weighted average mid-market price (in Pounds sterling, rounded to four decimal places) of the Ordinary Shares traded in the ordinary course of business on AIM for the 30 Dealing Days preceding the date of a notice of exercise under the Option Agreement, as confirmed by the Company’s broker, from time to time;
“Vaughan Conversion”	the proposed conversion of £110,000 of the Vaughan Loan into the Vaughan Conversion Shares, the details of which are set out in this document;
“Vaughan Conversion Shares”	the 244,444 new Ordinary Shares to be issued to Oliver Vaughan at the Issue Price on the Vaughan Conversion;
“Vaughan Loan”	the short term loan in the sum of £160,000 from Oliver Vaughan, a non-executive director of the Company, to the Company (being the original loan of £150,000 plus a fee of £10,000 pursuant to which Oliver Vaughan agreed to extend the repayment date to 30 June 2019), the repayment date for which was subsequently extended by agreement between the Company and Oliver Vaughan to 22 August 2019;
“Workers”	the Directors (other than Michael Davies and James Cane), together with Christopher James, Benjamin James, and Timothy Oakley;
“White Amba”	White Amba Pension Scheme, which is a pension scheme for the benefit of Dominic White, the chief executive of the Company; and
“Whitewash Resolutions”	the Subscription Whitewash Resolution, the Option Whitewash Resolution and the Buyback Whitewash Resolution.

PART 1

LETTER FROM THE NON-EXECUTIVE CHAIRMAN

KCR Residential REIT plc

(Incorporated and registered in England and Wales with registered number 09080097)

Michael Davies (*Non-executive Chairman*)
Dominic White (*Chief Executive*)
James Cane (*Finance Director*)
Timothy James (*Property Director*)
Oliver Vaughan (*Non-executive Director*)

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

12 July 2019

To Shareholders

Dear Shareholder

Proposed approval of waivers of the obligations under Rule 9 of the Takeover Code

Proposed subscription for 9,000,000 new Ordinary Shares each at 45 pence per share

Proposed approval of Strategic Agreement and Option Agreement

Proposed approval of the Redesignation and Gift Agreement and adoption of new articles of association

and

Notice of General Meeting

1. Introduction

The Company today announced a number of important developments to raise working capital, to provide a pipeline of potential new acquisitions for the Company and to extend the Company's reach into new international markets. In summary, it was announced that:

- Torchlight has conditionally agreed in the Torchlight Subscription Agreement to subscribe for 9,000,000 Ordinary Shares at 45 pence per share;
- the Company has agreed in the Option Agreement to grant Torchlight an option to subscribe for a further 50,000,000 new Ordinary Shares during the Option Period;
- the Company has entered into the Strategic Agreement with Torchlight's investee, RCL, a residential land developer in Australia and New Zealand;
- in order to simplify the Company's share structure, the Company has entered into the Redesignation and Gift Agreement with the Restricted Preference Shareholders whereby it has been conditionally agreed that out of every 13 Restricted Preference Shares held by each Restricted Preference Shareholder, five will be redesignated as Ordinary Shares and the remaining eight and any fractional entitlements (which shall be consolidated) will be acquired by the Company for no consideration – this would result in the issue of, in aggregate, 1,730,765 Redesignation Shares representing approximately 6.3 per cent. of the Enlarged Share Capital;

- it is proposed that certain Convertible Loan Notes held by White Amba, Katie James and Kimono Investment Holdings Ltd, and £110,000 of the Vaughan Loan, will be converted to Ordinary Shares at the Issue Price – this would result in the issue of, in aggregate, 466,667 Conversion Shares;
- it is proposed that the Workers (being the Directors other than Michael Davies and James Cane, together with Christopher James, Benjamin James and Timothy Oakley) convert certain of the amounts due to them in respect of accrued but unpaid salary and agreed but unpaid bonuses to Ordinary Shares at the Issue Price – this would result in the issue of, in aggregate, 270,842 Conversion Shares;
- it is proposed that a total of 287,358 Ordinary Shares be issued at the Issue Price to the Ladbroke Grove Lenders (of which 111,111 Ordinary Shares will be issued to Timothy Oakley in respect of the capitalisation of £50,000 of his share of the Ladbroke Grove Loan and 176,247 Ordinary Shares will be issued to the other Ladbroke Grove Lenders in respect of accrued but unpaid interest and a fee for extending the deadline for repayment of the Ladbroke Grove Loan to 22 August 2019) and to pay Timothy Oakley £13,962 in respect of accrued but unpaid interest due to him.
- it is proposed that James Thornton, who will become a non-executive director on Admission, will subscribe for 22,222 Ordinary Shares at the Issue Price; and
- it is proposed that the New Articles be adopted so as to remove any references to the rights and restrictions attaching to the Restricted Preference Shares and to make certain other amendments as required as part of, and to implement, the Proposals.

The Proposals are expected to provide the Company with access to capital, international property development expertise and refinancing options which will accelerate the Company's objective of providing capital growth and dividend streams to investors. It will also enable the Company to extend its reach beyond the United Kingdom into new residential markets, including Australia, New Zealand and Germany.

The Company would ultimately like to achieve a diversified portfolio in the United Kingdom, Australia and New Zealand and Germany with the aim of an approximate apportionment of one third of such portfolio in each jurisdiction (with Australia and New Zealand treated as one jurisdiction). During the period that the portfolio is being established there may be significant temporary variances between such jurisdictions depending on where the investment opportunities arise.

The Torchlight Subscription is conditional upon, *inter alia*, the passing of the Resolutions at the General Meeting. Upon completion of the Torchlight Subscription, the Torchlight Investors will hold, in aggregate, 9,000,000 new Ordinary Shares representing approximately 32.6 per cent. of the Enlarged Share Capital, being an amount that, in the absence of a waiver of the obligations under Rule 9 of the Takeover Code, would require the Torchlight Investors to make a Rule 9 Offer. In addition, the exercise by Torchlight of any of its rights under the Option Agreement, or any market purchases undertaken by the Company pursuant to the authority provided in the Buyback Resolution may further increase the percentage holding of the Torchlight Investors in the voting rights attaching to the Company's share capital to a maximum of 80.3 per cent. after the maximum issue under the Option Agreement and maximum use of the Buyback authority and such an increase would, in the absence of a waiver of the obligations under Rule 9 of the Takeover Code, require Torchlight to make a Rule 9 Offer. As is customary, the Panel has agreed to grant a waiver of such obligation provided that each of the Whitewash Resolutions is approved at the General Meeting on a poll by Shareholders holding more than 50 per cent. of the Existing Ordinary Shares.

The purpose of this document is therefore to: (i) set out the details of, and reasons for, the Proposals; (ii) explain why the Directors believe that the Proposals are in the best interests of the Company and its Shareholders as a whole; (iii) to provide further detail in relation to the Whitewash Resolutions and the implications for Shareholders of the obligations under Rule 9 of the Takeover Code being waived; (iv) to explain the other resolutions that need to be passed in order to implement the Proposals; and (v) to inform Shareholders that the Directors unanimously recommend that Shareholders vote in favour of all of the Resolutions to be proposed at the forthcoming General Meeting.

2. Background to the Proposals

Property values are generally perceived across developed markets to be at record highs, with yields at record lows and rents at or close to record highs. The London office, retail and owner-occupied markets, which peaked in 2016, are good examples of this, with prime central London residential yields of 3.35 per

cent. as at December 2018. Conversely, the outlook for the PRS market, which at 4,700,000 homes (worth £1.5Tn) and representing 20 per cent. of UK households with a track record of capital appreciation, is significantly more attractive for a number of reasons.

The UK PRS market is fragmented, growing and undersupplied. Private buy-to-let landlords are exiting the market due to stamp duty and other tax reforms. However, RBC Capital Markets project that the UK PRS sector will grow to 7,200,000 homes by 2025 (8.5 per cent. per annum) which implies that 400,000 new PRS homes need to be built every year. In contrast to that, in terms of development pipeline for 2019, there are only 132,000 PRS homes in construction. Furthermore UK Government policy, as set out in the February 2017 Housing White Paper, is committed to encourage new institutional investment into the PRS sector.

The Company therefore intends to consolidate its presence in the UK through expanding its existing partnership arrangement with Inland Homes, one of its current investors. This partnership will involve not only the selective acquisition of existing PRS stock held by Inland Homes but also the acquisition of land and entering into development contracts to build BTR homes for the rental market in London, the South East and the Midlands.

The Company also intends to expand internationally in the PRS and BTR sectors and into markets where land supply and planning policy are less of a significant constraint than they are in the UK. As noted above, alongside Torchlight's investment in the Company, the Company has entered into a strategic partnership agreement with RCL, Torchlight's Australian real estate developer investee company (further details of which are included in paragraph 9 below). RCL is a successful Australasian residential land developer and home builder with proven expertise in efficient re-zoning, construction and development of residential real estate. By entering into this strategic partnership, the Company will have access to a pipeline of new properties in Australia and New Zealand either through the acquisition of completed residential units or the acquisition of medium-density land with a stapled building contract for development of predominantly residential real estate at a discount to market value on completion.

The Company will also look for opportunities to acquire existing residential stock at a discount to replacement value in Germany. German residential real estate is a heavily undersupplied market, and in the second tier cities which the Company intends to target, average residential rental yields are entirely self-funding and typically at least 300 basis points higher than prevailing mortgage rates.

In order to provide the expertise required for the Company's next stage of international development, the Company has agreed to appoint Richard Boon, Russell Naylor and James Thornton to the Board, all of whom have strong commercial and financial backgrounds and have public company executive and non-executive experience. Further details of the experience of each of these proposed new directors are included in paragraph 10 below.

In the near term the Company will review the existing portfolio against the strategy described above and from a value perspective and this review may result in divestments of a number of the properties in such portfolio. In addition, a number of existing employees may leave the Group as the Company conducts its review of the existing portfolio and its required skill base for implementing its stated strategy.

3. Investment highlights

The Directors believe this strategy represents an exciting opportunity for real estate investors in the continuing low growth, lower inflation and low rates for longer developed market environment. The Directors believe that PRS and BTR via a geographically diversified portfolio is a compelling long term investment.

4. Benefits of the Proposals

The Directors believe the Proposals will offer the following key benefits to Shareholders:

- further the Company's growth strategy and enable the Company to generate long term profits and pay dividends to Shareholders;
- create operational efficiencies, with fixed operating expenses spread over a larger capital base, so reducing ongoing expenses per Ordinary Share;

- expand and diversify the Company's exposures, taking advantage of different stages of the real estate cycle in different geographic markets;
- improve the market profile of the Company and access to international real estate opportunities;
- increase the size of the Company, improving share liquidity and accessing cheaper pools of refinancing; and
- enhance the marketability of the Ordinary Shares, resulting in a broader investor base over the longer term.

5. Details of the Torchlight Subscription Agreement

The Company and the Torchlight Investors entered into the Torchlight Subscription Agreement on 12 July 2019.

The Torchlight Subscription Agreement provides that the Torchlight Investors will subscribe for, in aggregate, 9,000,000 Ordinary Shares at 45 pence per share.

Conditions to the Subscription Agreement

The Torchlight Subscription is conditional upon:

- the passing of the Resolutions at the General Meeting;
- the Torchlight Subscription Shares and the Conversion Shares having been allotted, conditional only on Admission; and
- Admission taking place not later than 8.00 am on 6 August 2019 or such later date as is agreed between the Company and Torchlight, but in any event no later than 8.00 a.m. on 22 August 2019.

If such conditions are not satisfied within the timeframe set out in the relevant condition, or are not otherwise waived, the Torchlight Subscription will not proceed.

Termination of the Subscription Agreement

Torchlight Fund has the right to terminate at its sole discretion the Torchlight Subscription Agreement by notice in writing to the Company if any of the following occurs at any time prior to Admission:

- a warranty given by the Company in the Torchlight Subscription Agreement has been materially breached or would be untrue, inaccurate or misleading if such warranty were repeated at such time by reference to the facts or circumstances then existing and to the extent of having a "Material Adverse Effect" (as such term is defined in the Torchlight Subscription Agreement);
- the Company has materially breached any other term of the Torchlight Subscription Agreement;
- an event occurs which is reasonably likely to have a Material Adverse Effect; or
- subject to the terms of the Torchlight Subscription Agreement, if the Company does not comply with its completion obligations set out in the Torchlight Subscription Agreement.

In the Torchlight Subscription Agreement, the Company has:

- undertaken not to take certain actions (other than with the prior written consent of Torchlight acting in good faith) between the date of the Torchlight Subscription Agreement and Admission; and
- given certain customary warranties to the Torchlight Investors as to certain matters relating to the Group and its business.

6. The New Ordinary Shares

The New Ordinary Shares, when issued fully paid, will rank equally in all respects with the Existing Ordinary Shares including the right to receive any dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM and such admission is expected to become effective on 6 August 2019. It is expected that

CREST accounts will be credited on the day of Admission as regards the Torchlight Subscription Shares in uncertificated form.

7. Details about the Option Agreement

The Company and Torchlight (acting by its general partner, Torchlight GP) entered into the Option Agreement on 12 July 2019.

The Option Agreement provides that, conditional on Admission, the Company grants to Torchlight the right to subscribe for and be allotted the Option Shares at a price per Option Share of:

- for any notice of exercise served on the Company on any date up to and including 31 December 2019, the Issue Price; and
- for any notice of exercise served on the Company from 1 January 2020 until the end of the Option Period, the higher of (i) the price per Option Share which is equivalent to 95 per cent. of the 30-Day VWAP for the Ordinary Shares and (ii) the par value of each Ordinary Share.

The Option is only exercisable by Torchlight during the Option Period and if the Option is not exercised prior to the expiry of the Option Period, it will lapse. Any exercise of the Option by Torchlight shall be for not less than 2,000,000 Option Shares.

The Option Agreement contains anti-dilution provisions in favour of Torchlight.

The Company has certain obligations under the Option Agreement, including to:

- not modify the rights attached to any of the shares in the capital of the Company prior to the end of the Option Period if such modification of rights would have an adverse effect on the rights of Torchlight;
- notify Torchlight of any proposed takeover offer during the Option Period; and
- notify Torchlight in writing of any order which is made, or resolution passed, during the Option Period for the winding up or dissolution of the Company.

8. Details about the Strategic Agreement

The Company and RCL entered into the Strategic Agreement on 12 July 2019.

Overview

The purpose of the Strategic Agreement is to provide for the Company to be in a position to own a portfolio of residential properties in Australia and New Zealand. RCL will liaise regularly with the Company in relation to its progress with the matters referred to in the Strategic Agreement and will provide a report to the Company on progress on a quarterly basis. The intention of the Company and RCL is that RCL will diligently progress the preparatory design and planning work necessary for the development of relevant properties so as to be available for purchase by the Company for rental stock and so as to enable RCL to provide a comprehensive information pack as soon as practicable to the Company in respect of each relevant property. RCL will seek to identify and offer for acquisition medium-density properties, being intended for residential use as low rise residential properties and/or townhouses, semi-detached and detached housing, and RCL will identify offer such properties to the Company as soon as reasonably practicable.

Under the Relationship Agreement the Independent Directors will have to confirm that any property offered to the Company by RCL or RCL's associates pursuant to the Strategic Agreement has been independently valued and that the price at which the property is offered to the Company is at the agreed discount. However, once the Independent Directors have provided such confirmation, the Torchlight Directors will be free to vote on resolutions relating to the Strategic Agreement, including but not limited to the exercise by the Company of an option thereunder, as described below. Any such exercise will be subject to the updated related party transaction provisions of the AIM Rules for Companies.

Conditions

The Strategic Agreement is conditional upon completion of the Torchlight Subscription pursuant to the Torchlight Subscription Agreement.

Option and determination of market value

All relevant properties which are intended for residential use as low-rise residential apartments and/or town houses, semi detached and detached housing produced (or to be produced) by RCL in the Australian states of New South Wales or Victoria or in New Zealand will be offered on a first right of refusal basis to the Company in the form intended to be marketed by RCL, as either developed or undeveloped property.

RCL has granted the Company the option during the Agreement Period to require RCL to sell (or instruct one of RCL's associates to sell) each or any of the properties which are offered to the Company. In the case of developed property the purchase price of a property will be equal to 92.5 per cent of the anticipated market value (as determined by an independent valuer) of that property as at the date of Practical Completion. In the case of undeveloped property the purchase price of a property will be not more than 92.5 per cent of the anticipated market value (as determined by an independent valuer) of that property as at the date of Practical Completion.

Subject to the provision of adequate information by RCL to the Company about any property, the Company shall have up to 30 days to decide whether or not to acquire that property at the purchase price which has been established as set out above. If the option to acquire any such property is not exercised RCL will be free to market and sell that property to third parties.

Maximum Aggregate Option Price

The Company shall not be entitled to exercise its right to acquire properties once the aggregate value of all the properties acquired, or to be acquired, pursuant to the Strategic Agreement has exceeded £150 million.

Termination of the Strategic Agreement

Both the Company and RCL may terminate the Strategic Agreement if the other party becomes insolvent or if the other party commits a material breach of the Strategic Agreement (and if the breach is capable of being remedied but is not remedied within the time specified in the Strategic Agreement).

Warranties and undertakings

The Strategic Agreement contains certain warranties from RCL in relation to properties to be purchased after or in the course of development and contains certain undertakings from RCL to the Company in respect of the right to inspect such developed property and the enforcement of rights against building contractors and other suppliers of goods or services in relation to a developed property.

The Strategic Agreement contains certain warranties from RCL in relation to properties to be purchased prior to development. It also contains certain undertakings from RCL to the Company in respect of the development agreement for such undeveloped property and the enforcement of rights against building contractors and other suppliers of goods or services in relation to an undeveloped property.

9. Relationship Agreement

The Company, Arden and Torchlight entered into the Relationship Agreement on 12 July 2019, which is conditional upon completion of the Proposals, pursuant to which Torchlight, in its capacity as a substantial Shareholder, has given various undertakings to the Company and Arden regarding the relationship between Torchlight, its associates and the Company. The benefit of the Relationship Agreement may be assigned to the nominated adviser for the time being of the Company.

In particular, Torchlight has agreed to exercise its voting rights so as to procure that, insofar as it is able to do so by the exercise of its voting rights, the Company is capable of carrying on its business independently of the Torchlight Investors and their associates. The agreement will terminate if Torchlight and its associates cease to be interested collectively in more than 15 per cent. of the Company's voting share capital from time to time.

Torchlight shall have the right at any time before the agreement terminates to appoint and remove up to three Directors and the third such appointee has to be an Independent Director. The first Torchlight Directors will, conditional on Admission, be Russell Naylor, Richard Boon and James Thornton (who is an Independent Director).

The agreement provides, amongst other things, that:

- Torchlight and its associates have the ability to exercise the voting rights attached to their Ordinary Shares at their discretion in relation to the appointment, replacement or removal of any directors of the Board pursuant to CA 2006 or any other applicable law or the New Articles and that the Torchlight Directors shall not be restricted in any way from taking any action or exercising any of their respective powers in the New Articles or under applicable law to appoint, replace or remove any other director of the Board.
- A Board meeting will not be quorate unless: where two or more Torchlight Directors have been appointed, at least two Torchlight Directors are present at the meeting and at least one of the Independent Directors (who may be the Nominated Independent Director); or where one Torchlight Director has been appointed, that Torchlight Director is present at the meeting.
- The Torchlight Directors are entitled to vote on an acquisition of a property to be made pursuant to the Strategic Agreement provided that the Independent Directors have confirmed to the nominated adviser for the time being of the Company that: (1) an independent valuer appointed in accordance with the terms of the Strategic Agreement has valued that property; and (2) the purchase price for such property is at the discount to the independent valuation required by the Strategic Agreement.
- The Company will within five Business Days of receipt of a written request from Torchlight deliver to Torchlight quarterly financial and operating performance indicators. Torchlight has acknowledged to the Company that if any such documents are provided to it by the Company information in those documents may constitute inside information for the purposes of MAR, and has undertaken to the Company that it will keep confidential such information provided to it and comply with the provisions of MAR in respect of such information.
- Torchlight is entitled to appoint a person to act as an observer to the Board (and any committee of the Board). Any such observer shall enter into a confidentiality agreement with the Company in a form reasonably satisfactory to the Company.

If the New Articles are adopted a copy of the Relationship Agreement will be filed at Companies House together with a copy of the New Articles.

10. Proposed changes to the Board

Pursuant to the provisions of the Relationship Agreement, on completion of the Proposals, Russell Naylor will join the Board at the request of Torchlight as an executive director and Richard Boon and James Thornton will both join as non-executive directors. Further details of each proposed director's experience are as follows:

Russell Naylor – Proposed director with responsibility for finance

Russell Naylor has an extensive background in banking and finance and is the principal of Naylor Partners, a boutique Sydney-based Corporate Advisory business. Russell is an executive director and Investment Committee Member of Torchlight, RCL and TISE-listed Pyne Gould Corporation Limited which owns the majority of Torchlight. Russell has had previous executive roles at ASX-listed Lantern Hotel Group and National Australia Bank.

Richard Boon – Proposed non-executive director

Richard Boon is a non-executive director of AIM-quoted Dods Group plc, the founder of FCA-authorised investment manager Artefact Partners LLP and a CFA with over 30 years of research, portfolio management and private equity experience. Richard led the purchase by Torchlight of a stake in regional newspaper group Local World in 2012 and, as a non-executive director helped orchestrate the very successful sale to Trinity Mirror in 2015. Prior to founding Artefact in 2015, Richard's other roles included: Head of U.S. equities at Merrill Lynch Investment Management (2001 to 2004); and global equity portfolio manager at Morgan Stanley Asset Management (1995 to 2001). From 1992-1994 he was Head of Regulatory Policy at The Post Office when its privatisation was first considered. Richard began his career in New Zealand working in corporate finance on a range of privatisations after qualifying in both law and accountancy.

James Thornton – Proposed non-executive director

Pursuant to the provisions of the Relationship Agreement, on completion of the Proposals, James Thornton will be appointed jointly by the Company and Torchlight as a new independent non-executive director. James is a chartered accountant (FCA ICAEW) and has an extensive background in financial services with executive roles in transaction advice, finance director, governance and strategy roles. After completing his MBA at Harvard in 1990, James has held roles including: vice president of the European insurance group at Morgan Stanley from 1990 to 1995; head of finance at BAT Industries Plc from 1995 to 1999; global finance director and UK finance director and head of corporate governance at Old Mutual Plc from 1999 to 2003; head of foreign exchange division of IFX Plc from 2004 to 2006; finance and independent director at Global Health Partner Plc from 2006 to 2009; and director at corporate finance advisor Hannam & Partners (previously Strand Partners) from 2009 to 2015.

James has served since 2012 as an independent director of AIM-quoted H&T Group Plc, which is a secured lender and retailer regulated by the FCA. He is presently senior independent director and chairs the audit committee.

James has agreed that, conditional on Admission occurring on or before 16 August 2019, he will subscribe for 22,222 Ordinary Shares at the Issue Price.

Resignations

On completion of the Proposals, James Cane, Oliver Vaughan and Timothy James will resign as directors of the Company and its subsidiaries, and I would like to take this opportunity to thank them for their service to the Group over many years. Timothy James will remain an employee of the Company.

11. Current activities, trading and prospects

The Company's most recent financial results are the unaudited interim results for the six months ended 31 December 2018. These were announced on 29 March 2019 and were posted to shareholders in April 2019.

Since the interim financial results of the Company were issued, KCR has been focused on its ongoing operating activities and the transaction with Torchlight.

Operations across the Group's portfolio remain strong. The properties at Ladbroke Grove, Harrow and Chelsea continue to be close to 100 per cent. occupancy and KCR has achieved rental increases that have at least tracked inflation or higher. As the Company announced on 8 April 2019, Deanery Court (Southampton) the new-build apartment block consisting of 27 two-bedroom apartments located on the waterfront of the River Itchen, is now fully let.

Finance

The final instalment of approximately £1,600,000 plus interest and costs owed to Inland Homes in relation to the premium paid for the lease of Block B, Phase 1, Chapel Riverside, Elm Terrace, Southampton pursuant to the agreement described in paragraph 4.12 of Part 3 will be paid following completion of the Proposals out of the proceeds of the Torchlight Subscription.

KCR announced the Vaughan Loan on 1 April 2019, which was specifically related to the proposed transaction with Torchlight. £110,000 of the Vaughan Loan will be converted into equity at the Issue Price on completion of the Proposals. Further details of the Vaughan Loan are summarised in paragraph 4.21 of Part 3 of this document.

The Ladbroke Grove Loan will also be partially converted to equity at the Issue Price on completion of the Proposals as described in paragraph 4.11 of Part 3. The balance of the Ladbroke Grove Loan will be repaid out of the proceeds of the Torchlight Subscription.

Prospects

The proposed partnership with Torchlight is a significant step for KCR and its ability to create shareholder value in the future. It would deliver both immediate access to equity capital, and new relationships with significant global investors. The proposed transaction with Torchlight will assist with a refinancing of the

portfolio debt on more favourable terms. The investor and transaction-level relationships and the global team that Torchlight brings to the partnership will, the Directors believe, enable the Company to grow in the longer term.

As KCR grows its residential assets in the UK, Germany and Australasia and over time in other markets, one of its key costs is the price at which it acquires units.

KCR historically employed a “Buy to Rent” model of acquiring existing units at prevailing market prices. Looking forward, in order to reduce acquisition cost, and control quality, KCR intends to, in the UK and Australasia, move to a “Build to Rent” approach where it directly and indirectly develops residential units to rent out.

In Germany KCR intends to “Buy to Rent” because, in the view of management, residential units may be acquired in target German markets at prices well below the cost of development. For the same amount of capital KCR can buy more units, and collect more rent, than if it built comparable residential units. Over time this situation will be resolved by the gap between prices on existing units and development units converging to a level that makes it rational once again to develop.

Direct development is where KCR directly acquires and develops raw land into completed residential units. This lowers the cost of acquisition per unit and therefore allows KCR to achieve a higher yield on assets it develops. KCR intends to build its investment in build to rent assets through strategic partnerships with substantial homebuilders initially in the UK and Australasia and over the long term in Germany. The initial strategic partners in each of the UK (Inland Homes) and Australasia (RCL) are both established homebuilders with ownership of large land banks with a substantial portion suitable for development into residential rental assets.

KCR may also increase and strengthen its role in development by taking direct equity positions in residential home builders. This could be in existing strategic partners or via establishing new relationships.

This is expected to provide value, by access to the development margin, and security, by part ownership of key producers of product.

12. The Takeover Code

Upon completion of the Torchlight Subscription and the issue of the Torchlight Subscription Shares, the Redesignation Shares, the Conversion Shares, the Ladbroke Grove Shares and the Thornton Shares, Torchlight will hold, in aggregate, 9,000,000 new Ordinary Shares representing approximately 32.6 per cent. of the Enlarged Share Capital, being an amount that, in the absence of a waiver of the obligations under Rule 9 of the Takeover Code, would require Torchlight to make a Rule 9 Offer. In addition, the exercise by Torchlight of any of its rights under the Option Agreement, or the market purchase of Ordinary Shares by the Company pursuant to the authority granted by the Buyback Resolution may further increase the percentage holding attaching to the Company's share capital to a maximum of 80.3 per cent. after the maximum issue under the Option Agreement and maximum use of the Buyback authority, and such an increase would, in the absence of a waiver of the obligations under Rule 9 of the Takeover Code, require Torchlight to make a Rule 9 Offer.

The Torchlight Subscription, the Option and the Buyback Resolution therefore give rise to certain considerations under the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are set out below.

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, among other things, a listed or unlisted public company resident in the United Kingdom, the Channel Islands or the Isle of Man (and to certain categories of private limited companies). The Company is a public company with its registered office in the United Kingdom whose Ordinary Shares are admitted to trading on AIM, and its Shareholders are therefore entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares already held by that person and any interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more

of the voting rights of a company which is subject to the Takeover Code, that person is normally required by the Panel to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Similarly, Rule 9 of the Takeover Code also provides, among other things, that where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. but holds shares which in aggregate carry not more than 50 per cent. of the voting rights of a company which is subject to the Takeover Code, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required by the Panel to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at the highest price paid for any interest in shares in the company by the person required to make the offer or any person acting in concert with him during the 12 month period prior to the announcement of the offer.

Shareholders should be aware that Rule 9 of the Takeover Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds interests in shares carrying more than 50 per cent. of the voting rights of a company, acquires an additional interest in shares which carry voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares.

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, or frustrate the successful outcome of an offer for, a company subject to the Takeover Code. Control means an interest or interests in shares carrying, in aggregate, 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control. Torchlight and the Torchlight Nominees will be considered to be acting in concert for the purposes of the Takeover Code by virtue of Torchlight Nominees being wholly owned subsidiaries of Torchlight (as such term is defined in the Takeover Code).

13. Dispensation from the requirement to make a general offer under the Takeover Code

Immediately following completion of the Proposals and the issue of the Torchlight Subscription Shares, the Conversion Shares and the Redesignation Shares, the Torchlight Investors will have acquired interests in 9,000,000 Ordinary Shares carrying 32.6 per cent. of the then enlarged voting rights of the Company which, without a waiver of the obligations under Rule 9 of the Takeover Code, would oblige the Torchlight Investors (and any other party deemed to be acting in concert with the Torchlight Investors) to make a Rule 9 Offer.

If Torchlight exercises the Option in full (and no other Ordinary Shares are issued prior to such exercise) the Torchlight Investors will have increased their aggregate interests to 59,000,000 Ordinary Shares carrying 76.1 per cent. of the further enlarged voting rights of the Company which, without a waiver of the obligations under Rule 9 of the Takeover Code, would oblige the Torchlight Investors (and any party deemed to be acting in concert with the Torchlight Investors) to make a Rule 9 Offer.

Existing Holding		Holding immediately following completion of the Proposals		Holding immediately following the exercise in full of the Option and the Proposals (assuming that no further Ordinary Shares are issued prior to such exercise)	
No. of Existing Ordinary Shares	Percentage of the Existing Share Capital	Resultant shareholding	Percentage of the Enlarged Share Capital	Resultant shareholding	Percentage of the further enlarged share capital
–	–	9,000,000	32.6%	59,000,000	76.1%

Maximum percentage holdings assuming full buy back:

<i>Existing Holding</i>		<i>Holding immediately following completion of the Proposals</i>		<i>Holding immediately following the exercise in full and the Option of the Proposals (assuming that no further Ordinary Shares are issued prior to such exercise)</i>	
<i>No. of Existing Ordinary Shares</i>	<i>Percentage of the Existing Share Capital</i>	<i>Resultant shareholding</i>	<i>Percentage of the Enlarged Share Capital</i>	<i>Resultant shareholding</i>	<i>Percentage of the further enlarged share capital</i>
–	–	9,000,000	38.4%	59,000,000	80.3%

The Company has applied to the Panel for a waiver of the obligations under Rule 9 of the Takeover Code in order to permit:

- the Torchlight Subscription to proceed without triggering an obligation on the part of the Torchlight Investors to make a Rule 9 Offer;
- the full exercise of the Option without triggering an obligation on the part of the Torchlight Investors to make a Rule 9 Offer; and
- the market purchases of Ordinary Shares by the Company pursuant to the terms of the Buyback Resolution without triggering an obligation on the part of the Torchlight Investors to make a Rule 9 Offer.

Under Note 1 of the Notes on the Dispensations from Rule 9 of the Takeover Code, the Panel will normally waive the requirement for a Rule 9 Offer if, among other things, the shareholders of the company who are independent of the person who would otherwise be required to make an offer, and any person acting in concert with him, pass an ordinary resolution approving such a waiver on a poll at a general meeting.

Accordingly, the Panel has agreed:

- subject to Shareholders approving the Subscription Whitewash Resolution (Resolution 1) on a poll at the General Meeting, to grant a waiver of the obligation of the Torchlight Investors to make a general offer under Rule 9 of the Takeover Code that would arise as a result of the issue of the Torchlight Subscription Shares to the Torchlight Investors pursuant to the Proposals;
- subject to the Shareholders approving the Option Whitewash Resolution (Resolution 2) on a poll at the General Meeting, and conditional upon the passing of the Subscription Whitewash Resolution on a poll at the General Meeting, to grant a waiver of the obligation of the Torchlight Investors to make a general offer under Rule 9 of the Takeover Code that would arise as a result of the exercise of the Option either partially or in full by Torchlight in accordance with the terms of the Option Agreement; and
- subject to the Shareholders approving the Buyback Whitewash Resolution (Resolution 3) on a poll at the General Meeting, and conditional upon the passing of each of the Subscription Whitewash Resolution and the Option Whitewash Resolution on a poll at the General Meeting, to grant a waiver of the obligation of the Torchlight Investors to make a general offer under Rule 9 of the Takeover Code that would arise as a result of market purchases of Ordinary Shares by the Company pursuant to the authority granted by the Buyback Resolution.

To be passed, each of the Whitewash Resolutions will require a simple majority of the votes cast on a poll by the Shareholders entitled to vote. Shareholders should note that if the Whitewash Resolutions are passed by Shareholders at the General Meeting and the Proposals completed, the Torchlight Investors will not be restricted from making an offer for the Company.

Shareholders should further note that, following completion of the Proposals and issue of the Torchlight Subscription Shares, if Torchlight exercises the Option in full in accordance with the terms of the Option Agreement and is therefore issued the Option Shares, the Torchlight Investors

will between them be interested in approximately 76.1 per cent. of the then enlarged voting rights of the Company and that:

- **by virtue of holding more than 50 per cent. of the Company's voting rights, the Torchlight Investors will be entitled to increase their holding or aggregate interest in the voting rights of the Company without incurring any obligation under Rule 9 of the Takeover Code to make a general offer to all Shareholders to acquire their Ordinary Shares; and**
- **this exercise will increase the percentage of the Ordinary Shares that are not in public hands. This may in turn have the effect of reducing the liquidity of trading in the Ordinary Shares on AIM. The Torchlight Investors' stake in the voting rights of the Company will also mean that the Torchlight Investors will be able, if they so wish, to exert significant influence over resolutions proposed at future general meetings of the Company.**

Under Rule 37 of the Takeover Code any increase in the percentage of shares carrying voting rights held by a shareholder or persons acting in concert with the shareholder resulting from the purchase by the company of its own shares will be treated as an acquisition for the purpose of Rule 9. For the purposes of the Takeover Code, the Torchlight Investors are presumed to be acting in concert. As the Torchlight Investors will, following the completion of the Torchlight Subscription, be interested in an aggregate of 9,000,000 Ordinary Shares, representing approximately 32.6 per cent. of the Enlarged Share Capital, any exercise by the Company of the authority in the Buyback Resolution to make market purchases for Ordinary Shares could result in the Torchlight Investors being obliged under Rule 9 of the Takeover Code to make an offer for the remaining Ordinary Shares then in issue and not already owned by them. If 4,126,000 of the issued Ordinary Shares (being the maximum number of Ordinary Shares which could be purchased on any exercise by the Company of the authority granted by the Buyback Resolution) were to be purchased by the Company, the Torchlight Investors' aggregate holding, and maximum interest, would (assuming that no Option Shares had been issued) comprise approximately 38.4 per cent. of the remaining issued Ordinary Shares. If 4,126,000 of the issued Ordinary Shares were to be purchased by the Company, the Torchlight Investors aggregate holding and maximum interest would (assuming that all the Option Shares had been issued) comprise approximately 80.3 per cent. of the remaining issued Ordinary Shares.

The Panel has agreed, subject to the approval by Shareholders voting on a poll on Resolution 3 to be proposed at the General Meeting, to waive this obligation in the event that the Torchlight Investors' aggregate holding of 9,000,000 Ordinary Shares increases (if no Option Shares have been issued) to a maximum of approximately 38.4 per cent. and increases (if all the Option Shares have been issued) to a maximum of approximately 80.3 per cent., provided that any increase in such holding arises only as a result of the Company making market purchases for up to 4,126,000 of the issued Ordinary Shares pursuant to any exercise of the authority granted by the Buyback Resolution and assuming that the Torchlight Investors do not participate in the buyback.

The attention of Shareholders is drawn to the information on Torchlight and the Torchlight Investors set out in Part 2 of this document and the additional information required by the Takeover Code set out in Part 3 of this document.

14. Independent advice provided to the Board

The Takeover Code requires the Board to obtain competent independent advice regarding the merits of the transactions that are the subject of the Whitewash Resolutions, the controlling position which it will create, and the effect that it will have on Shareholders generally. Accordingly, Arden, as the Company's independent financial adviser, has provided formal advice to the Board regarding the Proposals. Arden confirms that it, and any person who is or is presumed to be acting in concert with it, is independent of the Torchlight Investors and has no personal, financial or commercial relationship or arrangements or understandings with the Torchlight Investors.

15. Details of the Redesignation and Gift Agreement

The Board has agreed with Torchlight that steps should be taken to ensure that the Restricted Preference Shares will no longer exist following the completion of the Proposals.

The Company and Restricted Preference Shareholders therefore entered into the Redesignation and Gift Agreement on 12 July 2019. The Redesignation and Gift Agreement conditionally provides that out of every

13 Restricted Preference Shares held by each Restricted Preference Shareholder, five will be redesignated as Ordinary Shares and the remaining eight will be acquired by the Company for nil consideration. Where the Restricted Preference Shares to Ordinary Shares calculation results in any holder of Restricted Preference Shares being entitled to a fraction of an Ordinary Share, such fractional entitlement shall be disregarded. There are currently 4,500,000 Restricted Preference Shares in issue, so this would result in the issue of, in aggregate, 1,730,765 Redesignation Shares and the gift of 2,769,235 Restricted Preference Shares to the Company. It is the intention of the Company that following the acquisition of the Gifted Shares by the Company, the Gifted Shares will be cancelled by the Company.

The Redesignation and Gift Agreement is conditional, amongst other things, upon the Torchlight Subscription Agreement becoming unconditional, other than Admission, and not having been terminated in accordance with its terms by no later than 5 August 2019 (or such time and date as the Company and the Restricted Preference Shareholders may agree, being not later than 22 August 2019). Accordingly, if such conditions are not satisfied, or, as applicable, waived, the Restricted Preference Shares will remain in issue.

Christopher James (the Group's director of operations) wishes to dispose of some of the Redesignation Shares that will be registered in his name on completion of the Redesignation and Gift Agreement. Oliver Vaughan has agreed with Christopher James that, conditional on the Proposals being implemented, Oliver Vaughan will acquire from Christopher James 111,111 of the Redesignation Shares to be registered in the name of Christopher James in consideration of the payment of £50,000 (being a price per share equivalent to the Issue Price).

16. Approvals for the Redesignation and Gift Agreement

Dominic White, James Cane, Timothy James and Oliver Vaughan are all Directors and Restricted Preference Shareholders and so, conditional upon completion of the Torchlight Subscription pursuant to the Torchlight Subscription Agreement, will each be issued Redesignation Shares pursuant to the Redesignation and Gift Agreement. The number of Restricted Preference Shares held by each of Dominic White, James Cane, Timothy James and Oliver Vaughan and the number of Redesignation Shares to be issued to each of them is as shown in the table below:

<i>Name of Director</i>	<i>Number of Restricted Preference Shares held</i>	<i>Number of Restricted Preference Shares to be redesignated as Redesignation Shares</i>	<i>Value of the Redesignation Shares at the Issue Price</i>	<i>Number of Restricted Preference Shares to be gifted to KCR for no consideration</i>
Dominic White	598,690	230,265	£103,619.25	368,425
White Amba	666,667	256,410	£115,384.50	410,257
James Cane	30,000	11,538	£5,192.10	18,462
Timothy James	905,357	348,214	£156,696.30	557,143
Oliver Vaughan	805,357	309,752	£139,388.40	495,605

*666,667 Restricted Preference Shares are held in the name of White Amba.

Christopher James, Benjamin James and Timothy Oakley will also enter into the Redesignation and Gift Agreement as Restricted Preference Shareholders. The number of Restricted Preference Shares held by each of Christopher James, Benjamin James and Timothy Oakley and the number of Redesignation Shares to be issued to each of them is as shown in the table below:

<i>Name of Restricted Preference Shareholder</i>	<i>Number of Restricted Preference Shares held</i>	<i>Number of Restricted Preference Shares to be redesignated as Redesignation Shares</i>	<i>Value of the Redesignation Shares at the Issue Price</i>	<i>Number of Restricted Preference Shares to be gifted to KCR for no consideration</i>
Christopher James	614,286	236,263	£106,318.35	378,023
Benjamin James	414,286	159,340	£71,703.00	254,946
Timothy Oakley	465,357	178,983	£80,542.35	286,374

The redesignation of certain of the Restricted Preference Shares pursuant to the Redesignation and Gift Agreement constitutes a variation of the rights attaching to the Restricted Preference Shares and so the Redesignation and Gift Agreement contains a provision in which each of the Restricted Preference Shareholders consents to such variation of the rights attaching to the Restricted Preference Shares.

17. Issue of Ordinary Shares in respect of salaries and bonuses

In order to assist with the Company's cash flow, all of the current employees of the Company (including the Directors other than Michael Davies and James Cane) have agreed with the Company that for the period commencing on 1 January 2019 and ending on 30 June 2019 the Company will not pay them the full amount due to them but will, instead, accrue the payments due to each of them. The Company has agreed with certain of the employees of the Company (including the executive directors) and Oliver Vaughan that, conditional upon completion of the Torchlight Subscription pursuant to the Torchlight Subscription Agreement, they will each accept that all or some of the amounts due to them will be settled by the issue to them of Ordinary Shares at the Issue Price.

The details of the proposed issue of Remuneration Conversion Shares is as follows:

<i>Name of Director/employee</i>	<i>Nature of debt owed to the Director/employee</i>	<i>Gross amount to be settled by the issue of Remuneration Conversion Shares</i>	<i>Net amount (after having made a deduction in respect of income tax and national insurance) to be settled by the issue of Remuneration Conversion Shares</i>	<i>Number of Remuneration Conversion Shares to be issued at the Issue Price</i>
Dominic White	Accrued but unpaid salary	£79,002	£43,451	96,558
Timothy James	Accrued but unpaid salary	£24,996	£13,748	30,551
Oliver Vaughan	Accrued but unpaid director's fees and three months' fees in lieu of notice	£22,500	£12,375	27,500
Christopher James	Accrued but unpaid salary and agreed historic bonus of £10,000	£11,000	£6,050	13,444
Benjamin James	Introduction bonus (with the balance being paid in cash) (i)	£80,000	£34,780	75,289
Timothy Oakley	Accrued but unpaid salary and three months' salary in lieu of notice	£22,500	£12,375	27,500
Total				270,842

(i) The Company has agreed to pay Benjamin James a bonus of £80,000 for introducing Torchlight to the Company.

18. Related party transactions and section 190 CA 2006

Related party transactions

Redesignation and Gift Agreement

The entry by the Company into the Redesignation and Gift Agreement with: Dominic White, James Cane, Timothy James and Oliver Vaughan (because they are directors of the Company); Timothy Oakley and Christopher James (because they are directors of certain of the subsidiaries of the Company); and White Amba (because it is a pension scheme for the benefit of Dominic White); and the issue of Redesignation Shares as shown in the table in paragraph 16 above is a related party transaction for the purposes of Rule 13 of the AIM Rules. I, as the only Director not holding Restricted Preference Shares, having consulted with Arden, consider that the entry by the Company into the Redesignation and Gift Agreement and the issue to each of the above Directors, to Timothy Oakley and Christopher James, and to White Amba of the number of Redesignation Shares written against his or its respective name above is fair and reasonable insofar as the Shareholders are concerned.

Remuneration Conversion Shares

The issue of Remuneration Conversion Shares to Dominic White, Timothy James, Oliver Vaughan, Timothy Oakley and Christopher James, as set out in paragraph 17 above is a related party transaction for the purposes of Rule 13 of the AIM Rules. I and James Cane, as the only Directors not to be issued Remuneration Conversion Shares, having consulted with Arden, consider that the issue to Dominic White, Timothy James, Oliver Vaughan, Timothy Oakley and Christopher James of the number Remuneration Conversion Shares written against his respective name above is fair and reasonable insofar as the Shareholders are concerned.

Loan Note Conversion by White Amba

The entry by the Company into the agreement with White Amba described in paragraph 4.23 of Part 3 of this document and the issue of 55,556 Conversion Shares to White Amba pursuant to that agreement is a related party transaction for the purposes of Rule 13 of the AIM Rules. The Directors (other than Dominic White) consider, having consulted with Arden, that the entry by the Company into such agreement and the issue of 55,556 Conversion Shares to White Amba is fair and reasonable insofar as the Shareholders are concerned.

Vaughan Loan Extension and Conversion

Oliver Vaughan has entered into an agreement with the Company dated 12 July 2019 in which he agreed to extend the repayment date for the Vaughan Loan to 22 August 2019. The entry by the Company into the agreement with Oliver Vaughan and the issue of 244,444 Ordinary Shares to Oliver Vaughan pursuant to that agreement is a related party transaction for the purposes of Rule 13 of the AIM Rules. The Directors (other than Oliver Vaughan) consider, having consulted with Arden, that the entry by the Company into such agreement and the issue of 244,444 Ordinary Shares to Oliver Vaughan is fair and reasonable insofar as the Shareholders are concerned.

Ladbroke Grove Extension Deeds

The entry by the Company into the Ladbroke Grove Extension Deeds with, amongst others, Timothy Oakley and DGS, and the proposed payment of £13,962 to Timothy Oakley in respect of accrued but unpaid interest due to him pursuant to the Ladbroke Grove Extension Deeds (in his capacity as one of the Ladbroke Grove Lenders) and the issue to him of 111,111 Ordinary Shares at the Issue Price in respect of the capitalisation of £50,000 of his share of the Ladbroke Grove Loan is a related party transaction for the purposes of Rule 13 of the AIM Rules. The Directors (other than Michael Davies), having consulted with Arden, consider that such arrangements with Timothy Oakley and Michael Davies are fair and reasonable insofar as the Shareholders are concerned.

Section 190 of CA 2006

Section 190 of CA 2006 requires that arrangements between a company and its directors or persons connected with such directors, which involve the acquisition by the company of substantial non-cash assets from such persons (or the disposal of substantial non-cash assets to such persons), must be approved by a resolution of the members of the company or be conditional on such approval being obtained. A “non-cash asset” means any property or interest in property, other than cash. Under section 191(2) CA 2006, a “non-cash asset” is a substantial asset in relation to a company if its value: (a) exceeds 10 per cent. of the company’s asset value and is more than £5,000; or (b) exceeds £100,000.

As a result of the value of the Redesignation Shares to be issued to Dominic White, Timothy James and Oliver Vaughan, the entry by the Company into the Redesignation and Gift Agreement constitutes a “substantial property transaction” involving a director of the Company under section 190 of CA 2006 and therefore requires approval by a resolution of members of the Company. Completion of the Redesignation and Gift Agreement is therefore conditional on obtaining this approval by the passing of the Redesignation Resolution. The Redesignation Resolution, which seeks this approval, is set out in the Notice of General Meeting as Resolution 8.

19. General Meeting

The Directors do not currently have authority to allot all the New Ordinary Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the Torchlight Subscription Shares and the Option Shares at the General Meeting. In addition, the Panel’s waiver of the obligations under Rule 9 of the Takeover Code has been granted subject to Shareholders entitled to vote approving each of the Whitewash Resolutions on a poll at the General Meeting. The Board is also seeking shareholder approval of certain matters in connection with the proposals and the approval to put in place larger authorities to allot shares and disapply the statutory pre-emption rights in light of the larger issued share capital of the Company upon Admission.

The formal Notice of General Meeting is set out at the end of this document convening the meeting to be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG at 10.00 a.m. on 29 July 2019. At the General Meeting, the following Resolutions will be proposed:

- **Resolution 1** is an ordinary resolution to approve the waiver of the obligations under Rule 9 of the Takeover Code in relation to the issue of the Torchlight Subscription Shares. This resolution will be taken on a poll, and must be approved by Shareholders entitled to vote who together represent a simple majority of the issued Ordinary Shares held by such Shareholders being voted (whether in person or by proxy) at the General Meeting;
- **Resolution 2**, which is conditional on the passing of Resolution 1, is an ordinary resolution to approve the waiver of the obligations under Rule 9 of the Takeover Code in relation to the issue of Option Shares on the partial or full exercise of the Option by Torchlight. This resolution will also be taken on a poll, and must be approved by Shareholders entitled to vote who together represent a simple majority of the issued Ordinary Shares held by such Shareholders being voted (whether in person or by proxy) at the General Meeting;
- **Resolution 3**, which is conditional on the passing of Resolutions 1 and 2, is an ordinary resolution to approve the waiver of the obligations under Rule 9 of the Takeover Code in relation to a possible increase in the percentage holding of the Torchlight Investors in the Company following the market purchases by the Company of Ordinary Shares pursuant to the authority granted by the Buyback Resolution. This resolution will also be taken on a poll, and must be approved by Shareholders entitled to vote who together represent a simple majority of the issued Ordinary Shares held by such Shareholders being voted (whether in person or by proxy) at the General Meeting;
- **Resolution 4**, which is conditional on the passing of Resolutions 1, 2 and 3, is an ordinary resolution, to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £1,004,708.90, being equal to 10,047,089 Ordinary Shares (i.e. the maximum number of Ordinary Shares available under the Torchlight Subscription, the Option and the issue of the Thornton Shares, the Ladbroke Grove Shares and the Conversion Shares);
- **Resolution 5**, which is conditional on the passing of Resolutions 1, 2, 3 and 4, is an ordinary resolution to, in substitution for all existing authorities 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 authorise the Directors to allot relevant securities in addition to the authority to be granted by Resolution 4 in connection with rights issues and other pre-emptive issues of Ordinary Shares and otherwise up to an aggregate nominal amount of £2,750,000, being equal to approximately 100 per cent. of the Enlarged Share Capital;
- **Resolution 6**, which is conditional on the passing of Resolutions 1, 2, 3 and 4, is a special resolution to disapply the statutory pre-emption rights in CA 2006 and to authorise the Directors to issue and allot up to 10,047,089 Ordinary Shares pursuant to the Torchlight Subscription, the Option and the issue of the Thornton Shares, the Ladbroke Grove Shares and the Conversion Shares on a non-pre-emptive basis;

- **Resolution 7**, which is conditional on the passing of Resolutions 1, 2, 3, 4 and 6, is a special resolution to disapply the statutory pre-emption rights in CA 2006 and to authorise the Directors to allot equity securities in addition to the authority to be granted by Resolution 6, in substitution for all existing authorities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities in connection with rights issues and other pre-emptive issues of Ordinary Shares and otherwise up to an aggregate nominal amount of £2,750,000, being equal to approximately 100 per cent. of the Enlarged Share Capital;
- **Resolution 8**, which is conditional on the passing of Resolutions 1, 2, 3, 4 and 6, is a special resolution to approve the redesignation of Restricted Preference Shares pursuant to the Redesignation and Gift Agreement;
- **Resolution 9**, which is conditional on the passing of Resolutions 1, 2, 3, 4, 6 and 8, is a special resolution to adopt the New Articles in place of the Existing Articles;
- **Resolution 10**, which is conditional on the passing of Resolutions 1, 2, 3, 4, 6, 8 and 9, is an ordinary resolution to approve the entry by the Company into the Redesignation and Gift Agreement with Dominic White, White Amba, James Cane, Timothy James, Christopher James, Benjamin James, Timothy Oakley and Oliver Vaughan and the issue by the Company of the Redesignation Shares to Dominic White, White Amba, James Cane, Timothy James, Christopher James, Benjamin James, Timothy Oakley and Oliver Vaughan on the terms and subject to the conditions of the Redesignation and Gift Agreement;
- **Resolution 11**, which is conditional on the passing of Resolutions 1, 2, 3, 4, 6, 8, 9 and 10, is an ordinary resolution to approve the entry by the Company into the Strategic Agreement and the performance by the Directors of the Company's obligations and exercise of any and all of the rights of the Company under the Strategic Agreement; and
- **Resolution 12**, which is conditional on the passing of Resolutions 1, 2, 3, 4, 6, 8, 9, 10 and 11, is a special resolution to approve the market purchase by the Company of up to 4,126,000 Ordinary Shares (representing 14.9 per cent. of the present issued share capital of the Company) for a price of no less than 10p per Ordinary Share and no more than 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from the Daily Official List on the ten Dealing Days immediately preceding the day on which the share is contracted to be purchased.

Completion of the Torchlight Subscription and the completion of the Redesignation and Gift Agreement are conditional upon the passing of the Resolutions. If any of the Resolutions are not passed, neither the Torchlight Subscription nor the Redesignation and Gift Agreement will complete.

20. New Articles

The New Articles include certain amendments to the Existing Articles, including the deletion of all references to the Restricted Preference Shares and the rights attaching to the Restricted Preference Shares along with a number of required changes to conform the New Articles with the requirements of the wider Proposals. Details of these changes are as follows:

- to align the New Articles with the provisions of the Relationship Agreement, including to provide that while the Relationship Agreement is in force no more than five Directors will be appointed unless the prior written consent of Torchlight to the appointment of the additional Director(s) has been obtained; and that the Board shall not be quorate where two or more Torchlight Directors have been appointed unless at least two of those Torchlight Directors are present (including at least one Independent Director who may also be a Torchlight Director) and, where one Torchlight Director is appointed, unless that Torchlight Director is present;
- in relation to acquisitions of properties from RCL that fit within the Strategic Agreement, to authorise and approve any conflict of interest of a Torchlight Director in respect of any contract, arrangement, transaction or other proposal in connection with or pursuant to the Strategic Agreement (including but not limited to the exercise by the Company of an option thereunder); and
- to provide for the Board to appoint additional Directors of the Company.

21. Action to be taken

A Form of Proxy is enclosed for use by Shareholders in connection with the General Meeting. Whether or not you intend to be present at the General Meeting in person, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it and return it to the Company's registrars, Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on 25 July 2019. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person should you subsequently wish to do so.

In accordance with the requirements of the Panel, the Whitewash Resolutions will be taken on a poll of Shareholders entitled to vote.

22. Irrevocable undertakings

The Company and Torchlight have received irrevocable undertakings to vote in favour of all the Resolutions, including the Whitewash Resolutions, from all of the Directors who hold Existing Ordinary Shares, in respect of, in aggregate, 1,375,188 Existing Ordinary Shares representing approximately 8.7 per cent. of the Existing Ordinary Shares, and from the Relevant Family Members and the Irrevocable Shareholders who hold in aggregate, 8,749,726 Existing Ordinary Shares representing approximately 55.4 per cent. of the Existing Ordinary Shares. The Company has therefore received irrevocable undertakings to vote in favour of all the Resolutions, including the Whitewash Resolutions, from Shareholders (including Directors) who hold in aggregate, 10,124,914 Existing Ordinary Shares representing approximately 64.1 per cent. of the Existing Ordinary Shares.

23. Further information

Your attention is drawn to the further information set out in Parts 2 and 3 of this document and to the Company's consolidated annual report and financial statements for the last two financial years, each of which are incorporated by reference into this document, and are available at www.kcrreit.com/investors/financial-reports/. You are advised to read the whole of this document and not merely rely on the key or summarised information in this letter.

24. Recommendation

The Directors, having been so advised by Arden, consider the Proposals and the passing of the Resolutions, including the Whitewash Resolutions, to be fair and reasonable and in the best interests of the Shareholders and the Company as a whole. In providing its advice to the Directors, Arden has taken into account the Directors' commercial assessments.

Accordingly, the Directors unanimously recommend that Shareholders vote in favour of all of the Resolutions, as they have irrevocably undertaken so to do in respect of their own beneficial shareholdings of, in aggregate, 1,375,188 Existing Ordinary Shares, representing approximately 8.7 per cent. of the existing issued share capital of the Company.

The Torchlight Subscription is conditional, among other things, upon the passing of the Resolutions at the General Meeting. Shareholders should be aware that if all the Resolutions are not approved at the General Meeting by Shareholders, the Torchlight Subscription will not proceed.

Yours faithfully

Michael Davies

Non-Executive Chairman

PART 2

INFORMATION ON THE TORCHLIGHT INVESTORS

The information set out in this Part 2, which relates to the Torchlight Investors, has been accurately reproduced from information provided by Torchlight. As far as KCR is aware and is able to ascertain from information provided by Torchlight, no facts have been omitted which would render the information in this Part 2, which relates to the Torchlight Investors, inaccurate or misleading.

1. Information on Torchlight and the Torchlight Investors

- 1.1 Torchlight is a limited partnership that was established in the Cayman Islands pursuant to a limited partnership agreement dated 7 November 2012 (as amended from time to time). The registered office is Conyers Dill & Pearman (Cayman) Limited, Boundary Hall, 2nd Floor, Cricket Square, Grand Cayman KY1-1111, Cayman Islands.
- 1.2 The general partner of Torchlight is Torchlight GP. The general partner exercises management and control in respect of Torchlight. The directors of Torchlight GP are George Kerr and Russell Naylor.
- 1.3 Torchlight manages and co-invests in proprietary funds focused on non-traditional investment opportunities with experience in various sectors including media, hotels, real estate and real estate development. Its primary current investment is in RCL, an Australia residential land investor and developer.
- 1.4 Torchlight is majority owned by PGC, which has a direct 70.3 per cent. limited partner interest in Torchlight and owns 100 per cent. of Torchlight GP. PGC is listed on The International Stock Exchange based in Guernsey with a market capitalisation of NZ\$53 million as at 30 June 2019. PGC is a wealth management business focused on investments through Torchlight in Australia and the United Kingdom.
- 1.5 Australasian Equity Partners (GP) No.1 Limited, as general partner of Australasian Equity Partners Fund No.1 LP ("**AEP LP**"), is the parent of PGC, holding 80.16 per cent. of PGC's shares as at 30 June 2018. George Kerr is the ultimate controlling party of AEP LP. George Kerr is a private equity investor with a 25-year record in Australasia and the United Kingdom and is the chairman of Australasian Equity Partners.
- 1.6 None of the Torchlight Nominees have yet been incorporated but, when incorporated, will all be 100 per cent. owned by Torchlight. Torchlight is therefore acting in concert, with the Torchlight Nominees for the purposes of the Takeover Code.
- 1.7 Torchlight is not required to publish audited consolidated accounts or preliminary statements of annual results, half-yearly financial reports or interim financial information as a consequence of it being a limited partnership.
- 1.8 The published audited consolidated accounts or preliminary statements of annual results, half-yearly financial reports or interim financial information of PGC referred to below have been incorporated by reference in compliance with Rule 24.15 of the Takeover Code:
 - 1.8.1 the interim report and condensed financial statements of PGC for the period ended 31 December 2018;
 - 1.8.2 the annual report and consolidated financial statements of PGC for the financial year ended 30 June 2018; and
 - 1.8.3 the annual report and consolidated financial statements of PGC for the financial year ended 30 June 2017
- 1.9 These documents will be available on KCR's website <http://www.kcrreit.com> from the date of this document.

1.10 These documents will also be available for inspection at the following address:

82 St John Street
London
EC1M 4JN
United Kingdom

1.11 Any Shareholder holding Ordinary Shares, person with information rights or other person to whom this document is sent may request a copy of each of the documents set out above in hard copy form. Hard copies will only be sent where valid requests are received from such persons. Requests for hard copies are to be submitted to KCR by calling the Company on +44(0) 20 3793 5236 (calls to this number are charged at standard call rates). Lines are open 9.30 a.m. to 5.00 p.m. Requests can also be made by writing to KCR Residential REIT plc, 82 St John Street, London, EC1M 4JN. All valid requests will be dealt with as soon as possible and hard copies mailed by no later than two Business Days following the receipt of such requests.

2. Disclosure of Interests and Dealings in Shares

2.1 For the purposes of this paragraph, the following definitions apply:

2.1.1 **“acting in concert”** has the meaning attributed to it in the Takeover Code;

2.1.2 **“arrangement”** includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

2.1.3 **“connected adviser”** has the meaning attributed to it in the Takeover Code;

2.1.4 **“connected person”** has the meaning attributed to it in sections 252 to 255 of CA 2006;

2.1.5 **“control”** means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of KCR which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control;

2.1.6 **“dealing”** or **“dealt”** includes the following:

2.1.6.1 the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;

2.1.6.2 the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a trade option contract) in respect of any relevant securities;

2.1.6.3 subscribing or agreeing to subscribe for relevant securities;

2.1.6.4 the exercise or conversion of any relevant securities carrying conversion or subscription rights (whether in respect of new or existing securities);

2.1.6.5 the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;

2.1.6.6 entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and

2.1.6.7 any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;

2.1.7 **“derivative”** includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

2.1.8 **“disclosure date”** means 11 July 2019, being the latest practicable date prior to the publication of this document;

2.1.9 **“disclosure period”** means the period commencing on 11 July 2018, being the date 12 months prior to the date of publication of this document and ending on the disclosure date;

2.1.10 being “**interested**” in relevant securities includes where a person:

2.1.10.1 owns relevant securities;

2.1.10.2 has a right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;

2.1.10.3 by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

2.1.10.4 is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;

2.1.11 “**relevant KCR securities**” means shares in KCR (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

2.1.12 “**relevant Torchlight securities**” means interests in Torchlight (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

2.1.13 “**relevant securities**” means relevant KCR securities and relevant Torchlight securities; and

2.1.14 “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, agreement to sell or any delivery obligation or right to require any other person to purchase or take delivery.

2.2 Torchlight Interests

The percentage interests in Ordinary Shares of each of the Torchlight Investors as at the disclosure date and on Admission is as follows:

Name	Jurisdiction	As at the disclosure date		On Admission	
		Ordinary Shares	Percentage of Issued Share Capital (%)	Ordinary Shares	Percentage of Issued Share Capital (%)
Torchlight Fund LP	Cayman Islands	0	0%	1,800,000	6.54%
Torchlight Nominee 1	Cayman Islands	0	0%	1,800,000	6.54%
Torchlight Nominee 2	Cayman Islands	0	0%	1,800,000	6.54%
Torchlight Nominee 3	Cayman Islands	0	0%	1,800,000	6.54%
Torchlight Nominee 4	Cayman Islands	0	0%	1,800,000	6.54%

2.3 Market dealings in relevant KCR securities by Torchlight

There have been no dealings in relevant KCR securities by the Torchlight Investors during the disclosure period other than the proposed participation by the Torchlight Investors in the Torchlight Subscription as detailed in this document.

2.4 General

As at the close of business on the disclosure date and save as disclosed in this document:

2.4.1 no Torchlight Investor had an interest in or right to subscribe for, or had any short position in relation to, any relevant KCR securities, nor had any such members of the Torchlight Investors dealt in any relevant KCR securities during the disclosure period;

2.4.2 no person acting in concert with any of the Torchlight Investors had an interest in or a right to subscribe for, or had any short position in relation to, any relevant KCR securities, nor had any such person dealt in any relevant KCR securities during the disclosure period;

2.4.3 neither the Torchlight Investors nor any person acting in concert with the Torchlight Investors had borrowed or lent any relevant KCR securities;

- 2.4.4 no agreement, arrangement or understanding (including any compensation arrangement) exists between the Torchlight Investors and/or any of the Directors or recent directors of KCR, Shareholders or recent Shareholders, or any person interested or recently interested in shares of KCR, having any connection with, or dependence upon the outcome of the Torchlight Subscription; and
- 2.4.5 there is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Torchlight Subscription Shares to be acquired by any of the Torchlight Investors pursuant to the Torchlight Subscription will be transferred to any other person.

3. Participation in the Torchlight Subscription

The Torchlight Subscription is not expected to have a material effect on any Torchlight Investor's earnings, assets or liabilities.

4. Torchlight's intentions regarding KCR

- 4.1 Save as disclosed in this document, the Torchlight Investors confirm that they have no intention to make any changes to:
 - 4.1.1 the future business of KCR;
 - 4.1.2 the strategic plans of KCR;
 - 4.1.3 the continued employment of the Group's employees and management, including the continued employment of, or the conditions of employment and any such rights relating thereto of, any of the Group's employees and management;
 - 4.1.4 the redeployment of any fixed assets of KCR;
 - 4.1.5 the locations of KCR's places of business; or
 - 4.1.6 the maintenance of any existing trading facilities for KCR 's securities.
- 4.2 KCR has confirmed to the Torchlight Investors that it does not have a company pension scheme other than the auto-enrolment scheme.

5. Material Contracts

Neither Torchlight nor any person acting in concert with Torchlight entered into any material contract (other than any contracts entered into in the ordinary course of business) since the date two years preceding the date of this document.

6. Responsibility

For the purposes of Rule 19.2 of the Code only, the directors of Torchlight GP (whose names are set out in paragraph 1.2 of Part 2 of this document) accept responsibility for the information contained in this document relating to any of the Torchlight Investors or PGC. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information (including any expressions of opinion).

PART 3

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names are set out on page 13 of this document, accept responsibility for all the information contained in this document (other than the information for which responsibility is accepted pursuant to paragraphs 6 of Part 2). To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information (including any expressions of opinion).

2. Directors of KCR

The Directors of KCR and their respective functions as at the date of this document are as follows:

<i>Director</i>	<i>Function</i>
Michael Davies	Non-Executive Chairman
Dominic White	Chief Executive Officer
James Cane	Finance Director
Timothy James	Property Director
Oliver Vaughan	Non-Executive Director

3. Directors' service contracts and interests

- 3.1 The amount of remuneration paid (there being no contingent or deferred compensation), and benefits-in-kind granted to each Director by the Group for services in all capacities to the Group in respect of the financial year ended 30 June 2018, together with total amounts set aside or accrued by the Group to provide pension, retirement or similar benefits to each Director, were as follows:

<i>Name</i>	<i>Remuneration</i> £	<i>Pension benefits</i> £
Michael Davies	43,200	Nil
Dominic White	158,000	Nil
James Cane	75,000	Nil
Timothy James	50,000	Nil
Oliver Vaughan	30,000	Nil

- 3.2 Summary details of the Directors' service contracts or appointment letters, all of which are between each individual Director and KCR, are as set out below. Except as disclosed, none of the Directors' service contracts or appointment letters has been amended during the past six months.

3.2.1 **Michael Davies**

Michael Davies was appointed as a non-executive director of the Company on 12 November 2015 and became non-executive chairman of the Company on 30 December 2015. Mr Davies entered into a letter of appointment with the Company on 24 October 2017 confirming the terms of his appointment. His appointment was for an initial term of three years, effective from 12 November 2015 and is continuing but can be terminated by either party on three months' notice in writing. During his appointment, he is expected to work for the Company for a minimum of 15 days per annum. A fee of £43,200 (inclusive of VAT) per annum is paid to DGS (of which he is a partner) in respect of his services as a director of the Company. Under the terms of his letter of appointment Mr Davies is also entitled to be reimbursed for his expenses and the cost of taking independent legal advice, subject to a limit imposed by the Board. Mr Davies is also entitled to be covered by any liability insurance the Company has in place covering directors and officers of the Company.

Michael Davies has signed a new letter of appointment under which he will continue as the non-executive chairman of the Company conditional on and with effect from Admission. His appointment will be for a term of three years but can be terminated by either party on three months' notice in writing. During his appointment, he is expected to work for the Company for a minimum of 15 days per annum. Mr Davies will be paid a fee of £42,000 per annum. Under the terms of his letter of appointment Mr Davies is also entitled to be reimbursed for his expenses and the cost of taking independent legal advice, subject to a limit imposed by the Board. Mr Davies is also entitled to be covered by any liability insurance the Company has in place covering directors and officers of the Company.

The non-executive letter of appointment imposes certain restrictions on Mr Davies in relation to the use of confidential information and intellectual property. The non-executive letter of appointment also imposes restrictions on Mr Davies from competing with the business of the Company and from poaching its senior staff during his appointment and for six months after its termination. The non-executive letter of appointment is governed by English law.

3.2.2 **Dominic White**

Dominic White's employment with the Company commenced on 1 January 2017 and he was appointed as Chief Executive of the Company. Mr White entered into a service agreement with the Company dated 22 December 2016 pursuant to which he agreed to devote such time as is necessary to carry out his role as Chief Executive of the Company. Mr White'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 White is currently entitled to receive a salary of £158,000 per annum plus a discretionary bonus. The Company has agreed to comply with its employer duties in respect of Mr White 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 White in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr White on gardening leave. The service agreement imposes certain restrictions on Mr White, 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, non-interference with suppliers and non-compete provisions. The service agreement is governed by English law.

Dominic White has signed a new service agreement with the Company, conditional on and with effect from Admission, pursuant to which he will agree to work full time in the role of Chief Executive Officer of the Company. Mr White's appointment is for an indefinite term until terminated by either party giving to the other not less than three months' notice in writing. Mr White is entitled to receive a salary of £157,000 per annum. However, at such time as the Group has achieved a sustained positive cash flow for three consecutive calendar months, Mr White shall be entitled to be paid a salary of £210,000. At this point the Company shall pay the full salary to Mr White together with any amount accrued at a gross salary of £210,000 annual equivalent rate which is outstanding for the period during which he was paid at the reduced rate of £157,000. The Company has agreed to contribute an amount equivalent to the minimum statutory requirement into his private pension scheme. The service agreement contains provision for early termination in the event of a fundamental breach by Mr White in addition to provision for payment in lieu of notice. The Company is also entitled to place Mr White on gardening leave. The service agreement imposes certain restrictions on Mr White, including restrictions on the use of confidential information and intellectual property, as well as post termination restrictions for periods of between six and twelve months, which include a non-compete provision, restrictions on Mr White being engaged by or interested in any of the Company's suppliers or customers and a non-solicitation in respect of senior employees. The service agreement is governed by English law.

3.2.3 **James Cane**

Mr Cane entered into a service agreement with the Company dated 30 June 2015 pursuant to which he agreed to devote such time as was 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 six months' notice in writing. Under the service agreement, Mr Cane is entitled to receive a salary of £75,000 per annum, plus a discretionary bonus. 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 garden 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, non-interference with suppliers and non-compete provisions. The service agreement is governed by English law.

Mr Cane has signed a settlement agreement with the Company which is conditional on and with effect from Admission pursuant to which he will resign as a Director of the Company and all Group companies on Admission. Mr Cane's six-month notice period will commence on the date of Admission and his employment with the Company will terminate on the expiry of that six-month notice period (**Termination Date**). Mr Cane will be paid all salary since 1 January 2019 (at a rate equivalent to a gross annual salary of £75,000) and benefits up to the Termination Date. On Admission, Mr Cane will be paid an accrued but unpaid £25,000 bonus payment in respect of 2018 and, on termination, Mr Cane will receive a payment for any accrued and untaken holiday as at the Termination Date, a payment in consideration of confidentiality, an ex gratia payment of £25,000 and £4,000 (plus VAT) towards any legal fees (which will be paid directly to his solicitor). Under the terms of the settlement agreement, Mr Cane waives his statutory employment rights, which Mr Cane will be required to reaffirm on the Termination Date.

3.2.4 **Timothy James**

Mr James entered into a service agreement with the Company dated 30 June 2015 pursuant to which he agreed to devote such time as is necessary to carry out his role as Property Director of the Company. Mr James' appointment is for an indefinite term until terminated by either party giving to the other not less than six months' notice in writing. Under the service agreement Mr James is entitled to receive a salary of £50,000 per annum plus a discretionary bonus. 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, non-interference with suppliers and non-compete provisions. The service agreement is governed by English law.

Timothy James has agreed conditional on and with effect from Admission to resign as a Director, but will continue as an employee of the Company only. Under the terms of a letter between the Company and Timothy James, Mr James will, following the issue to him of 30,551 Remuneration Conversion Shares as set out in paragraph 17 of Part 1 of this document, waive all his prior rights against the Company. The new service agreement provides that Mr James will be paid a salary of £75,000 per annum. At such time as the Group has achieved a sustained positive cash flow position (for three consecutive calendar months), Mr James will be entitled to be paid at a rate of £100,000 per annum, together with any amount accrued at a £100,000 gross annual equivalent rate which is outstanding for the period during which he was paid at the reduced rate of £75,000. The new service agreement can be terminated by either party giving to the other not less than one month's notice in writing. 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 put 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, as well as post termination restrictions for periods of between six and twelve months, which include a non-compete provision, restrictions on Mr James being engaged by or authorised in any of the Company's suppliers or customers and a non-solicitation in respect of senior employees. This service agreement is governed by English law.

3.2.5 **Oliver Vaughan**

Oliver Vaughan was previously an executive director of the Company, but became a non-executive director on 9 June 2017. Mr Vaughan entered into a letter of appointment with the Company on 24 October 2017 confirming the terms of his appointment. His appointment is for a term of three years, effective from 1 June 2017, but can be terminated by either party on three months' notice in writing. During his appointment he is expected to work for the Company a minimum of 15 days per annum. Mr Vaughan is entitled to a fee of £30,000 per annum in respect of his services. Under the terms of his letter of appointment Mr Vaughan is also entitled to be reimbursed for his expenses and the cost of taking independent legal advice, subject to a limit imposed by the Board. Mr Vaughan is also entitled to be covered by any liability insurance the Company has in place covering directors and officers of the Company.

Mr Vaughan has agreed conditional on and with effect from Admission to resign from his office holding with the Company with immediate effect. Mr Vaughan will not be entitled to receive any payment except for fees accrued to the termination date and reimbursement of any outstanding expenses, and a payment of £7,500 in lieu of his three month notice period. As set out in paragraph 17 of Part 1 of this document, the Company's liability to pay these sums to Mr Vaughan (after having made a deduction in respect of income tax and national insurance) will be settled by the issue of 27,500 Remuneration Conversion Shares at the Issue Price.

- 3.3 On Admission, Naylor Partners will enter into an agreement to provide the services of the Company of Russell Naylor as an executive director with responsibility for finance. Naylor Partners' engagement will be for an indefinite term until terminated by either party giving to the other not less than three months' notice in writing. Naylor Partners will be entitled to an annual payment of £48,000 for those services. At such time as the Group has achieved a sustained positive cashflow position (for three consecutive months), Naylor Partners will be entitled to an annual payment of £60,000, together with any amount accrued at a rate of £60,000 per annum which is outstanding.

- 3.4 Richard Boon has signed a non-executive letter of appointment with the Company pursuant to which he will, conditional on and with effect from Admission, be appointed as a non-executive director of the Company. His appointment will be for a term of three years but can be terminated by either party on three months' notice in writing. During his appointment, he is expected to work for the Company for a minimum of 15 days per annum. Mr Boon will be paid a fee of £24,000 per annum. However, at such time as the Group has achieved a sustained positive cash flow position (for three consecutive calendar months), Mr Boon shall only be entitled to be paid fees equal to £30,000 per annum, together with any amount accrued at a £30,000 gross annual equivalent rate which is outstanding for the period during which he was paid at the lower level. Under the terms of his letter of appointment Mr Boon is also entitled to be reimbursed for his expenses and the cost of taking independent legal advice, subject to a limit imposed by the Board. Mr Boon is also entitled to be covered by any liability insurance that the Company has in place covering directors and officers of the Company.

The non-executive letter of appointment imposes certain restrictions on Mr Boon in relation to the use of confidential information and intellectual property. The non-executive letter of appointment also imposes restrictions on Mr Boon from competing with the business of the Company and from poaching its senior staff during his appointment and for six months after its termination. The non-executive letter of appointment is governed by English law.

- 3.5 James Thornton has signed a non-executive letter of appointment with the Company pursuant to which he will, conditional on and with effect from Admission, be appointed as a non-executive director of the Company. His appointment will be for a term of three years but can be terminated by either party on three months' notice in writing. During his appointment, he is expected to work for the Company for a minimum of 15 days per annum. Mr Thornton will be paid a fee of £30,000 per annum. Under the terms of his letter of appointment Mr Thornton is also entitled to be reimbursed for his expenses and the cost of taking independent legal advice, subject to a limit imposed by the Board. Mr Thornton is also entitled to be covered by any liability insurance that the Company has in place covering directors and officers of the Company.

The non-executive letter of appointment imposes certain restrictions on Mr Thornton in relation to the use of confidential information and intellectual property. The non-executive letter of appointment also imposes restrictions on Mr Thornton from competing with the business of the Company and

from poaching its senior staff during his appointment and for six months after its termination. The non-executive letter of appointment is governed by English law.

- 3.6 As at 11 July 2019 (being the latest practicable date prior to the publication of this document), the Directors had the following interests in Ordinary Shares (including the interests of “connected persons” (as defined in CA 2006)):

<i>Director</i>	<i>No. of Existing Ordinary Shares held</i>	<i>Percentage Existing of Ordinary Shares</i>	<i>No. of Restricted Preference Shares held</i>
Michael Davies	195,428	1.24%	Nil
Dominic White	557,143	3.53%	1,265,357
James Cane	11,318	0.07%	30,000
Timothy James	824,492	5.22%	905,357
Oliver Vaughan	337,818	2.13%	805,357
Total:	<u>1,926,199</u>	<u>12.20%</u>	<u>3,006,071</u>

4. Material contracts entered into by the Company

The following contracts are all the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this document by members of the Group:

4.1 Secured Loan Note Instrument

The instrument constituting the Convertible Loan Notes executed as a deed poll by the Company and dated 7 July 2017.

The loan note instrument created up to £3,000,000 of Convertible Loan Notes. Under the terms of the Convertible Loan Note Instrument, the Convertible Loan Notes are repayable on 30 June 2020. Interest is payable on the Convertible Loan Notes at a rate 6 per cent. per annum, payable quarterly. The interest rate payable on the Convertible Loan Notes was increased to 8 per cent. per annum, payable quarterly, by a deed of amendment entered into on 31 January 2019 between the Company and the one remaining holder of Convertible Loan Notes as at that date.

On 10 July 2017, the Company issued Convertible Loan Notes with a nominal value of £1,350,000. On 31 July 2018 Convertible Loan Notes with a nominal value of £650,000 were converted into 946,286 new Ordinary Shares at 70p per new Ordinary Share. On 31 July 2018 Convertible Loan Notes with a nominal value of £600,000 were converted into 946,286 new Ordinary Shares at 70p per new Ordinary Share. On 30 January 2019, the Company issued Convertible Loan Notes with a nominal value of £100,000. The Convertible Loan Notes are convertible into new Ordinary Shares at any time prior to the Redemption Date at the sole discretion of the holders.

Under the terms of the instrument creating the Convertible Loan Note (as amended), conversion of the Convertible Loan Notes will be at £1.20 per Ordinary Share or, if less, an amount which is 90 per cent. of the average mid-market price of the Ordinary Shares on the five Business Days prior to the date of service of the conversion notice.

The Convertible Loan Notes are secured by second-ranking charges over the Company's shares in K&C (Coleherne) and K&C (Osprey), and the Company has therefore entered into deeds of priority with Metro Bank plc in respect of the Company's shares in K&C (Coleherne) and with Ravensale Limited in respect of the Company's shares in K&C (Osprey).

As at 11 July 2019 (being the latest practicable date prior to the publication of this document), there are Convertible Loan Notes with a nominal value of £200,000 outstanding.

4.2 **Security Trust Deed**

The trust deed dated 7 July 2017 entered into between the Company (1), DGS (2) and the initial subscribers for the Convertible Loan Notes (3) appointing DGS as security trustee.

The deed sets out the terms of any enforcement of the security and the proceeds of any enforcement, as well as the procedure for the release of any security, as agreed between DGS and the initial subscribers for the Convertible Loan Notes.

The Company was not granted any rights pursuant to this deed and none of the undertakings in the deed is given for the benefit of the Company.

4.3 **Share Charge**

The share charge dated 7 July 2017 made by the Company in favour of DGS charging the Company's shares in K&C Osprey and K&C Coleherne as security for the Convertible Loan Notes.

The Company gave a number of warranties in relation to its ownership of the Company's shares in K&C Osprey and K&C Coleherne. The Company also undertook not to create any security over the shares without the consent of DGS, and ensure that K&C Osprey and K&C Coleherne would not issue or allot any new shares (or enter into any agreement to entitle a person to an issue or allotment of shares) or otherwise make any charges to the share capital of those companies.

If any Enforcement Event (as defined in the share charge) is triggered, DGS has the power to appoint a receiver and manager of the shares, the receiver to have such powers as set out in the share charge.

4.4 **Deed of subordination in favour of Ravensale**

The deed of subordination dated 7 July 2017 entered into between Ravensale Limited (1), DGS (2) and the Company (3), whereby DGS (on behalf of the initial subscribers for the Convertible Loan Notes) agreed with Ravensale Limited (as security agent for itself and various other lenders to the Company in respect of a loan which has now been repaid in full ("**Ravensale Loan**") that the debt owed in respect of the Convertible Loan Notes be subordinated to the Ravensale Loan.

The Company was a party to this deed in order to acknowledge its provisions. None of the provisions of the deed was for the benefit of the Company and the Company had no right to enforce the deed or rely on any of the provisions of the deed.

4.5 **Intercreditor deed**

The intercreditor deed dated 7 July 2017 made between Metro Bank plc (1), DGS (2), the initial subscribers for the Convertible Loan Notes (3) and the Company (4) whereby DGS (on behalf of the initial subscribers for the Convertible Loan Notes) agreed with Metro Bank plc in respect of a loan owed to Metro Bank plc ("**Metro Loan**") that the Metro Loan will rank ahead of the debt owed in respect of the Convertible Loan Notes.

The Company undertook not to repay, redeem, purchase or make any distribution of the junior debt save for the payment of interest on the principal at a rate not exceeding 6 per cent. per annum, or a conversion or redemption of junior loan notes pursuant to the junior loan note instrument.

4.6 **2017 placing agreement**

The placing agreement dated 23 October 2017 made between (1) the Company, (2) the Directors and Duncan Walker (who was then a proposed director of the Company) and (3) Arden pursuant to which Arden agreed to use its reasonable endeavours to procure subscribers for the placing shares at the placing price.

The Company agreed to pay to Arden a corporate finance fee of £250,000, and a commission of 2.8 per cent. on funds raised pursuant to the placing by Arden. The Company 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 Arden, the agreed fees and expenses of Arden's legal advisers, all fees and expenses in connection with placing and admission.

The Company gave certain warranties and indemnities to Arden as to the accuracy of information in the circular to shareholders dated 30 October 2017 and other matters in relation to the Company and its business. The Directors and Duncan Walker gave certain warranties to Arden as to the accuracy of information in the circular to shareholders dated 30 October 2017 and other matters in relation to the Company and its business. Arden had the right to terminate the placing agreement prior to the admission of the placing shares in certain circumstances.

4.7 ***Agreements to cancel warrants and options***

The Company announced on 23 February 2018 that it had entered agreements to cancel all outstanding warrants and share options and to allot fully paid-up ordinary shares to the holders of the warrants and options.

Each of Oliver Vaughan, Timothy James, James Cane, Christopher James and Timothy Oakley (among others) entered into these agreements.

In order to simplify the capital structure of the Company, the Company agreed with all the holders of the warrants and options to cancel the warrants and options and allot 74,889 Ordinary Shares in their place.

The share-for-option/warrant exchange was completed using the valuation of the warrants and options set out in the 2017 annual report, which was confirmed as reasonable as at 31 December 2017 by Messrs Wilkins Kennedy, an accountancy firm, in their report dated 16 February 2018.

4.8 ***Acquisition of KCR (Kite)***

The share purchase agreement dated 29 March 2018 made between the Company (1) and Sophia Sylvia Sherridan and Adam Sherridan (2) whereby the Company agreed to purchase the entire issued share capital of KCR (Kite). Completion of the acquisition took place on 29 June 2018.

The consideration for the purchase was £5,350,000, subject to various cash adjustments as set out in the share purchase agreement. This sum was also subject to a retention to be held until 29 March 2019 in respect of any tax liabilities of the seller, which has now been released.

The sellers made a number of undertakings in regard to KCR (Kite) in the period between exchange and completion. The sellers also gave a number of warranties regarding the shares in KCR (Kite).

4.9 ***Refinancing of debt facility and reduction of debt-servicing costs***

KCR redeemed its twelve-month secured debt of £1.9 million from private equity lenders. K&C (Osprey) refinanced this debt with a new debt facility of £1.95 million (net of costs), secured against the property known as Heathside, 562 Finchley Road, one of its freehold properties in north London. The new facility, which has been provided by Proplend Limited, has a term of 36 months, carries an interest rate of 5.5 per cent, compared with 12 per cent for the previous facility.

4.10 ***Strategic relationship with Inland Homes***

The framework agreement dated 29 May 2018 between the Company (1) and Inland Homes (2) whereby Inland Homes agreed to sell certain property sites to the Company in exchange for cash or shares in the Company. The parties entered into the framework agreement to record the intended arrangements between them relating to such future property portfolio acquisitions, although each specific acquisition was to be made pursuant to separate heads of terms and contract.

4.11 ***Ladbroke Grove Loan Agreement***

A loan agreement dated June 2018 and made between KCR (1), the Ladbroke Grove Lenders (2) and DGS (3) pursuant to which the Ladbroke Grove Lenders provided a facility to KCR of up to £1.475 million secured by a second charge on the properties at 272, 282 and 284 Ladbroke Grove, London W10 and Flat 9, Lomond Court, 102 Byron Road, Harrow. Of the £325,000 advanced by Timothy Oakley pursuant to the Ladbroke Grove Agreement, £275,000 was advanced by him on behalf of the Town House Scheme, and £50,000 was advanced on his own behalf. The loan was due to be repaid to the Ladbroke Grove Lenders 300 days from the date of drawdown, but, by a deed of extension dated 12 July 2019 the date for repayment has been extended to 22 August 2019.

The Ladbroke Grove Lenders (other than Timothy Oakley) have agreed pursuant to the Ladbroke Grove Extension Deeds to convert amounts owing to them in respect of accrued but unpaid interest and a fee for extending the Ladbroke Grove Loan into a total of 176,247 Ordinary Shares at the Issue Price. Pursuant to the Ladbroke Grove Extension Deeds, Timothy Oakley will be paid £13,962 in respect of such interest and will be issued 111,111 Ordinary Shares at the Issue Price in respect of the capitalisation of £50,000 of his share of the Ladbroke Grove Loan.

4.12 **Share Purchase Agreement (1) – Inland Commercial Property**

The share purchase agreement dated 29 June 2018 made between the Company (1), Poole Investments (2) and Inland Homes (3) whereby the Company agreed to buy the entire issued share capital of Inland Commercial Property from Poole Investments. Inland Homes was the ultimate parent company of the seller, Poole Investments, and agreed to act as guarantor for Poole Investment's obligations under this share purchase agreement.

The consideration for the purchase was the issue of 1,800,427 Ordinary Shares credited as paid up at £0.70 per share.

The Company made a number of undertakings to Poole Investments with regards to the consideration shares in the Company and the shares in Inland Commercial Property were also subject to various warranties given by Poole Investments.

4.13 **2018 placing agreement**

The placing agreement dated 12 July 2018 made between (1) the Company and (2) Arden pursuant to which Arden agreed to use its reasonable endeavours to procure subscribers for the placing shares at the placing price.

The Company agreed to pay to Arden a fee of £328,000, and a commission of 5 per cent. on funds raised pursuant to the placing by Arden (save that no commission was payable on the conversion shares or subscription shares). The Company agreed to pay all other reasonably and properly incurred costs, charges and expenses of, and incidental to, the placing and admission.

The Company gave certain warranties and indemnities to Arden as to the accuracy of information in the circular to shareholders and other matters in relation to the Company and its business. Arden had the right to terminate the placing agreement prior to the admission of the placing shares in certain circumstances.

4.14 **Share Purchase Agreement (2) – Inland Commercial Property**

The share purchase agreement dated 11 December 2018 made between the Company (1) and Poole Investments (2) whereby Poole Investments agreed to purchase the entire issued share capital of Inland Commercial Property. Completion of the sale took place on 28 June 2018.

The consideration for the purchase was £1,260,299, subject to a potential shortfall deduction.

The Company gave a number of warranties regarding the shares in Inland Commercial Property and the status of the Company. The Company also gave Poole Investments certain indemnities in relation to the liabilities of Inland Commercial Property.

4.15 **Borrowing from LendCo**

On 12 December 2018, KCR (Southampton) Limited entered into an agreement with LendCo Limited under which KCR (Southampton) Limited borrowed the sum of £3,184,950 plus fees of £53,114.53, which were deducted from the loan prior to it being released to KCR (Southampton) Limited. The loan is secured against land at Block B, Chapel Riverside, Endle Street, Southampton SO14 5FZ. The loan is for a term of 10 years and is at an interest rate of 3.19 per cent per annum for the first two years, followed by a variable rate of 4.79 cent. over 3 month LIBOR, reviewed quarterly. The repayments are interest only. The loan has an early repayment charge of 2 per cent for the first two years of the loan.

4.16 ***Lease of Block B, Phase 1, Chapel Riverside, Elm Terrace, Southampton***

The lease dated 29 June 2018 made between (1) Chapel Riverside Developments Limited and (2) KCR (Southampton) Limited for a term of 999 years less ten days from the date of the lease (**Lease**). Completion took place on 29 June 2018.

The premium paid to purchase the Lease was £5,841,466. The premium was to be paid in instalments. The final instalment of £1,600,000 owed to Inland Homes will be paid following completion of this transaction. The rent under the Lease is a peppercorn per annum.

The property demised by the Lease comprises a block of 27 two-bedroom apartments as well as parking spaces, a cycle store and refuse store.

Chapel Riverside (Southampton) Management Company Limited is a management company set up to carry out the maintenance of the landlord's wider estate. The maintenance includes the common parts of the estate and the utility supply to the property. The proportion of the maintenance expenses due under the Lease is 5.9184 per cent. of the maintenance costs. There is a restriction on the registered title to the Lease that the management company, or a solicitor, must confirm that the assignee or undertenant covenants to observe the tenant's conditions and covenants in the Lease.

The superior landlord is Southampton City Council.

The tenant must: decorate the inside of the property every seven years; only use the property for residential use (which includes holiday lettings); and insure the property (which includes an obligation to reinstate and make up any shortfall).

Under an agreement for lease dated the same date as the Lease, and made between the same parties, the landlord was to complete the construction of the block of apartments, which achieved practical completion in October 2018.

4.17 ***Rent guarantee – Southampton property***

A rent guarantee was entered into which the landlord under the Lease agreed to guarantee the rents achieved by letting the apartments in the property up to a maximum of £80,000 per annum. The tenant is to use all reasonable endeavours to let the apartments.

This guarantee has never been called as the property is fully let.

4.18 ***Legal charge – Southampton property***

The landlord under the lease took a legal charge to protect the full payment of the purchase price, some of which was deferred under the Lease. This charge is to be redeemed, with the final payments made to the landlord, following completion of this transaction.

4.19 ***Licence re parking spaces – Southampton property***

Several parking spaces have been licensed back to the landlord to be used as a working area for the landlord's construction of the remainder of its estate. This licence terminates on 31 December 2020 or earlier on seven days written notice.

4.20 ***Licence re additional parking spaces – Southampton property***

In return for the licence mentioned in paragraph 4.18 above, the landlord granted to the tenant an additional eleven parking spaces outside the demise of the Lease to be used for the benefit of the property. This licence ends at the same time as the licence mentioned in paragraph 4.18 above.

4.21 ***Vaughan Loan***

The loan agreement dated 29 March 2019 between the Company (1) and Oliver Vaughan (2) whereby Oliver Vaughan agreed to lend the Company the sum of £150,000.

Pursuant to the loan agreement, the Company, as borrower, may drawdown the loan between 29 March 2019 and 15 May 2019 (inclusive) and the Vaughan Loan is repayable by 15 May 2019. Oliver Vaughan subsequently agreed by a deed of amendment dated 14 May 2019 to extend the repayment date of the Vaughan Loan to 30 June 2019 in exchange for a fee of £10,000 payable by the Company. It was subsequently also agreed by a second deed of amendment dated 12 July 2019 to extend the repayment date of the Vaughan Loan to 22 August 2019.

The Vaughan Loan will become due and payable on demand by Oliver Vaughan in the event that (i) the Company fails to pay any sum under the loan agreement when due or the Company is in breach of any other provision of the loan agreement or (ii) an Insolvency Event (as defined in the loan agreement) occurs.

4.22 ***Deed relating to the Vaughan Conversion***

An agreement dated 12 July 2019 between the Company (1) and Oliver Vaughan (2) pursuant to which Mr Vaughan conditionally agreed that £110,000 of the Vaughan Loan will be converted into 244,444 Ordinary Shares by applying £110,000 in paying up such Ordinary Shares at the Issue Price and the remaining £50,000 would be repaid by the Company on completion of the Proposals.

4.23 ***Deeds relating to the Loan Note Conversion***

Agreements dated 12 July 2019 between the Company and three of the four holders of Convertible Loan Notes pursuant to which the holders of Convertible Loan Notes shown in the table below conditionally agreed that amounts owing in respect of their respective Convertible Loan Notes (being the amounts written against their respective names below) be converted into the number of Ordinary Shares written against their respective names below by applying the amounts owed to them in paying up such Ordinary Shares at the Issue Price:

<i>Name of holder of Convertible Loan Notes</i>	<i>Amount owing under the Convertible Loan Notes</i>	<i>Number of Ordinary Shares to be issued at the Issue Price</i>
Kimono Investment Holdings Ltd	£50,000	111,111
Katie James	£25,000	55,556
White Amba	£25,000	55,556

4.24 ***Torchlight Subscription Agreement***

The subscription agreement dated 12 July 2019 between the Company (1) and Torchlight (2), details of which are summarised in paragraph 5 of Part 1 of this document.

4.25 ***Option Agreement***

The option agreement dated 12 July 2019 between the Company (1) and Torchlight (2), details of which are summarised in paragraph 7 of Part 1 of this document.

4.26 ***Strategic Agreement***

The Strategic Agreement dated 12 July 2019 between the Company (1) and RCL (2), details of which are summarised in paragraph 5 of Part 1 of this document.

4.27 ***Relationship Agreement***

The relationship agreement dated 12 July 2019 between the Company (1), Arden (2) and Torchlight (3), details of which are summarised in paragraph 9 of Part 1 of this document.

4.28 ***Redesignation and Gift Agreement***

The redesignation and gift agreement dated 12 July 2019 between the Company (1) and the Restricted Preference Shareholders (2), details of which are summarised in paragraph 15 of Part 1 of this document.

4.29 **Irrevocable undertakings**

Irrevocable undertakings have been received by the Company and Torchlight from all of the Directors who hold Existing Ordinary Shares, the Relevant Family Members and the Irrevocable Shareholders to vote in favour of all the Resolutions, the details of which are summarised in paragraph 22 of Part 1 of this document.

5. No significant change

Except as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 June 2018, being the date to which the last consolidated annual report and financial statements, incorporated by reference in paragraph 9 of Part 3 of this document, were published.

6. Market quotations

The following table shows the closing middle-market quotations for the Existing Ordinary Shares, as derived from the AIM Appendix to the Daily Official List on the first Business Day of each of the six months immediately preceding the date of this document and on 11 July 2019 (being the latest practicable date prior to the posting of this document):

<i>Date</i>	<i>Price per Existing Ordinary Share</i>
2 January 2019	54 pence
1 February 2019	52 pence
1 March 2019	52 pence
1 April 2019	52 pence
1 May 2019	51 pence
3 June 2019	51 pence
1 July 2019	49 pence
11 July 2019	49 pence

7. Additional disclosure required by the Takeover Code

7.1 Defined terms used in this paragraph 7 of Part 3 will have the meaning given to them in paragraph 2 of Part 2.

7.2 As at the close of business on the disclosure date, except as disclosed elsewhere in this document:

7.2.1 none of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had an interest in or a right to subscribe for, or had any short position in relation to, any relevant KCR securities;

7.2.2 no paragraph 1 associate of KCR had any interest in, or right to subscribe for, or had any short position in relation to, any relevant KCR securities;

7.2.3 no pension fund of KCR or of a paragraph 1 associate of KCR had any interest in or right to subscribe for, or had any short position in relation to, any relevant KCR securities;

7.2.4 no employee benefit trust of KCR or of a paragraph 1 associate of KCR had any interest in or right to subscribe for, or had any short position in relation to, any relevant KCR securities;

7.2.5 save for the interest of Arden in Ordinary Shares set out in paragraph 7.4 below, no connected adviser to KCR or to a paragraph 1 associate of KCR or to a person acting in concert with KCR, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, any relevant KCR securities;

7.2.6 save as set out in paragraph 7.3, neither KCR nor any of the Directors (including any members of such directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant Torchlight securities, nor has any such person dealt in any relevant Torchlight securities during the disclosure period;

- 7.2.7 KCR has not redeemed or purchased any relevant KCR securities during the disclosure period;
- 7.2.8 there were no arrangements which existed between KCR or any person acting in concert with KCR and any other person; and
- 7.2.9 neither KCR nor any person acting in concert with KCR had borrowed or lent any relevant KCR securities, except for any borrowed shares which have either been on-lent or sold.
- 7.3 Following confirmation that the NAV Per Share as reported in the audited consolidated accounts of the Group for the year to 30 June 2018 (being £0.8817) exceeded the first two of the six NAV Per Share milestones set out in the Existing Articles (namely, £0.77 and £0.85) 1,500,000 Restricted Preference Shares were converted on 20 December 2018 into 1,500,000 Ordinary shares credited as fully paid to the following directors and employees of the Group:

<i>Name</i>	<i>No. of Restricted Preference Shares held at 18 December 2018</i>	<i>No. of Restricted Preference Shares converted</i>	<i>No. of Ordinary Shares into which the Restricted Preference Shares were converted</i>
Dominic White	1,765,357	500,000	500,000
James Cane	40,000	10,000	10,000
Timothy James	1,225,357	320,000	320,000
Christopher James	814,286	200,000	200,000
Benjamin James	514,286	100,000	100,000
Timothy Oakley	565,357	100,000	100,000
Oliver Vaughan	1,075,357	270,000	270,000
Total	6,000,000	1,500,000	1,500,000

- 7.4 Arden holds 443,149 Ordinary Shares.

8. Consent

Arden is registered in England and Wales (with number 04427253) and has its registered office at 5 George Road, Edgbaston, Birmingham B15 1NP. Arden has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which they appear.

9. Incorporation of financial information by reference

- 9.1 The following documents (or parts of documents), which have been filed with the Takeover Panel and are available for inspection in accordance with paragraph 10 of this Part 3, contain information about the Company and Torchlight, which is relevant to this document.
- 9.2 The table below sets out the sections of these documents which are incorporated by reference into, and form part of, this document in accordance with Rule 24.15 of the Takeover Code, and only the parts of the documents identified in the table below are incorporated into, and form part of, this document. The parts of these documents which are incorporated by reference are not referred to elsewhere in this document. The parts of these documents which are not incorporated by reference are either not relevant for Shareholders or are covered elsewhere in this document.

<i>Source document from which information is incorporated into this document by reference</i>	<i>Information incorporated by reference</i>	<i>Page number(s) in source document</i>
KCR's annual report and financial statements for the year ended 30 June 2017	Audited financial statements of KCR for the financial year ended 30 June 2017 together with the unqualified independent auditor's report thereon	
	Independent auditor's report	12-16
	Statement of comprehensive income	17
	Statement of financial position	18
	Statement of cash flows	22-24
	Notes to the financial statements	25-49
KCR's annual report and financial statements for the year ended 30 June 2018	Audited financial statements of KCR for the financial year ended 30 June 2018 together with the unqualified independent auditor's report thereon	
	Independent auditor's report	16-20
	Statement of comprehensive income	21
	Statement of financial position	22
	Statement of cash flows	26-29
	Notes to the financial statements	30-50

9.3 A copy of each of the documents incorporated by reference into this document is available, free of charge, for downloading or inspection at www.kcrreit.com/investors/annual-reports.asp/.

9.4 Shareholders, persons with information rights and any other person to whom this document is sent may request hard copies of the information incorporated by reference from the Company at 82 St John Street, London EC1M 4JN or by telephoning the Company, on +44(0) 20 3793 5236. Hard copies of the documents incorporated by reference will not be sent unless requested.

10. Documents available for inspection

10.1 Copies of the following documents are available for inspection on request by a Shareholder, persons with information rights, or other person to whom this document is sent at the Company's registered office at 82 St John Street, London EC1M 4JN during normal business hours on any weekday (Saturdays, Sundays and public holidays in the UK excepted) from the date of this document until the conclusion of the General Meeting:

- 10.1.1 the existing and proposed new memorandum and articles of association of the Company;
- 10.1.2 the memorandum and articles of association of the Torchlight Investors;
- 10.1.3 the written consent letter from Arden referred to in paragraph 8 of this Part 3;
- 10.1.4 the material contracts referred to in paragraph 4 of this Part 3 in so far as they relate to the Proposals;
- 10.1.5 the Company's annual report and accounts for the years ended 30 June 2017 and 30 June 2018; and
- 10.1.6 this document and the Form of Proxy.

10.2 Copies of the documents set out in paragraph 10.1 of this Part 3 are also available on the Company's website at the following address: www.kcrreit.com/investors/shareholders.asp/. Except as expressly referred to in this document, neither the content of KCR's website, nor the content of any website accessible from hyperlinks on KCR's website, is incorporated by reference into, or forms part of, this document.

11. Date of despatch and publication

This document was despatched and published on 12 July 2019.

KCR Residential REIT plc

(Incorporated and registered in England and Wales with registered number 09080097)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of the members of KCR Residential REIT plc (the “**Company**”) will be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG on 29 July 2019 at 10.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1, 2, 3, 4 and 5 will be proposed as ordinary resolutions, Resolutions 6, 7, 8 and 9 will be proposed as special resolutions, Resolutions 10 and 11 will be proposed as ordinary resolutions, and Resolution 12 will be proposed as a special resolution. Resolutions 1, 2 and 3 will be taken on a poll in accordance with the requirements of the Panel on Takeovers and Mergers (the “**Panel**”).

In this notice, words and phrases that are defined in the circular to shareholders dated 12 July 2019 have the same meanings unless the context requires otherwise.

ORDINARY RESOLUTIONS

1. **THAT** the grant of a waiver by the Panel of any obligation under Rule 9 of the Takeover Code for any of the Torchlight Investors to make a Rule 9 Offer as a result of the allotment and issue to it of the Torchlight Subscription Shares be and is hereby approved.
2. **THAT**, subject to and conditional on the passing of Resolution 1, the grant of a waiver by the Panel of any obligation under Rule 9 of the Takeover Code for any of the Torchlight Investors to make a Rule 9 Offer as a result of the allotment and issue to it of any of the Option Shares on the exercise of the Option in whole or in part be and is hereby approved.
3. **THAT**, subject to and conditional on the passing of Resolutions 1 and 2, the grant of a waiver by the Panel of any obligation under Rule 9 of the Takeover Code for any of the Torchlight Investors to make a Rule 9 Offer as a result of market purchases by the Company of up to 9,000,000 Ordinary Shares in the capital of the Company, during the period from the date of the passing of this resolution to the earlier of the 2019 Annual General Meeting or 31 December 2019, pursuant to the authority to be sought by the passing of Resolution 12 below, which, if exercised in full, would have the effect of increasing the Torchlight Investors’ aggregate interest to a maximum of approximately 80.37 per cent. of the voting rights of the Company, be and is hereby approved.
4. **THAT**, subject to and conditional on the passing of Resolutions 1, 2 and 3, in substitution for all existing authorities but 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 be and they are hereby generally and unconditionally authorised in accordance with section 551 of CA 2006 to exercise all powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £1,004,708.90 pursuant to the Torchlight Subscription, the Option and in connection with the issue of the Thornton Shares, the Ladbroke Grove Shares and the Conversion Shares, provided that this authority shall expire on the earlier of 31 December 2019 and the conclusion of the annual general meeting of the Company to be held in 2019 but may be previously revoked or varied by ordinary resolution and so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.
5. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3 and 4, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of CA 2006 to exercise all or any of the powers of the Company to allot Ordinary Shares 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**”) provided that this power shall be in addition to and not in substitution for the authority conferred by Resolution 4 above in addition and shall be limited to the allotment of Relevant Securities:

- (a) in connection with a rights issue, open offer or other offer of Relevant Securities open for acceptance for a period fixed by the Directors to holders of Relevant Securities on the register on a fixed record date where the Relevant Securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to their respective holdings of such Relevant Securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body or any stock exchange in, any territory or by virtue of shares being represented by depositary receipts or any other matter); and
- (b) (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £2,750,000 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 this authority shall expire on the earlier of 31 December 2019 and the conclusion of the annual general meeting of the Company to be held in 2019, but may be previously revoked or varied by ordinary resolution and so that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of any such offer or agreement as if such power had not expired.

SPECIAL RESOLUTIONS

6. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3 and 4, in substitution for all existing authorities but 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 be and they are hereby empowered pursuant to section 571 of CA 2006 to allot equity securities (within the meaning of section 560 of CA 2006) wholly for cash pursuant to the authority conferred by Resolution 4 above as if section 561(1) of CA 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of Ordinary Shares up to an aggregate nominal amount of £1,004,708.90 pursuant to the Torchlight Subscription, the Option and in connection with the issue of the Conversion Shares, the Ladbroke Grove Shares and the Thornton Shares and will expire on the earlier of 31 December 2019 and the conclusion of the annual general meeting of the Company to be held in 2019 but may be previously revoked or varied by special resolution and so that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.
7. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3, 4 and 6, the Directors be and they are hereby empowered pursuant to section 571 of CA 2006 to allot equity securities (within the meaning of section 560 of CA 2006) wholly for cash pursuant to the authority conferred by Resolution 5 above as if section 561(1) of CA 2006 did not apply to any such allotment, provided that this power shall be in addition to and not in substitution for the authority conferred by Resolution 5 above in addition and shall be limited to the allotment of equity securities:
 - (a) in connection with a rights issue, open offer or other offer of equity securities open for acceptance for a period fixed by the Directors to holders of equity securities on the register on a fixed record date where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to their respective holdings of such equity securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body or any stock exchange in, any territory or by virtue of shares being represented by depositary receipts or any other matter); and
 - (b) (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £2,750,000 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 this authority shall expire on the earlier of 31 December 2019 and the conclusion of the annual general meeting of the Company to be held in 2019, but may be previously revoked or varied by special resolution and so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

8. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3, 4 and 6 for every 13 Restricted Preference Shares held by each holder of Restricted Preference Shares five of those Restricted Preference Shares shall be and are hereby redesignated as five Ordinary Shares provided that, where such calculation results in any holder of Restricted Preference Shares being entitled to a fraction of an Ordinary Share, such fractional entitlement shall be disregarded.
9. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3, 4, 6 and 8, 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 RESOLUTIONS

10. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3, 4, 6, 8 and 9, pursuant to section 190 of CA 2006, the entry by the Company into the Redesignation and Gift Agreement with Dominic White, White Amba, James Cane, Timothy James, Christopher James, Benjamin James, Timothy Oakley and Oliver Vaughan and the issue by the Company of the Redesignation Shares to Dominic White, White Amba, James Cane, Timothy James, Christopher James, Benjamin James, Timothy Oakley and Oliver Vaughan on the terms and subject to the conditions of the Redesignation and Gift Agreement be and is hereby approved, and the Directors or any duly authorised committee of the Directors be hereby authorised to take all steps necessary or desirable to perform the Company's obligations under the Redesignation and Gift Agreement.
11. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3, 4, 6, 8, 9 and 10, the entry by the Company into the Strategic Agreement with RCL be and is hereby approved, and the Directors or any duly authorised committee of the Directors be hereby authorised to take all steps necessary or desirable to perform the Company's obligations and exercise any and all rights of the Company under the Strategic Agreement.

SPECIAL RESOLUTION

12. **THAT**, subject to and conditional on the passing of Resolutions 1, 2, 3, 4, 6, 8, 9, 10 and 11, pursuant to article 14 of the Existing Articles that the Company be and is hereby unconditionally and generally authorised to make market purchases (as defined in section 693(4) of CA 2006) of Ordinary Shares, provided that:
 - (a) the maximum number of Ordinary Shares hereby authorised to be acquired is 4,126,000 representing approximately 14.99 per cent. of the present issued share capital of the Company;
 - (b) the minimum price which may be paid for such shares is 10 pence per Ordinary Share which amount shall be exclusive of expenses;
 - (c) the maximum price which may be paid for such Ordinary Share shall be the higher of:
 - (i) an amount (exclusive of expenses) equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share derived from the Daily Official List of The London Stock Exchange on the ten Dealing Days immediately preceding the day on which the share is contracted to be purchased; and
 - (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out;

- (d) the authority hereby conferred shall expire at the conclusion of the 2019 Annual General Meeting or 29 October 2020 from the passing of this resolution, whichever is the earlier; and
- (e) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract.

Dated: 12 July 2019

By order of the Board

Bob Roberts

Company Secretary

Registered office:

82 St John Street
London
EC1M 4JN

EXPLANATORY NOTES TO THE NOTICE OF GENERAL MEETING:

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the 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.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the 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 meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.
3. You may appoint more than one proxy provided that 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, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.
4. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting. 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 a resolution.

Appointment of a proxy using the hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
6. To appoint a proxy using the proxy form, it must be:
 - (a) completed and signed;
 - (b) sent or delivered to the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR; and
 - (c) received by the Company's registrars no later than 10.00 a.m. on 25 July 2019.
7. 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.
8. 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.
9. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001 (SI 2001/3755), specifies that only those ordinary shareholders registered in the register of members of the Company by close of business on 25 July 2019 or, if the meeting is adjourned, in the register of members at close of business on the day two days before the date of any adjourned meeting will be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Appointment of proxies through CREST

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: 7RA36) by 10.00 a.m. on 25 July 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755).

Appointment of proxy by joint members

14. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions

15. To change your proxy instructions simply submit a new proxy appointment using the methods set out in paragraphs 6 or 11 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.
16. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrar as indicated in paragraph 3 above.
17. 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

18. 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 the Company's registrar as indicated in paragraph 3 above. 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.
19. The revocation notice must be received by the Company no later than 10.00 a.m. on 25 July 2019.
20. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 21 below, your proxy appointment will remain valid.
21. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

22. A corporation, which is a member, can appoint one or more corporate representatives, who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

23. As at 6.00 p.m. on 11 July 2019 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital comprised 15,791,777 ordinary shares of 10p each and 4,500,000 restricted preference shares of 10p each. Each ordinary share carries the right to one vote at a general meeting of the Company (but the restricted preference shares do not) and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 11 July 2019 is 15,791,777.

Communication

24. You may not use any electronic address provided either in this notice of meeting or any related documents (including the document within which this notice of meeting is incorporated and the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Poll vote

25. In order to comply with the requirements of the Panel on Takeovers and Mergers, Resolution 1, 2 and 3 will be taken on a poll.

