

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

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

K&C REIT PLC

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

Proposed Placing to Raise up to £150,000,000 Change of Name Share Consolidation Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 3 to 14 of this document and which recommends you vote in favour of the Resolutions.

Your attention is drawn to a notice convening a General Meeting of the Company to be held at 10.00 a.m. on 24 November 2017 at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG which is set out at the end of this document.

Whether or not you intend to attend the General Meeting, please complete and return the enclosed Form of Proxy in accordance with the instructions printed on it. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it to the Company's Registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 22 November 2017.

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

Expected timetable of events

2017

Announcement of the Placing; Bookbuild commenced	7.00 a.m. on 24 October
Latest time and date for receipt of completed Forms of Proxy for the General Meeting	10.00 a.m. on 22 November
General Meeting	10.00 a.m. on 24 November
Admission and commencement of dealings in the New Ordinary Shares on AIM	8.00 a.m. on 27 November

Each of the times and dates above refer to London time and are subject to change by the Company. Any such change will be notified to Shareholders by an announcement on a Regulatory Information Service.

Issue Statistics

Ordinary Shares in issue at the date of this circular	52,751,813
New Ordinary Shares arising on the Consolidation	5,275,182
Placing Price per Placing Share	100 pence
ISIN of the New Ordinary Shares	GB00BYWK1Q82
SEDOL of the New Ordinary Shares	BYWK1Q8
Ticker Code on Admission	KCR
Number of New Ordinary Shares on Admission ¹	155,275,182
Market Capitalisation on Admission at the Placing Price ¹	£155,275,182

Note 1: presuming the Placing is subscribed in full

LETTER FROM THE CHAIRMAN OF K&C REIT PLC

(incorporated and registered in England and Wales under company registration 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

30 October 2017

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

Dear Shareholder,

Proposed Placing to Raise up to £150,000,000 Change of Name Share Consolidation Notice of General Meeting

Introduction

On 24 October 2017, the Company announced its intention to raise up to £150 million by way of an issue of New Ordinary Shares at 100 pence per share.

In conjunction with the Placing, the Company is also carrying out a consolidation of every 10 existing Ordinary Shares into 1 New Ordinary Share and is changing its name to KCR Residential REIT PLC.

The Placing, Consolidation and change of name require the consent of Shareholders at the General Meeting. The purpose of this document is to set out the background to and reasons for these proposals and to give notice of the General Meeting.

Background

K&C REIT PLC was admitted to trading on AIM on 3 July 2015 and on 7 July 2015 acquired Coleherne, the only asset of which is a property in West London, for a consideration of £3.63 million. On 27 May 2016, the Company completed the acquisition of Osprey for a consideration of £1.6 million.

The property contained within Coleherne has been independently valued at £4.2 million, an increase of 16 per cent. on the purchase price and the properties within Osprey, including three additional apartments acquired for £935,000 in July 2017, valued at £4.4 million, an increase of 73 per cent. on the aggregate purchase price.

Having successfully demonstrated the concept of using a REIT structure to acquire residential property at a significant discount to market value, the Company is now seeking to accelerate its strategy and take advantage of opportunities available to acquire larger portfolios of residential property. To this end, the Company is seeking to raise up to £150 million (before expenses) through the Placing. In conjunction with the Placing, the Company has agreed in principle new debt facilities of up to £100 million for the acquisition of residential property portfolios.

The Net Proceeds, alongside its proposed debt facilities, will be used by the Group to fund the acquisition of portfolios of residential property in the private rented sector in line with the strategy detailed below, to repay all existing debt of £4.075 million plus accrued interest and to provide working capital.

The Board expects to complete its next acquisition, which it is anticipated will come from the existing pipeline of identified opportunities, within three months of Admission.

The Opportunity

UK PRS now comprises 18 per cent. of the housing stock with a market value of £1.3 trillion, having grown significantly over the last 20 years. However, at present only two per cent. of this market is professionally owned and managed with the majority of growth having come from private “buy-to-let” investors.

Various initiatives have been made in recent years to encourage professional investors to acquire PRS assets and the Directors and Proposed Director believe that the UK is currently witnessing the beginning of the institutionalisation of the sector.

The Company’s management team has a track record of successfully sourcing, financing, improving, letting and managing properties to create sizeable rented property portfolios with attractive, sustainable and growing cash-flows. The Group aims to take advantage of growth in the private rented sector to build its portfolio, enhancing yield and increasing net asset value through active asset management. The Directors and Proposed Director believe that this will allow the Company to provide Shareholders with an attractive level of dividend income. Based on their analysis of the REIT sector, The Directors and Proposed Director believe there are currently no other REITs prioritising the acquisition of property-holding SPVs in UK PRS.

The Company will target SPVs with unrealised capital gains where REIT status can confer a commercial advantage to the Company. A capital gain which accrues to a REIT in respect of a property that is used for a Qualifying Property Rental Business, including gains already accrued at the point of acquisition of that property, is exempt from corporation tax. Therefore, a REIT can acquire a rental property and on the subsequent disposal of that property, there will not be a liability to corporation tax on any gain realised on that disposal.

Acquisition of SPVs

The Directors and Proposed Director consider that the tax exemption afforded to REITs will enable the Company to achieve a yield on its portfolio that is higher than would be achievable by a non-REIT company or an individual.

The Company has demonstrated that it is able to acquire property assets below market value due in part to the benefits of its REIT status. The resultant lower entry cost not only enhances the initial yield, but also allows for an immediate gain on the NAV of the properties acquired to be recorded when they are added to the Company’s balance sheet.

Pipeline

The Directors have identified a number of SPVs that they believe are suitable acquisition targets and are in negotiations in respect of over £400 million of property in aggregate. There is no guarantee that these negotiations will lead to the Company successfully completing any of these acquisitions. The Board will use its extensive industry relationships and network of contacts to identify further investment opportunities. The Board expects to complete the Group’s next acquisition within three months following Admission.

Set out below is a summary of the potential acquisitions on which negotiations are currently most advanced.

- | | |
|--------------|--|
| SPV A | Indicative valuation £142 million, anticipated gross yield 6.25 per cent., average size £177,000 – SPV A has 17 residential buildings containing 802 units across the Midlands and South East with a further pipeline to develop an additional 7 residential buildings across the Midlands which the Directors believe could provide significant upside potential. |
| SPV B | Indicative valuation £70 million, anticipated gross yield 5.0 per cent., average size £333,000 – SPV B property portfolio consists of a mixture of 14 residential and commercial assets containing 210 residential units located in the outer north London. K&C expects to dispose of all commercial assets not forming part residential units post the purchase of the portfolio. |
| SPV C | Indicative valuation £44 million, anticipated gross yield 4.75 per cent., average size £346,000 – SPV C property portfolio consists of 127 residential units located in central and east London close to transport hubs. |

- SPV D** Indicative valuation £31 million, anticipated gross yield 6.4 per cent., average size £163,000 – SPV D consists of 190 residential units located in Manchester
- SPV E** Indicative valuation £116 million, anticipated gross yield 5.8 per cent., average size £280,000 – SPV E consists of 414 units in the South East.

REIT Strategy

The Company will build a portfolio of UK rented residential property, diversified by location, building and tenant across the UK in areas where both capital and rental growth are expected to be strong in the coming years. The focus of acquisitions will be of SPVs holding property assets, although the Company may also make direct property acquisitions. When acquiring SPVs, the Company expects that it will only acquire the entire share capital of those SPVs. To gain access to a wider pool of opportunities over time, the Company may invest in properties under development once they are completed to the required specification. It may also invest in the forward funding of developments but it will not take on development, planning or construction risk.

The Company will not invest in Social Housing.

A small portion of the Company's portfolio may be invested in commercial property where the commercial activity forms an integral part of a residential property asset.

The Board reserves the right to review and potentially change the investing strategy and activities from time to time. Any material change would be subject to the approval of Shareholders in a general meeting.

Acquisitions will be funded utilising the Company's cash resources and access to debt. The level of any borrowing secured against acquisitions will not exceed 50 per cent. loan to value and the long-term average debt level is expected to be less than 40 per cent. loan to value.

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

The Company intends to join the Official List once it has completed sufficient acquisitions to give it appropriate scale for that market.

Property Strategy

The Company will target acquisitions of existing portfolios of properties with individual unit values averaging below £500,000 on acquisition. The Directors and Proposed Director believe that the greatest shortfall in the supply of housing stock is in the lower to middle price bands, which is also the type of housing experiencing the highest increase in demand. The Company will focus its investment efforts on investment zones centred around the cities contained in the Hometrack UK Cities House Price Index and their commuter towns. This provides a spread of geographic coverage and housing and economic characteristics. The current constituent cities can be found at www.hometrack.com/uk/insight/uk-cities-house-price-index/.

The Board has a depth of experience in property investment, development and finance. The Directors and Proposed Director will utilise their industry relationships and network of contacts to identify and acquire investment opportunities. The Directors and Proposed Director also expect to be able to increase capital and rental values of the assets and to enhance returns by means of judicious asset and property management, as further detailed below.

The Directors and Proposed Director believe that the Company will be able to offer an attractive total return to investors because it will derive returns from the following:

- stable and growing rental income; and
- capital value growth as a result of:
 - tax-efficient SPV acquisitions at below market value and tax-free realisations;
 - value-adding asset and property management initiatives; and
 - growth in capital value of residential properties.

In addition, the Company should benefit from economies of scale compared to smaller landlords.

The Company's strategy is to acquire and hold property, but where properties are disposed it is intended that the proceeds be re-invested into new investment opportunities. However, from time to time, the Company may decide to distribute an amount equal to part of a realised gain to Shareholders by way of a special dividend or other form of distribution.

The Company is targeting a total shareholder return of approximately 10 per cent. per annum, comprising 4.5 per cent. covered dividend yield and 5.5 per cent. capital growth. This is a target only and does not constitute a dividend forecast. There can be no assurance that the target can or will be met and is subject to: (i) the Company's performance; (ii) available cash; (iii) successful implementation of the investing policy; and (iv) the Directors and Proposed Director being satisfied that the Company will have sufficient distributable reserves in accordance with the provisions of CA 2006 at the relevant time. For these reasons, this target should not be treated as an indication of the Company's expected or actual future results.

Asset, Property and Development Management

Asset Management

The Company will continue to strategically and actively manage its portfolio of assets post-acquisition. Residential assets held for investment purposes are often under-managed due to the extent of private ownership in the sector. This competitive weakness provides the Company with the opportunity to add rental and capital value. As part of the acquisition due diligence process an asset management plan, will be prepared for each property.

The objective of each asset management plan will be to maximise the property's long-term investment value, given its location and the prevailing market circumstances. The asset management plan will detail the capital spending required to optimise asset value. It will also consider how to increase rental values, in particular grow net rental income through the minimisation of property running costs, delivery of high occupancy levels, day-to-day property management arrangements and the expected period of ownership and investment returns.

In some circumstances, the Company may choose to work with third party asset managers where this approach can maximise portfolio values.

Where appropriate, the Company will undertake improvements or develop sites to increase value and yield which could include gaining planning consent for change of use and implementing the change, or, using external contractors, refurbishment or extension of a property.

Property Management

The Group will decide whether to outsource time intensive day to day property management activities to independent advisers, or internalise it, on a case by case basis. Property management includes negotiating tenancies, collecting rents and undertaking day-to-day maintenance.

It is a key objective of the Group's strategy that it builds a strong reputation for offering its tenants superior management, building quality and overall service across its portfolio. The Directors and Proposed Director believe that high-quality management is a key differentiator for the Company that will enhance marketability to tenants, thereby underpinning the rental value of its units and the market value of the portfolio.

Development Management

The Company may engage with third party developers on a forward funding or forward commitment basis, removing development and planning risk, to access new build investment opportunities.

The Company does not intend to undertake “ground-up” direct development activity.

The UK Private Rented Sector

The Directors and Proposed Director believe that UK institutions have traditionally been wary of the UK PRS for historical and operational reasons.

Throughout the post-war period and until the mid-1990s successive governments have legislated to provide PRS tenants with both security of tenure and controlled rents and then reversed this legislation to make letting attractive again for landlords.

Due to this uncertainty and the drive towards home ownership the proportion of the total housing stock in the PRS steadily declined to just 9 per cent. in 1992 from 20 per cent. in 1971. In the 1990's the introduction of Assured Shorthold Tenancies (ASTs) and other changes encouraged a small number of institutions to invest in PRS. However, most institutions remained sceptical about government interference, continuing to believe that investing in PRS was too difficult for operational reasons.

UK PRS has grown significantly since the 1990's and now comprises 18 per cent. of the housing stock with a value of £1.3 trillion, some 44 per cent. more than the entire commercial property sector in the UK. In the five years to 2015, the percentage of the UK population who were tenants rather than home owners increased by 6.5 per cent. to 36.5 per cent. This corresponds to an increase in private renters of 920,000 to 4.28 million in 2015 and a further increase to 4.53 million in 2016. The majority of this growth has come however from private individuals deciding to become ‘buy-to-let’ landlords. Landlords that own only a single property hold 40 per cent. of the UK's PRS stock and only 8 per cent. describe themselves as fulltime landlords. It is estimated only two per cent. of PRS is professionally managed.

To increase professionalism in PRS and encourage institutional investors to invest in much needed housing stock, the Government has introduced a number of measures. These include the introduction of Real Estate Investment Trusts in 2007, and numerous tax changes reducing the attractiveness of the sector to non-professional ‘buy-to-let’ landlords.

The Directors and Proposed Director believe that the UK is currently witnessing the beginning of the institutionalisation of PRS and that this investment sector is well positioned for growth in the coming years.

Demand and supply drivers for UK residential property

The Directors and Proposed Director believe that the Company's value-adding activities described elsewhere will be enhanced by capital and rental value growth in the UK residential market.

In the view of the Directors and Proposed Director, the key drivers for this growth are as follows.

Demand drivers

- The populations of the UK and London are forecast to grow substantially in the medium term. The UK is expected to surpass Germany and France as the largest European country by population by 2070.
- The ONS forecast for the population of the UK as a whole published in October 2015 predicted a total population of around 66 million in 2016-2017, rising to around 70 million in 2026-2027 and around 74 million in 2036-2037. Eurostat, the EU statistics agency, forecast similar rates of increase in June 2017.
- The UK is widely regarded as a secure, liquid, investible property market with a strong legal system.
- The UK, is considered to be relatively safe and an enjoyable place in which to live and work.
- London is one of the world's leading financial and cultural centres.

- There is substantial demand from overseas buyers for residential property in the UK, particularly in the prime areas of London, which are generally considered to include the City of Westminster, Kensington & Chelsea, the City of London and Camden ("Prime Central London").
- The proportion of new build properties in the Greater London area as a whole bought by overseas buyers was 10.5 per cent. in 2014, 13.1 per cent. in 2015 and 17.9 per cent. in 2016. International estate agents indicated that, between April 2014 and April 2016, about 33 per cent. of sales were to international buyers, rising to 50 per cent. in Central London.
- The number of individuals in a household is decreasing due to smaller family sizes and higher divorce rates, increasing the overall need for housing.

Supply drivers

- There is an existing under-supply of residential property.
- UK new build completions were just over 150,000 units in 2015-2016. The UK government is still committed to deliver 1 million new homes in the period 2015-2020 and a further 500,000 by the end of 2022. However, there is a growing consensus that the target to meet existing need, make up the backlog and make a meaningful improvement to affordability should be at least 300,000 homes per year.
- Delivery of new property to the housing market is constrained by lack of land and planning restrictions.
- This shortage of supply is particularly prevalent in the more affluent areas, particularly in London.
- The UK PRS is rapidly maturing as an institutional asset class with an increasing number of professional and institutionally acceptable investment managers.

Taxation drivers

There have been several changes in the taxation of property over that last 4 years, all of which, in the view of the Directors and Proposed Director, are positive for the Company's business model as they are reducing the attractiveness of PRS to 'Buy to Let' non-professional landlords.

- The Annual Tax on Enveloped Dwellings (ATED) was introduced in 2013 and now applies to companies owning properties worth more than £500,000 each. This was introduced to curb the avoidance of paying SDLT by selling shares in a company rather than the property itself. The Company is exempt from ATED as it is a professional landlord.
- SDLT for residential property was reformed in the Chancellor's December 2014 statement, with new rates introduced as from 4 December 2014. The key changes were the abolition of the previous "slab" structure, whereby the rate of duty applied to the whole purchase price rather than being applied progressively to the tranches making up the total, and the introduction of higher rates for the more expensive properties. The highest rate now is 12 per cent. for the tranche in excess of £1.5 million compared with the previous seven per cent. for the whole purchase price for properties sold for in excess of £2 million. In addition to abolishing the "slab" structure, rates were altered for the less expensive properties and, in some cases, were reduced. This means that for properties sold for £937,000 or less, the SDLT payable is the same or lower than under the previous regime.
- The government has also reformed the taxation of landlords, particularly affecting private "buy-to-let" landlords. From 1 April 2016, there is an additional SDLT levy of 3 per cent. on buy-to-let properties (and second homes). From April 2017, tax relief for finance costs will begin to be restricted to the basic rate of income tax, with the reform being fully in place by April 2020. This will have the effect of reducing after tax income from property investments and HMRC estimate that tax receipts will increase by £665 million pa by 2020-2021.
- From April 2016, the "Wear and Tear Allowance", which allowed landlords to deduct a fixed percentage of rental income from taxable income to replace items such as furnishings and appliances regardless of whether they had done so or not, was replaced with a relief which only allows the actual cost of such expenditure to be deducted. HMRC expects this will provide incentives to landlords to improve tenancy conditions but also expects an increased administrative burden for landlords as well as increased tax receipts in the range £165 to £205 million pa from 2017 onwards.

- From October 2017, the Prudential Regulation Authority, an arm of the Bank of England, will require lenders to “portfolio landlords”, those with four or more properties, to implement “a specialist underwriting process” in respect of affordability of any new loans. These affordability assessments will include borrowers’ tax liabilities, personal income and possible future increases in interest rates. Commentators consider that these measures could reduce the availability of loans to private landlords and increase the rates of interest they have to pay.

As a non-taxable professional landlord entity typically purchasing existing company held property portfolios, the Company is generally not affected by these changes, which may increase the competitiveness of the Company as a purchaser of choice by current owners.

The Directors and Proposed Director consider that key demand drivers that relate more specifically to people moving away from owning homes and into PRS are as follows.

- Falling affordability of property to buy and higher transaction costs (from changes in taxation).
- Mortgage restrictions are increasing the required size of buyers’ deposits which are decreasingly affordable.
- There is an increasing trend for people to rent their homes as a lifestyle choice due to the flexibility it provides.

In addition, the Directors and Proposed Directors believe the supply of property to the PRS relies on a number of factors.

- ‘Buy to Let’ investors. Tax changes targeted at private landlords referred to above reduce the attractiveness of this form of investment, potentially leading to a reduction in supply from this source to the PRS.
- PRS institutional investors backing ‘Build to Rent’ strategies. This is a new and relatively small part of the supply.
- Housebuilders building to rent. The traditional model for housebuilders continues to be build-to-sell.
- Owner occupiers unable to sell residential property and becoming ‘accidental landlords’. This increases when affordability of housing to buy falls. It is a temporary factor.

The Directors and Proposed Director believe that there will be an increasing gap between the demand for PRS property to rent, and its supply, resulting in upward pressure on rents.

Despite recent uncertainties caused by the “Brexit” negotiations and potential consequences for the UK and continental European economies, The Directors and Proposed Director believe that the multiple demand factors and supply limitations identified above will lead to future growth in capital and rental values.

Proposed Director

The Company is pleased to announce that Duncan Walker, 38, has agreed to join the board as a non-executive director conditional upon Admission. Duncan has significant experience within the property market and most recently was Investment Director and board director at Helical plc. While at Helical plc, Duncan completed property transactions in excess of £1.5 billion and oversaw the tripling of the investment portfolio from its 2008 level. He was also Managing Director of Renaissance Villages, a retirement living development and operational business with a gross development value of £350 million, completing a buyout of a joint venture partner by Helical plc and a restructure of the business. The Helical portfolio that he managed ranked within the 3rd percentile over 3, 5 and 10 years as measured against IPD. Duncan has traded more than £2.5 billion of property over the last 15 years.

Prior to Helical plc, Duncan was European Investment Manager for Edinburgh House Estates, a real estate investor with a wide range of assets across the UK and Europe. He is a graduate of Oxford University and holds a Post Graduate Diploma in Real Estate.

Change of Name

In order to emphasise the Company's expanded focus on residential property assets across the UK it is proposed that, conditional upon Shareholder approval, the name of the Company be changed to KCR Residential REIT PLC.

Regulatory Position of the Company

The Company is an AIF for the purposes of the AIFM Directive and as such is required to have an investment manager that is duly authorised by the FCA to undertake that role.

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

One of the qualifying criteria for registration as a small registered UK AIFM, for an AIF with leveraged assets (as is the case with the Company), is that the assets under management must be €100 million or less. Following completion of the Placing, on the basis it is subscribed for in full, the assets under management of the Company (including any assets acquired through the use of leverage) will exceed €100 million.

The Company, as its own AIFM, therefore intends, following Admission, to apply to the FCA for a full-scope Part 4A permission under FSMA and the AIFM Regulations so that assets under management of the Company (including any assets acquired through the use of leverage) are permitted to exceed €100 million. However, as the Company cannot anticipate the timing of its obtaining full-scope authorisation following its application, it has engaged G10 Capital Limited to ensure compliance with the requirements of the AIFMD that apply to the Company.

G10 is a UK based investment manager platform that focuses on providing services in particular to private equity and real estate funds and is part of the Lawson Conner group of companies, which provides compliance, risk advisory, software and regulatory consulting services to the financial services industry.

G10 has been appointed, subject to Admission, as alternative investment fund manager pursuant to the AIFM Agreement under which it is responsible for overall portfolio management and compliance with the Company's strategy providing alternative investment fund manager services, ensuring compliance with the requirements of the AIFMD that apply to the Company and undertaking all risk management.

G10 has appointed K&C REIT pursuant to the Appointed Representative Letter as its appointed representative in respect of certain regulated activities under FSMA, including advising on investments. K&C REIT will be appointed by G10 pursuant to the Investment Advisory Agreement to advise it in respect of sourcing investment opportunities which meet the Company's strategy. K&C REIT has been responsible for managing the underlying real estate assets within the Company's investment portfolio, which activity will not constitute a regulated activity under FSMA. G10 has, and shall maintain, the necessary expertise and resource to supervise the delegated tasks effectively. Upon receiving regulatory approval as an alternative investment fund manager, K&C REIT will become the Investment Manager and the relationship with G10 will cease.

The services of G10, its associates and their respective officers and employees, are not exclusive to the Company. Although G10 has given certain undertakings to the Company regarding other mandates, and has in place a conflicts of interest policy, in fulfilling its responsibilities to the Company, it may be subject to certain conflicts of interest arising from its relations with third parties to whom it also owes duties or in whom it has an interest.

Under AIFMD, the AIFM is required to appoint an independent depositary to which it must entrust the assets of the Company for safekeeping. Kingfisher has been appointed, subject to Admission, as the depositary pursuant to the Depositary Agreement.

For the avoidance of doubt, the implementation of the strategy is not dependent upon leverage being taken on by the Group or full-scope authorisation being obtained.

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

Share Consolidation

In connection with the proposed Placing, the Company intends to undertake a consolidation of its existing share capital on the basis of:

For every ten ordinary shares of 1 penny each	one new ordinary share of 10 pence
For every ten restricted preference shares of 1 penny each	one new restricted preference share of 10 pence each

The Consolidation is subject to the passing of the resolutions to be proposed at the General Meeting.

The milestones that currently apply to the Restricted Preference Shares which constitute the existing management incentives will be adjusted by amending the Articles to take account of the Consolidation.

In anticipation of the Consolidation Resolution being passed by the Shareholders, the Company will, immediately prior to the General Meeting, issue such number of additional Ordinary Shares as will result in the total number of Ordinary Shares in issue being exactly divisible by 10. Assuming no other Ordinary Shares are issued between the date of this document and immediately before the General Meeting, this will result in seven additional Ordinary Shares being issued and will create 5,275,182 New Ordinary Shares (subject to any revision to the Company’s issued share capital between the date of this document and the record date (before the issue of any Placing Shares)).

The Consolidation will give rise to fractional entitlements to a New Ordinary Share where any holding is not precisely divisible by 10. No certificates regarding fractional entitlements to New Ordinary Shares will be issued. Instead, any New Ordinary Shares in respect of which there are fractional entitlements will be aggregated and sold in the market for the best price reasonably obtainable on behalf of the Fractional Shareholders. The Company is required by article 12.1 of the Articles to distribute the net proceeds of sale in due proportion to any such Fractional Shareholders. However, (because of the disproportionate costs) Article 12.1 also provides that in the event that the net proceeds of sale amount to £3.00 or less, the Company is not required to distribute such net proceeds of sale, which instead shall be retained for the benefit of the Company. Given the current price of the Ordinary Shares, the Company does anticipate that the net proceeds of sale attributable to all Fractional Shareholders will be less than £3.00, and it therefore anticipates that there will be no distribution of any net proceeds of sale.

For the avoidance of doubt, the Company is only responsible for dealing with fractions arising on registered holdings. For Shareholders whose shares are held in the nominee accounts of UK stockbrokers, the effect of the Consolidation on their individual shareholdings will be administered by the stockbroker or nominee in whose account the relevant shares are held. The effect is expected to be the same as for shareholdings registered in beneficial names, however, it is the stockbroker’s or nominee’s responsibility to deal with fractions arising within their customer accounts, and not the Company’s.

The record date for the Consolidation will be the close of business on 24 November 2017. Subject to the passing of the Consolidation Resolution, CREST accounts will be credited by Share Registrars Limited (the Company’s registrars) on 27 November 2017 with New Ordinary Shares in respect of uncertificated Shareholders. Certificates representing existing Ordinary Shares will no longer be valid if the Consolidation Resolution is approved at the General Meeting. New share certificates are expected to be posted by 4 December 2017 to certificated Shareholders in respect of the New Ordinary Shares and New Restricted Preference Shares held in certificated form. The new share certificates will be sent by first class post at the risk of the Shareholder.

Details of the Fundraising and Use of Proceeds

The Company is targeting a capital raising of up to £150 million by way of an issue of up to 150,000,000 New Ordinary Shares at an Issue Price of 100 pence per share.

The Placing will be conducted by the Company in accordance with the terms and conditions set out in Appendix 4 to the Announcement.

The net proceeds of the Placing, estimated to be £145 million, assuming the Placing is completed in full, will be used to finance the acquisition of a portfolio of UK property assets, to repay the Company's outstanding debt of approximately £4.075 million plus accrued interest, and for working capital purposes.

Dominic White, Chief Executive, and Duncan Walker, proposed Non-executive Director, are each subscribing for 50,000 New Ordinary Shares pursuant to the Placing.

The New Ordinary Shares to be issued under the Placing will rank *pari passu* in all respects with the Ordinary Shares and each other.

The Company may, at the discretion of the Directors in consultation with Arden, reduce the scale of the Placing subject to a minimum issue of 100,000,000 New Ordinary Shares. In the event that the Placing does not reach the minimum issue the Placing will not proceed.

The Placing is conditional, *inter alia*, upon

- the passing of the Resolutions at the General Meeting;
- Admission occurring no later than 8.00 a.m. on 8 December 2017 (or such later time and/or date as the Company and Arden may agree); and
- the Placing Agreement not being terminated and becoming unconditional in accordance with its terms.

If these conditions are not met, the Placing will not proceed and an announcement to that effect will be made via a Regulatory Information Service.

In the event that FCA approval for the Company to become an appointed representative of G10 is not received prior to Admission, the Company will, in its absolute discretion, scale back the Placing to ensure its gross assets are below the €100 million threshold in order to remain a small registered UK AIFM.

Admission

Application will be made, subject to passing of the Resolutions, for the Enlarged Share Capital, comprising 155,275,182 New Ordinary Shares, assuming the Placing is completed in full, to be admitted to trading on AIM with effect from 27 November 2017.

Management Incentives

The Directors have decided not to put in place an annual management fee, as seen by a number of other REIT company structures. The Directors believe that the inclusion of a management fee would reduce the Company's ability to pay dividends to Shareholders at the levels targeted by the Board. The Board recognises the importance of incentivising management and employees and has previously issued options, most of which have now lapsed, and New Restricted Preference Shares to directors and employees.

In aggregate, Directors, the Proposed Director and employees hold options to subscribe for 460,000 Ordinary Shares, warrants to subscribe for 345,000 Ordinary Shares and 35,000,000 Restricted Preference Shares. The Auditors have certified that following the Consolidation those rights will be adjusted to be in aggregate options to subscribe for 46,000 New Ordinary Shares, warrants to subscribe for 34,500 New Ordinary Shares and 3,500,000 Restricted Preference Shares respectively.

Following the passing of resolution 5 to be proposed at the General Meeting and Admission, the New Restricted Preference Shares will be able to convert New Ordinary Shares on the achievement of certain milestones, as set out below.

- 6.67 per cent. of a holder's initial holding shall vest after AUM exceeds £10,000,000 and NAV Per Share exceeds £1.00;

- 22.75 per cent. of a holder's initial holding shall vest after AUM exceeds £20,000,000 and NAV Per Share exceeds £1.10;
- 10.33 per cent. of a holder's initial holding shall vest after AUM exceeds £30,000,000 and NAV Per Share exceeds £1.20;
- 11.5 per cent. of a holder's initial holding shall vest after AUM exceeds £45,000,000 and NAV Per Share exceeds £1.30;
- 16.25 per cent. of a holder's initial holding shall vest after AUM exceeds £60,000,000 and NAV Per Share exceeds £1.40; and
- 32.5 per cent. of a holder's initial holding shall vest after AUM exceeds £100,000,000 and NAV Per Share exceeds £1.50.

Further details of the options, warrants and Restricted Preference Shares can be found at the Company's website www.kandc-reit.co.uk.

General Meeting

In order to issue the Placing Shares, change the name of the Company and consolidate the Ordinary Shares into New Ordinary Shares (including a consequential change to the Company's Articles) the Company requires Shareholder consent in general meeting.

Set out at the end of this document is a notice convening the General Meeting at 10.00 a.m. on 24 November 2017 at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG for the purposes of considering and, if thought fit, approving the following resolutions:

- Resolution 1 is an ordinary resolution to consolidate every 10 Ordinary Shares into 1 New Ordinary Share and every 10 Restricted Preference Shares into 1 New Restricted Preference Share;
- Resolution 2 is an ordinary resolution to approve the appointment of Duncan Walker as director of the Company;
- Resolution 3 is an ordinary resolution pursuant to section 551 of CA 2006 to authorise the directors to allot New Ordinary Shares in respect of:
 - a. the Placing;
 - b. 51,750,000 New Ordinary Shares (being approximately one-third of the Enlarged Share Capital, assuming full subscription under the Placing); and
 - c. 51,750,000 New Ordinary Shares (being approximately one-third of the Enlarged Share Capital, assuming full subscription under the Placing) if issued pursuant to a rights issue or other pre-emptive issue of shares;
- Resolution 4 is a special resolution to disapply the statutory pre-emption rights contained in section 561 of CA 2006 in respect of:
 - a. a rights issue or other pre-emptive issue of shares;
 - b. the Placing; and
 - c. 7,750,000 New Ordinary Shares (being approximately 5 per cent. of the Enlarged Share Capital, assuming full subscription under the Placing);
- Resolution 5 is a special resolution to amend the Articles pursuant to the Consolidation; and
- Resolution 6 is a special resolution to change the name of the Company to KCR Residential REIT PLC.

A form of proxy for the General Meeting is enclosed with this document and Shareholders are urged to complete and return the Form of Proxy in accordance with the instructions contained in the Notice, so as to arrive no later than 10.00 a.m. on 22 November 2017, being 48 hours before the time appointed for the holding of the General Meeting.

Completion and posting of a Form of Proxy will not prevent you from attending and voting in person at the General Meeting if you so wish.

Recommendation

The Directors believe that the Placing and Admission are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the Resolutions. The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings of, in aggregate, 5,200,000 Ordinary Shares representing 9.9 per cent. of the issued ordinary share capital of the Company at the date of this document.

Yours faithfully

Michael Davies

Non-executive Chairman

Appendix 1:

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

Admission	the admission of the Enlarged Share Capital to trading on AIM.
AIF	alternative investment fund.
AIFM Agreement	the management agreement between the Company and G10.
AIFMD or AIFM Directive	the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No. 1095/2010; the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision; the UK AIFM Regulations and any other applicable national implementing measures, including FCA Rules.
AIFM Regulations	the Alternative Investment Fund Managers Regulations 2013.
AIM	the AIM market, operated by the London Stock Exchange.
AIM Rules	the AIM Rules for Companies (being the rules of the London Stock Exchange which set out the obligations and responsibilities of and in relation to companies whose shares are admitted to AIM, as published and occasionally amended by the London Stock Exchange).
Announcement	the announcement issued by the Company on 24 October 2017.
Arden	Arden Partners Plc, the Company's nominated adviser and sole broker.
Articles	the articles of association of the Company adopted by the Company by a special resolution passed at a general meeting of the Company held on 20 February 2017.
Auditors	the auditors of the Company from time to time or if or, if the auditors are unable or unwilling to act in connection with the reference in question, a chartered accountant nominated by the Directors and engaged on such terms as the Directors, acting as agent for the Company and the relevant holder of Restricted Preference Shares, shall in their absolute discretion see fit.
AUM or Assets under Management	the aggregate fair market value of the Group's investment properties (which, for the avoidance of doubt, shall be before the deduction of any borrowings secured on the investment properties of the Group) plus net current assets as derived from the audited consolidated accounts of the Group as at the balance sheet date closest to (but prior to) such date and as determined, for the purposes of assessing whether or not a Milestone has been achieved, by the Auditors in accordance with the Articles.
Board or Directors	the directors of the Company

CA 2006	the Companies Act 2006.
Coleherne	K&C (Coleherne) Limited, incorporated in England and Wales with company number 02818584, formerly Silcott Properties Limited and being a wholly owned subsidiary of the Company.
Company or K&C REIT	K&C REIT PLC, incorporated in England and Wales with registered number 09080097.
Consolidation	the proposed consolidation of every 10 Ordinary Shares into 1 New Ordinary Share and every 10 Restricted Preference Shares into 1 New Restricted Preference Share.
Consolidation Resolution	the resolution numbered 1 to be proposed at the General Meeting
CTA 2009	the UK Corporation Tax Act 2009
CTA 2010	the UK Corporation Tax Act 2010
Depository Agreement	the depository agreement between the Company, G10 and Kingfisher
Enlarged Share Capital	the issued ordinary share capital of the Company on Admission and immediately following completion of the Placing, comprising the New Ordinary Shares arising from the Consolidation and the Placing Shares.
FCA	the Financial Conduct Authority of the United Kingdom.
Form of Proxy	the form of proxy for use by Shareholders in relation to the General Meeting.
Fractional Shareholder	Shareholders entitled to fractions on a New Ordinary Share upon the Consolidation
FSMA	the Financial Services and Markets Act 2000, as amended.
Fully Diluted Share Capital	in relation to any date, the number of Ordinary Shares in issue as at such date plus the total number of Ordinary Shares that could be issued if all rights or obligations to subscribe for or convert into Ordinary Shares which (taking into account the rights and restrictions attaching thereto) had become exercisable at such date were so exercised or fulfilled (including, for the avoidance of doubt, Ordinary Shares that may be issued on such date following the exercise of the conversion rights attaching to the Vested Restricted Preference Shares, but not any Unvested Restricted Preference Shares).
G10	G10 Capital Limited, a company incorporated in England and Wales with registered number 09224491, the alternative investment fund manager to the Company for the purposes of AIFMD.
General Meeting	the general meeting of the Company to be held at 10.00 a.m. on 24 November 2017, or any adjournment thereof.
Gross Proceeds	the gross proceeds of the Placing.
Group	the Company and its subsidiaries and subsidiary undertakings from time to time.

HMRC	HM Revenue & Customs.
IPD	the Investment Property Databank.
Kingfisher	Kingfisher Property Partnerships Limited, a company incorporated in England and Wales with registered number 04109242, the depositary to the Company for the purposes of AIFMD.
London Stock Exchange	London Stock Exchange plc.
market value	the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
Milestones	the milestones that are required to be achieved before certain tranches of the Restricted Preference Shares can be converted into Ordinary Shares, as described in this document and the Articles
NAV or Net Asset Value	the net asset value of the Company as calculated in accordance with the Company's accounting practices.
NAV Per Share	the net asset value of the Group (as derived from the consolidated statement of financial position in the Relevant Audited Accounts) divided by the Fully Diluted Share Capital as at the balance sheet date to which the Relevant Audited Accounts are drawn up and as determined, for the purposes of assessing whether or not a Milestone has been achieved, by the Auditors in accordance with the Articles.
Net Proceeds	the funds received by the Company under the Placing less any expenses paid or payable in connection with Admission and the Placing.
New Ordinary Shares	ordinary shares of 10 pence each in the capital of the Company (which will arise from the Consolidation). The ISIN number of the New Ordinary Shares is GB00BYWK1Q82.
New Restricted Preference Shares	restricted preference shares of 10 pence each in the capital of the Company (which will arise from the Consolidation).
Notice	the notice of the General Meeting.
Official List	the Official List maintained by the UKLA.
Ordinary Shares	ordinary shares of 1 penny each in the capital of the Company, of which 52,751,813 are in issue at the date of this announcement. The ISIN number of the Ordinary Shares is GB00BRKCYB38.
Osprey	K&C (Osprey) Limited, incorporated in England and Wales with company number 01864755, formerly known as The Osprey Management Company Limited and being a wholly owned subsidiary of the Company.
Placing	the proposed conditional placing of the Placing Shares by or on behalf of the Company at the Placing Price.

Placing Agreement	the placing agreement between the Company, the Directors and the Proposed Director, and Arden.
Placing Price	100p per New Ordinary Share.
Placing Shares	150,000,000 New Ordinary Shares which are proposed to be issued pursuant to the Placing.
Private Rented Sector or PRS	a classification of United Kingdom housing tenure as described by the Department for Communities and Local Government.
Property Rental Business	a business within the meaning of section 205 of the CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business (as per section 519(3) of the CTA 2010).
Proposed Director	Duncan Walker, proposed non-executive director of the Company.
Qualifying Property Rental Business	a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010.
Registrar	Share Registrars Limited of The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR.
REIT	Real Estate Investment Trust, being a company or group of companies to which Part 12 of the CTA 2010 applies.
REIT Group	a REIT, which is a REIT by virtue of a notice given under section 523 of the CTA 2010.
REIT Regime	the UK taxation regime created and provided for by part 12 of the CTA 2010.
Relevant Audited Accounts	in relation to any date, the audited consolidated accounts of the Group as at the balance sheet date closest to (but not later than) such date.
Resolutions	the resolutions to be proposed at the General Meeting, as set out in the Notice.
Restricted Preference Shares	restricted preference shares of 1 penny each in the capital of the Company with the rights and obligations as set out in the Articles.
Shareholder	a holder of Ordinary Shares or New Ordinary Shares.
Social Housing	homes which are social rented, affordable rented and intermediate housing provided to specified eligible households whose needs are not met by the market.
SPVs	special purpose vehicles.
subsidiary	has the meaning given to it by section 1159 CA 2006.
Unvested Restricted Preference Shares	those Restricted Preference Shares in respect of which none of the Milestones has been achieved.
Vested Restricted Preference Shares	those Restricted Preference Shares in respect of which at least one of the Milestones has been achieved and the expression “Vest” shall be construed and interpreted accordingly.

APPENDIX 2

Taxation and the REIT Regime

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise in relation to the Company and the other members of the Group. This is not a comprehensive summary of all technical aspects of the taxation of the Company and the other members of the Group and is not intended to constitute legal or tax advice to investors.

Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the Company. The statements relate to investors acquiring Ordinary Shares for investment purposes only, and not for the purposes of any trade.

As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will endure indefinitely. The tax consequences for each investor of investing in the Company may depend upon the investor's own tax position and upon the relevant laws of any jurisdiction to which the investor is subject.

The Group is a REIT Group for the purposes of Part 12 of the Corporation Tax Act 2010.

The special rules which apply to the taxation of a company which enters the REIT Regime are summarised below.

A REIT does not suffer UK corporation tax on the profits (income and capital gains) from its Qualifying Property Rental Business, provided that certain conditions are satisfied. Instead, distributions in respect of the Qualifying Property Rental Business will be treated for UK tax purposes as UK property income in the hands of shareholders. These are referred to as Property Income Dividends ("PIDs").

However, UK corporation tax remains payable in the normal way in respect of income and gains from a REIT's Residual Business. Dividends relating to the Residual Business are treated for UK tax purposes as normal dividends. Any normal dividend paid by the Company is referred to in this Part VI as a "Non-PID Dividend".

The tax treatment of a dividend paid by the Company in the first accounting period after it achieves REIT status would depend on whether it is deemed to be paid out of profits that arose before or after the REIT Group became a REIT. In addition, where on an on-going basis after the REIT Group enters the REIT Regime the Company makes distributions to Shareholders in excess of the amount required to satisfy the "distribution condition" for each accounting period (see further below), distributions to Shareholders are likely to consist of a mixture of PID and Non-PID Dividends as calculated in accordance with specific attribution rules. The Company will provide Shareholders with a certificate setting out how much, if any, of their dividends is a PID and how much is a Non-PID dividend.

Qualification as a REIT

Subject to meeting a number of conditions, a company may become a REIT by serving notice on HMRC that it is a REIT from a date specified in that notice. Any property rental business the Company or any other member of the REIT Group has been to that date carrying on is deemed to cease at the point of entry to the REIT Regime and accordingly, the property rental business carried on by the Company and each relevant member of the REIT Group subsequently is deemed to be a new business, established and commenced at the date of entry into the REIT Regime. At the point of entry into the REIT Regime the accounting period of the Company and each other member of the REIT Group is deemed to end for tax purposes and another accounting period will begin.

In order to qualify as a REIT, the Company must satisfy certain conditions throughout each accounting period in which it is to be treated as a REIT. A non-exhaustive summary of the material conditions is set out below.

A. *Company conditions*

A company must be solely resident in the UK for tax purposes, it must not be an open-ended investment company and its ordinary shares must be admitted to trading on a recognised stock exchange, such as the London Stock Exchange, and either listed on the exchange or traded on it. A company must also not be a “close company” for UK tax purposes, which generally means it must not be controlled (through the holding of in excess of 50 per cent. of share capital/voting rights etc) by five or fewer persons or, broadly, must have more than 35 per cent. of shares listed and in public hands. There is an exception however for this condition for the first three years following entry into the REIT Regime. For the purposes of this close company test the holdings of certain types of institutional investors are not taken into account.

B. *Share capital restrictions*

There must only be one class of ordinary share in issue and the only other shares a company may issue are non-voting restricted preference shares.

C. *Restrictions on types of borrowing*

The company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of the company’s business or on the value of any of its assets.

On-going conditions for maintaining REIT status

In addition to satisfying the above conditions on entry into the REIT Regime, the REIT Group would be required to satisfy the conditions summarised below on an on-going basis during each accounting period in order to maintain REIT status:

- (i) The Qualifying Property Rental Business must throughout each accounting period involve at least three properties and have no one property representing more than 40 per cent. of the total value of all the properties involved in the business.
- (ii) The Company is required to distribute to shareholders (subject to the availability of sufficient distributable reserves) 100 per cent. of the income profits arising in each accounting period which are derived from distributions of profits or gains of the Qualifying Property Rental Business of another UK REIT and at least 90 per cent. of the income profits arising from the REIT Group’s Qualifying Property Rental Business derived from other sources in each accounting period (broadly, calculated using normal tax rules and disregarding non-UK source profits of a non-UK member of the REIT or of a non-UK member of a UK REIT from which the REIT receives such a distribution). Such distributions will be in the form of a PID and must generally be made on or before the filing date for the tax return for the accounting period.
- (iii) The income profits arising to the Qualifying Property Rental Business must represent at least 75 per cent. of the total profits for the accounting period. Such profits are calculated in accordance with International Accounting Standards, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and revaluation of properties, and certain exceptional items.
- (iv) At the beginning of the accounting period the gross fair value of the assets in the Qualifying Property Rental Business (including cash held on deposit and shares in another UK REIT) must represent at least 75 per cent. of the total fair value of assets held. However, a breach should not occur in the first accounting period upon entry into the REIT Regime, provided that the test is met at the end of the first accounting period.

Effects of becoming a REIT

A. **Tax exemption**

A REIT does not suffer UK corporation tax on the profits (income and capital gains) derived from its Qualifying Property Rental Business. UK corporation tax will still apply in the normal way in respect of any income and gains of any Residual Business.

B. **The 10 per cent. rule**

A REIT may become subject to an additional tax charge if it pays a distribution to corporate shareholders that hold at least 10 per cent. of share capital or voting rights and/or are entitled to at least 10 per cent. of distributions. This tax charge will not be incurred if the REIT has taken reasonable steps to avoid making distributions to such a shareholder in line with HMRC guidance.

C. **Distributions – obligations to withhold tax**

Subject to certain exceptions, a REIT is required to withhold income tax at source at the basic rate (currently 20 per cent.) from PIDs. A REIT must also provide shareholders with a certificate setting out the amount of tax withheld. Tax is not required to be deducted when distributions are paid to certain types of shareholder including UK corporate and UK tax-exempt bodies (such as SIPP and ISAs). Where distributions are made to shareholders resident in a country with a double taxation treaty with the UK, tax should be withheld and the shareholder may seek a refund of the tax where the treaty withholding tax rate is lower.

D. **Interest cover ratio**

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

Exit from the REIT Regime

After joining the REIT Regime, a REIT can give notice to HMRC that it wishes to leave the REIT Regime at any time.

It is important to note that following satisfaction of the REIT conditions by the Company and the REIT Group, the Company will not be able to guarantee continued compliance with all the conditions and the REIT Regime may cease to apply in certain circumstances. Broadly, HMRC may require the Company and the other members of the REIT Group to exit the REIT Regime if:

- (a) any breach of the conditions relating to the Qualifying Property Rental Business, or an attempt to avoid tax, is considered sufficiently serious;
- (b) a certain number of minor or inadvertent breaches, by the Company or members of the REIT Group, of the conditions occur in a specified period; or
- (c) HMRC has issued two or more notices, to the Company or members of the REIT Group, in relation to the avoidance of tax within a 10-year period of the first notice having been given.

K&C REIT PLC

(Incorporated in England and Wales with Registered Number 9080097)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a general meeting ("**General Meeting**") of K&C REIT PLC (the "**Company**") will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 24 November 2017 at 10.00 a.m. to pass the following resolutions, of which resolutions 1, 2 and 3 shall be proposed as ordinary resolutions and resolutions 4, 5 and 6 shall be proposed as special resolutions.

An ordinary resolution requires a majority, in excess of those present and voting, to be passed. A special resolution requires 75 per cent. or more of people present and voting to be passed.

Ordinary Resolution

1. **THAT**, pursuant to Section 618 of the Companies Act 2006:

- (a) every 10 ordinary shares of 1 penny each in the capital of the Company in issue at close of business on the date of the General Meeting ("**Ordinary Shares**") be consolidated into one ordinary share of 10 pence ("**New Ordinary Share**"), provided that, where such consolidation results in any shareholder being entitled to a fraction of a New Ordinary Share, such fraction shall be dealt with by the directors as they see fit pursuant to their powers available to them under article 12 of the Company's articles of association (the "**Articles**"); and
- (b) every 10 restricted preference shares of 1 penny each in the capital of the Company in issue at close of business on the date of the General Meeting ("**Restricted Preference Shares**") be consolidated into one restricted share of 10 pence ("**New Restricted Preference Share**"), provided that, where such consolidation results in any shareholder being entitled to a fraction of a New Restricted Preference Share, such fraction shall be dealt with by the directors as they see fit pursuant to their powers available to them under article 12 of the Articles.

Ordinary Resolution

2. **THAT** the appointment of Duncan Walker as a director of the Company be and is hereby approved.

Ordinary Resolution

3. **THAT**, 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 of the Company (the "**Directors**") be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 ("**CA 2006**") to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as "**Relevant Securities**"), provided that this power shall be limited to:
- (a) the allotment of Relevant Securities up to an aggregate nominal value of £15,000,000 pursuant to a placing announced by the Company on 24 October 2017 (the "**Placing**");
 - (b) the allotment of Relevant Securities up to an aggregate nominal value of £5,175,000 (being equal to approximately one-third of the issued share capital of the Company following the Placing (assuming full subscription under the Placing));
 - (c) the allotment of Relevant Securities up to an aggregate nominal value of £5,175,000 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);

provided that such authority shall expire on the earlier of 31 December 2017 and the conclusion of the annual general meeting of the Company to be held in 2017, save that, in each of sub-paragraphs (a), (b) and (c) above, the Directors may, before the relevant expiry date, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry date and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred by this Resolution had not expired.

Special Resolution

4. **THAT**, subject to and conditional upon Resolution 3 being passed as an ordinary resolution without amendment, in substitution for all existing powers but without prejudice to any allotment of equity securities (as defined in section 560 of CA 2006) already made or agreed to be made pursuant to such powers, the Directors be and are hereby empowered pursuant to section 570 of CA 2006 to allot equity securities for cash pursuant to the authority conferred upon them by Resolution 3 as if section 561 of CA 2006 did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities 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) the allotment of up to an aggregate nominal value of £15,000,000 pursuant to the Placing; and
- (c) the allotment of equity securities (otherwise than pursuant to paragraphs (a) or (b), above) of up to an aggregate nominal value of £775,000 (being approximately 5 per cent. of the issued share capital of the Company following the completion of the Placing (assuming that the Placing is fully subscribed)) to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company);

provided that such authority shall expire on the earlier of 31 December 2017 and the conclusion of the annual general meeting of the Company to be held in 2017, save that, in each of sub-paragraphs (a), (b) and (c) above, the Company may before the relevant expiry date make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry date and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

Special Resolution

5. **THAT**, subject to and conditional upon Resolution 1. being passed as an ordinary resolution without amendment, the Articles be amended by:

- (a) the deletion of article 4.6.3(c) and the substitution of the following in its place:

*"In the event of an Adjustment Event, the number of Ordinary Shares into which each Restricted Preference Share is to be converted and/or any aspect of the Milestones will be increased or reduced in such manner as the Board may determine (**PROVIDED THAT** the Auditors have reported in writing to the Board that such adjustment is in their opinion fair and reasonable) and such decision of the Board shall be final and binding on the holders of the Restricted Preference Shares and the Company. Notice of any revised basis of conversion and/or adjustment to the Milestones will be sent to the holders of the Restricted Preference Shares within 28 days after such Adjustment Event and such notice will specify the number of Ordinary Shares into which*

each Restricted Preference Share is to be converted on any subsequent conversion and/or the revised Milestones.”

- (b) the deletion of article 4.6.4(a) and the substitution of the following in its place:
- (a) *Subject to Articles 4.6.3(c) and 4.6.4(b), in relation to each holder of Restricted Preference Shares:*
- (i) *the First Tranche Shares shall Vest and, accordingly, such holder shall, subject to sArticle 4.6.2(a), be entitled to serve a Conversion Notice in respect of the First Tranche Shares, at any time after the delivery of an Auditors' Certificate showing that: (1) the AUM exceeds £10,000,000 (ten million pounds); and (2) the NAV Per Share exceeds £1.00 (one pound) (“**First Milestone**”);*
 - (ii) *the Second Tranche Shares shall Vest and, accordingly, such holder shall, subject to Article 4.6.2(a), be entitled to serve a Conversion Notice in respect of the Second Tranche Shares, at any time after the delivery of an Auditors' Certificate showing that: (1) the AUM exceeds £20,000,000 (twenty million pounds); and (2) the NAV Per Share exceeds £1.10 (one pound ten pence) (“**Second Milestone**”);*
 - (iii) *the Third Tranche Shares shall Vest and, accordingly, such holder shall, subject to Article 4.6.2(a), be entitled to serve a Conversion Notice in respect of the Third Tranche Shares, at any time after the delivery of an Auditors' Certificate showing that: (1) the AUM exceeds £30,000,000 (thirty million pounds); and (2) the NAV Per Share exceeds £1.20 (one pound twenty pence) (“**Third Milestone**”);*
 - (iv) *the Fourth Tranche Shares shall Vest and, accordingly, such holder shall, subject to Article 4.6.2(a), be entitled to serve a Conversion Notice in respect of the Fourth Tranche Shares at any time after the delivery of an Auditors' Certificate showing that: (1) the AUM exceeds £45,000,000 (forty-five million pounds); and (2) the NAV Per Share exceeds £1.30 (one pound thirty pence) (“**Fourth Milestone**”);*
 - (v) *the Fifth Tranche Shares shall Vest and, accordingly, such holder shall, subject to Article 4.6.2(a), be entitled to serve a Conversion Notice in respect of the Fifth Tranche Shares at any time after the delivery of an Auditors' Certificate showing that: (1) the AUM exceeds £60,000,000 (sixty million pounds); and (2) the NAV Per Share exceeds £1.40 (one pound forty pence) (“**Fifth Milestone**”);*
 - (vi) *the Sixth Tranche Shares shall Vest and, accordingly, such holder shall, subject to Article 4.6.2(a), be entitled to serve a Conversion Notice in respect of the Sixth Tranche Shares at any time after the delivery of an Auditors' Certificate showing that: (1) the AUM exceeds £100,000,000 (one hundred million pounds); and (2) the NAV Per Share exceeds £1.50 (one pound fifty pence) (“**Sixth Milestone**”);*

Once a particular Milestone has been achieved no subsequent reduction in the AUM and/or the NAV Per Share shall mean that such Milestone is deemed not to have been achieved.”

Special Resolution

6. **THAT** the name of the Company be changed to KCR Residential REIT PLC.

30 October 2017

By Order of the Board:

Robert Roberts
Company Secretary

Registered office:

82 St John Street,
London EC1M 4JN

NOTES TO THE NOTICE OF GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
 - 10.00 a.m. on 22 November 2017; or,
 - if the General Meeting is adjourned, at 10.00 a.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the General Meeting.

Appointment of proxies

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

Appointment of proxy using hard copy proxy form

6. To appoint a proxy using the proxy form, the form must be:
 - completed and signed;
 - posted or delivered to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR; and
 - received by the Registrars no later than 10.00 a.m. on 22 November 2017.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

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

The revocation notice must be received by the Company no later than 10.00 a.m. on 22 November 2017. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

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

Issued shares and total voting rights

10. As at 6.00 p.m. on 26 October 2017, the Company's issued share capital comprised 52,751,813 ordinary shares of 1 penny each. Each ordinary share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 26 October 2017 was 52,751,813.

