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If you sell or have sold or otherwise transferred all of your Ordinary Shares you should send this document and the accompanying Form of Proxy and Application Form, if applicable, 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 transmission to the purchaser or other transferee. If you sell or have sold or otherwise transferred only part of your holding, you should retain these documents.

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 of the Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Second Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Ordinary Shares are admitted to trading on AIM, a market operated by the London Stock Exchange. Applications will be made for the Offer Shares and the Further Enlarged Ordinary Share Capital to be admitted to trading on AIM. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been, or will be, made for the Enlarged Ordinary Share Capital or the Further Enlarged Ordinary Share Capital to be admitted to trading on any other recognised trading exchange. Subject to, among other things, the passing of the Resolutions at the General Meeting, it is expected that First Admission will become effective and that dealings in the Offer Shares will commence on AIM on or around 3 October 2017. It is expected that Second Admission will become effective and that dealings in the Further Enlarged Ordinary Share Capital will commence on AIM on or around 5 October 2017.

The Company, the Existing Directors and the Incoming Directors, whose names appear on page 6 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Company, the Existing Directors and the Incoming Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

CITY OF LONDON GROUP PLC

(Incorporated in England and Wales with registered number 01539241)

PROPOSED ACQUISITION OF MILTON HOMES LIMITED

APPROVAL OF WAIVERS OF OBLIGATIONS UNDER RULE 9 OF THE TAKEOVER CODE

PROPOSED SHARE CAPITAL RE-ORGANISATION AND CHANGES TO ARTICLES OF ASSOCIATION

FULLY UNDERWRITTEN OPEN OFFER OF UP TO 4,444,433 NEW ORDINARY SHARES AT 90 PENCE PER SHARE TO RAISE APPROXIMATELY £4 MILLION

SUBSCRIPTION OF 7,777,778 NEW ORDINARY SHARES AT 90 PENCE PER SHARE TO RAISE £7 MILLION

CHANGE OF STATUS FROM INVESTING COMPANY TO TRADING COMPANY

ADMISSION OF THE FURTHER ENLARGED ISSUED SHARE CAPITAL TO TRADING ON AIM

AND

NOTICE OF GENERAL MEETING

A copy of this document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the Further Enlarged Ordinary Share Capital of the Company. This document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this document has not been pre-approved by the FCA pursuant to section 85 of FSMA.

Copies of this document will be available to download from the Company's website at www.cityoflondongroup.com from the date of this document until 12 months after the date of Second Admission in accordance with the AIM Rules.

The distribution of this document and/or the accompanying Form of Proxy and/or the accompanying Application Form, if applicable, in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out on pages 7 to 25 of this document (which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below) and to the Risk Factors set out in Part II of this document.

Notice convening a General Meeting of the Company to be held at Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR on 2 October 2017 at 9.00 a.m. is set out at the end of this document. If you hold your Existing Ordinary Shares in certificated form, whether or not you plan to attend the General Meeting, you are encouraged to complete the accompanying Form of Proxy and return it in accordance with the instructions printed on it as soon as possible, but in any event so as to be received by post or, during normal business hours only, by hand, to Capita Asset Services at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 9.00 a.m. on 28 September 2017 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). The completion and return of a Form of Proxy will not prevent you from attending and voting at the meeting in person should you wish to do so.

If you hold your Existing Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 9.00 a.m. on 28 September 2017 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)). The submission of your voting instructions via the CREST proxy voting service will not prevent you from attending and voting in person at the General Meeting, or any adjournment of it, should you wish to do so.

Peel Hunt LLP, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company as nominated adviser and broker and no-one else in connection with First Admission and Second Admission. It will not regard any other person (whether or not a recipient of this document) as a client in relation to First Admission and Second Admission and will not be responsible to anyone other than the Company for providing the protections offered to clients of Peel Hunt LLP for First Admission or Second Admission or for any transaction or arrangement referred to in this document. Peel Hunt LLP has not authorised the contents of any part of this document for the purposes of the Prospectus Rules.

Peel Hunt LLP's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company, any Existing Director or Incoming Director or to any other person. No representation, express or implied, is made by Peel Hunt LLP as to, and no liability whatsoever is accepted by Peel Hunt in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

OVERSEAS SHAREHOLDERS

This document does not constitute an offer to sell, or a solicitation to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not, subject to certain exceptions, for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, Japan or any jurisdiction where to do so might constitute a violation of local securities laws or regulations. The Ordinary Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, Japan, or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, Japan, or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, or Japan. The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by the Company or by Peel Hunt LLP that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Holding Ordinary Shares may have implications for Overseas Shareholders under the laws of the relevant overseas jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with holding Ordinary Shares, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends. These statements can be identified by the use of forward-looking terminology, including statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "estimates", "intends", "plans", "projects", "will", "may", "anticipates", "would", "could" or similar expressions or the negative of them. These forward-looking statements include all statements that are not matters of historical fact. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Existing Directors' and Incoming Directors' expectations regarding the Enlarged Group's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding of these), competitive advantages, planned development activity and the results of such activity, business prospects and opportunities.

Such forward-looking statements reflect Existing Directors' and Incoming Directors' current beliefs and assumptions and are based on information currently available to management. Forward-looking statements by their nature involve significant known and unknown risks and uncertainties and other important factors beyond the Company's control that could cause actual results, performance or achievements of the Company to be materially different from the results, performance or achievements, expressed or implied by such forward-looking statements. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including without limitation risks associated with vulnerability to general economic and business conditions, industry trends, competition, changes in regulation, regulatory activity, currency fluctuations, changes in business strategy, political and economic uncertainty, reliance on key personnel and other factors, many of which are beyond the control of the Company. These forward-looking statements are subject to, among other things, the risk factors described in Part II of this document. Although the forward-looking statements contained in this document are based upon what the Existing Directors and Incoming Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements.

Any forward-looking statements speak only as of the date of this document. Subject to the requirements of the FCA, the London Stock Exchange, the AIM Rules (and/or any other applicable regulatory requirements) or applicable law, each of the Company, the Existing Directors, the Incoming Directors and Peel Hunt LLP expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company's expectations with regard to them, any new information or any change in events, conditions or circumstances after the date of this document on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

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ADMISSION STATISTICS

Issue Price per Offer Share and per Subscription Share	90 pence
Number of Existing Ordinary Shares in issue at the date of this document	36,852,681
Number of Offer Shares to be issued ⁽¹⁾	4,444,433
Number of Subscription Shares to be issued ⁽¹⁾	7,777,778
Number of Consideration Shares to be issued	14,666,667
Number of New Ordinary Shares in issue following First Admission ⁽¹⁾	up to 6,287,067
Number of New Ordinary Shares in issue following Second Admission ⁽¹⁾	up to 28,731,512
Percentage of the Further Enlarged Ordinary Share Capital constituted by the Offer Shares, Subscription Shares and Consideration Shares ⁽¹⁾	approximately 94 per cent.
Estimated net proceeds of the Open Offer ⁽²⁾	approximately £2.5 million
Market capitalisation of the Enlarged Group on First Admission ⁽¹⁾	approximately £5.7 million†
Estimated net proceeds of the Subscription ⁽¹⁾	£7 million
Market capitalisation of the Enlarged Group on Second Admission ⁽¹⁾	approximately £25.9 million†
ISIN number for the New Ordinary Shares	GB00BD9GS058
SEDOL number for the New Ordinary Shares	BD9GS05
ISIN number for the Open Offer Entitlements	GB00BD9GV847
ISIN number for the Excess Shares	GB00BD9GVB71

† based on the Issue Price

(1) Assumes that the Offer Shares and Subscription Shares are subscribed for in full. The exact number of New Ordinary Shares resulting from the Capital Reorganisation will only be determined immediately prior to First Admission due to the treatment of fractional entitlements of Shareholders on the Company's register of members at that time.

(2) Under the terms of the conditional Underwriting Agreement, the Open Offer has been fully underwritten by MBIL.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2017

Announcement of the Proposals	11 August
Record Date for the Open Offer	close of business on 13 September
Publication and posting of this document and Form of Proxy; posting of the Application Form to Qualifying Shareholders	15 September
Ex-entitlement date for the Open Offer	8.00 a.m. on 15 September
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	18 September
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 25 September
Latest time for depositing Open Offer Entitlements in CREST	3.00 p.m. on 26 September
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 27 September
Latest time and date for receipt of CREST voting intentions	9.00 a.m. on 28 September
Latest time and date for receipt of Forms of Proxy	9.00 a.m. on 28 September
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction	11.00 a.m. on 29 September
Time and date of the General Meeting	9.00 a.m. on 2 October
Record Date and Time for the Capital Reorganisation	5 p.m. on 2 October
Last day of dealings in Ordinary Shares before First Admission	2 October
Expected completion of the Capital Reorganisation, First Admission, completion of the Open Offer and commencement of dealings of the Enlarged Ordinary Share Capital on AIM	8.00 a.m. on 3 October
CREST accounts expected to be credited with Offer Shares	as soon as practicable after 8.00 a.m. on 3 October
Last day of dealings in the Enlarged Ordinary Share Capital before Second Admission	4 October
Expected Second Admission, completion of the Proposals and commencement of dealings of the Further Enlarged Ordinary Share Capital on AIM	5 October
CREST accounts expected to be credited with Subscription Shares and Consideration Shares	as soon as practicable after Second Admission
Despatch of definitive share certificates in respect of existing holdings in Ordinary Shares following the Capital Reorganisation and Offer Shares	week commencing 9 October
Despatch of definitive share certificates in respect of Subscription Shares and Consideration Shares	within 10 Business Days following Second Admission

Note: All references to times in this timetable are to London times. The times and dates may be subject to change and any changes will be notified via a RIS.

EXISTING DIRECTORS, INCOMING DIRECTORS, SECRETARY AND ADVISERS

Existing Directors	Paul Milner Andrew Crossley Lorraine Young	<i>Non-executive Chairman</i> <i>Independent Non-executive Director</i> <i>Independent Non-executive Director</i>
Incoming Directors*	Colin Wagman Michael Goldstein Christopher Rumsey	<i>Non-executive Chairman</i> <i>Chief Executive Officer</i> <i>Managing Director</i>
Company Secretary	Ben Harber	
Registered office	6th Floor, 60 Gracechurch Street London EC3V 0HR	
Nominated Adviser and Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET	
Solicitors to the Company	DWF LLP 20 Fenchurch Street London EC3M 3AG	
Solicitors to the Nominated Adviser	Addleshaw Goddard LLP Milton Gate 60 Chiswell Street London EC1Y 4AG	
Auditors	BDO LLP 55 Baker Street London W1U 7EU	
Registrar and Receiving Agent	Capita Asset Services The Registry, 34 Beckenham Road Beckenham Kent BR3 4TU	
Company's website	www.cityoflondongroup.com	

* Conditional upon and with effect from Second Admission, Mr Wagman will become Non-executive Chairman of the Company, Mr Goldstein will become Chief Executive Officer, Mr Rumsey will become Managing Director and Mr Milner will cease to be Non-executive Chairman and will become an Executive Director.

PART I

LETTER FROM THE CHAIRMAN OF CITY OF LONDON GROUP PLC

Incorporated and registered in England & Wales with registered number 01539241

Directors:

Paul Milner
Andrew Crossley
Lorraine Young

Registered Office:

6th Floor
60 Gracechurch Street
London EC3V 0HR

15 September 2017

Dear Shareholder,

1. INTRODUCTION

This letter outlines the reasons for, and provides further information on, the Proposals and explains why the Board believes them to be in the best interests of the Company and its Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolutions, which include approval of the Rule 9 Waivers, at the General Meeting. The notice of General Meeting is set out at the end of this document. The Proposals are conditional, among other things, on the passing of the Resolutions, Regulatory Approval (which has already been granted), First Admission and Second Admission. If the Resolutions are approved by Shareholders, it is expected that First Admission will become effective and dealings in the Enlarged Ordinary Share Capital will commence on AIM on or around 3 October 2017. It is expected that Second Admission will become effective and dealings in the Further Enlarged Ordinary Share Capital will commence on AIM on 5 October 2017. The General Meeting of the Company at which the Resolutions will be proposed has been convened for 9.00 a.m. on 2 October 2017 at Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR.

2. BACKGROUND TO AND REASONS FOR THE PROPOSALS

The Board has been actively pursuing opportunities to increase the Company's financial strength and provide a platform for future development for some time. In doing so, it began discussions with Milton Homes which have concluded with the agreement of the Proposals.

In 2015, the Company moved its listing from the Official List to AIM with a view to continuing to develop the businesses of its two platforms, CAML and TFPL. While the business of CAML continued satisfactorily, the Board did consider other strategic options for that business, including a sale. Following investigation of various options, the Board concluded that it would retain CAML within the Company's Group, but reduce its costs. As disclosed in the Company's 2017 annual report, CAML reported positive operating profit before shareholder capital charges for the financial year ending 31 March 2017.

As previously announced, TFPL was put into administration in March 2017 and the investment in that business has been written down to zero. The Board was therefore keen to identify new opportunities for the Company, so that it remained viable for it to retain its AIM quotation and to provide benefits for Shareholders.

The Board was therefore enthused by the opportunity to acquire Milton Homes, which gives the Enlarged Group greater diversity and attractive long term prospects. The Board believes that the Acquisition presents the Company and its Shareholders with an attractive opportunity to benefit from a business with significant potential to develop in the growing equity release sector.

3. THE PROPOSALS

The Acquisition

The Company has entered into a conditional share purchase agreement with DV4, a fund advised by specialist real estate investment advisory company Delancey, to conditionally acquire the Milton Homes Group, an equity release provider, for a total consideration of £20.2 million, to be satisfied by the payment

of cash consideration of £7 million (subject to any adjustments that may be made under the terms of the Acquisition Agreement) and the issue of 14,666,667 New Ordinary Shares at the Issue Price of 90 pence per share.

The Acquisition, if completed, will constitute a reverse takeover under the AIM Rules and therefore is conditional upon approval of Shareholders at the General Meeting. Further details of the General Meeting are set out in paragraph 22 of this Part I.

The Acquisition is also conditional on, among other things, a Rule 9 waiver being granted with respect to the issue of Consideration Shares to the Vendor, a Rule 9 waiver being granted with respect to the issue of Offer Shares and Subscription Shares (or any of them) to members of the Bard Family Concert Party, the passing of the Resolutions, Regulatory Approval (which has now been received) and Second Admission becoming effective.

Further details of the Acquisition Agreement are set out in paragraph 18 of Part IX of this document.

Change of status to trading company

At present the Company is an “investing company” focused on providing finance to the SME sector, including professional services firms. The completion of the Acquisition will result in a change of status of the Company from an investing company to a trading company (for the purposes of the AIM Rules).

Capital raising

The Board is proposing to raise up to £11 million through a two stage equity fundraising which will provide the Company with the consideration monies required to complete the Acquisition and additional working capital for the Enlarged Group.

The Board intends to provide Shareholders with an opportunity to participate in the proposed issue of New Ordinary Shares, by offering to all Qualifying Shareholders the opportunity to subscribe for an aggregate of 4,444,433 Offer Shares on a pre-emptive basis under the Open Offer, to raise up to approximately £4 million, on the basis of 12.06 New Ordinary Shares for every 100 Existing Ordinary Shares, at 90 pence each, payable in full on acceptance. The full amount of approximately £4 million has been conditionally underwritten by MBIL, a member of the Bard Family Concert Party. MBIL is not being paid an underwriting fee for this underwriting commitment. The estimated net proceeds of the Open Offer are expected to be approximately £2.5 million, irrespective of the level of take up of Open Offer Entitlements by Shareholders.

In addition, the Board has conditionally agreed a direct subscription with MBIL and new investors by way of a non-pre-emptive Subscription of 7,777,778 Subscription Shares in aggregate at a price of 90 pence per Subscription Share.

MBIL has agreed to subscribe for £5.8 million in Subscription Shares. In addition, unconnected investors have agreed to subscribe for £1.2 million in Subscription Shares and Peel Hunt may also subscribe, in lieu of part of MBIL's subscription, to ensure that a free float of 10 per cent. is achieved following completion of the Acquisition.

Immediately following Second Admission, the Subscription Shares will represent approximately 27 per cent. of the Further Enlarged Ordinary Share Capital (assuming that the Subscription Shares are subscribed for in full).

Completion of the Acquisition is conditional upon on a number of matters, any of which may not occur, such as all of the Resolutions being passed, the Subscription Agreements having become unconditional, the Admission Agreement not having been terminated and Second Admission having occurred. In addition, the Acquisition Agreement may be terminated before Second Admission in circumstances where certain matters occur which have a material adverse effect on either the Company's Group or the Milton Homes Group. Furthermore, any such matter (or other circumstances which may arise) may cause Peel Hunt to exercise its right to terminate the Admission Agreement before Second Admission if it determines (having regard to its duties as a nominated adviser under the AIM Rules) that the Company is not suitable or appropriate to have its Ordinary Shares admitted to trading on AIM.

You should note therefore that if Resolutions 2, 5, 6, 8 and 9 are passed, the Open Offer may complete, and First Admission may occur, even if the Acquisition, the Subscription and Second Admission do not occur.

Share Option Scheme

The Board has determined that, with effect from and conditional on Second Admission, a Share Option Scheme will be established, under which options over New Ordinary Shares may be granted to Directors and employees of the Company's Group from time to time. With effect from Second Admission, grants of options over the Option Shares will become unconditional, albeit that the exercise of such options will be subject to certain performance conditions. Further details of the option grants to Existing Directors and Incoming Directors are set out at paragraph 14 of Part IX.

Following Second Admission, Paul Milner and Michael Goldstein, who are presumed under the Takeover Code to be members of the Bard Family Concert Party, will participate in the Share Option Scheme which may result in them acquiring New Ordinary Shares in the Company. The maximum aggregate number of New Ordinary Shares that Paul Milner and Michael Goldstein may be entitled to receive in aggregate pursuant to any awards made to them under the Share Option Scheme will be 2,762,040 New Ordinary Shares, which if issued, would be equal to approximately 8.8 per cent. of the issued ordinary share capital of the Company as enlarged by such issue. Further details of the Share Option Scheme are set out in paragraph 7 of Part IX of this document.

Capital Reorganisation

The current issued capital of the Company is £3,685,268.10 divided into 36,852,681 Existing Ordinary Shares of a nominal value of 10 pence each. No other shares of the Company are in issue.

UK company law prohibits a company from issuing a new share at a price less than its nominal value. In order to enable the Open Offer and Subscription to proceed, the Company proposes to implement the Capital Reorganisation which will take effect immediately prior to First Admission, in respect of which it will require Shareholder approval. This will involve each Existing Ordinary Share held by a Shareholder being subdivided into:

- 1 Subdivided Ordinary Share of 0.1 pence each; and
- 99 Deferred Shares of 0.1 pence each.

Immediately following the proposed subdivision, the Subdivided Ordinary Shares shall be consolidated by consolidating 20 Subdivided Ordinary Shares into one New Ordinary Share of 2 pence.

Holders of fewer than 20 Existing Ordinary Shares will not be entitled to receive a New Ordinary Share following the Capital Reorganisation.

Fractional entitlements to New Ordinary Shares, whether arising from holdings of fewer or more than 20 Existing Ordinary Shares, arising upon consolidation of the Subdivided Ordinary Shares will be rounded down to the nearest whole number. Any fractional entitlements arising pursuant to the consolidation will be aggregated and sold in the market and the proceeds of sale applied for the benefit of the Company or as it may direct.

The New Ordinary Shares will have the same rights and benefits as the Existing Ordinary Shares (except par value) and the New Ordinary Shares will be admitted to trading on AIM in place of the Existing Ordinary Shares. The percentage of New Ordinary Shares held by each Shareholder immediately prior to First Admission (i.e. before completion of the Open Offer) will be the same as the percentage of Existing Ordinary Shares held by them immediately before the Capital Reorganisation (subject to fractional entitlements), but each Shareholder will hold fewer New Ordinary Shares than the number of Existing Ordinary Shares currently held.

The Deferred Shares will not be admitted to trading on AIM, will have only very limited rights on a return of capital and will be effectively valueless and non-transferable. The Directors consider that the Deferred Shares will have no effect on the respective economic interests of the Shareholders. No share certificates will be issued for the Deferred Shares. It is currently intended that, in due course and as set out in the

Amended Articles of Association, all the Deferred Shares will be re-purchased by the Company, at its sole discretion, for an aggregate consideration of £1 and be cancelled.

Immediately following the Capital Reorganisation becoming effective and prior to the issue of the Offer Shares or Subscription Shares, the issued share capital of the Company will be:

up to 1,842,634 New Ordinary Shares	aggregate nominal value of up to £36,852.68
up to 3,648,415,419 Deferred Shares	aggregate nominal value of up to £3,648,415.42
	total nominal value of up to £3,685,268.10

Application will be made for the New Ordinary Shares to be admitted to trading on AIM. Dealings in the Existing Ordinary Shares will cease at the close of business on the date of the General Meeting and dealings in the New Ordinary Shares are expected to commence on the following day. The ISIN number of the New Ordinary Shares will be GB00BD9GS058 and the SEDOL number will be BD9GS05. The ISIN and SEDOL numbers for the New Ordinary Shares are different from those relating to the Existing Ordinary Shares as a consequence of the Capital Reorganisation.

The Company will issue new share certificates to those Shareholders holding shares in certificated form to take account of the Capital Reorganisation. Following the issue of new share certificates, share certificates in respect of Existing Ordinary Shares will no longer be valid.

The Capital Reorganisation will necessitate certain alterations to the Articles of Association of the Company, to include the limited rights proposed for the Deferred Shares. The Amended Articles of Association as proposed, along with a set highlighting the alterations and comparing the amended draft with the existing Articles of Association, are available for inspection by Shareholders until the conclusion of the General Meeting on the Company's website at www.cityoflondongroup.com. A summary of the proposed alterations to the Articles of Association is set out at paragraph 13 of Part IX.

Related party transactions

Execution of the Proposals involves the following related party transactions pursuant to Rule 13 of the AIM Rules:

- entry into the Underwriting Agreement by MBIL and Harvey Bard, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below;
- execution of an Irrevocable Undertaking by each of Harvey Bard and Paul Milner, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below;
- entry into a Relationship Agreement by MBIL and Harvey Bard, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below;
- participation in the Open Offer by any member of the Bard Family Concert Party due to its holding, in aggregate, of approximately 22.8 per cent. of the Existing Ordinary Shares;
- entry into a Subscription Agreement by MBIL and Harvey Bard, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below; and
- entry into a Lock-in Agreement by MBIL and Harvey Bard, and Paul Milner, all of whom are members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below.

The Independent Directors consider, having consulted with Peel Hunt, that each of the related party transactions referred to above is fair and reasonable insofar as the Shareholders are concerned.

Takeover Code considerations

Harvey Bard; his wife, Sonia Bard; his two children, Alexander Bard and Tania Bard; his nieces, Sarah Bard and Rebecca Bard; his brother, Roy Michael Bard; his sister-in-law, Rosi Bard; Savoylane, a nominee company holding shares on behalf of Alexander Bard, Tania Bard, Sarah Bard and Rebecca Bard; the HPB Pension Trust, of which Harvey Bard is a beneficiary; Paul Milner, a director of the Company currently nominated by Harvey Bard (who will become MBIL's nominated director of the Company following Second Admission pursuant to a Relationship Agreement entered into by Harvey Bard and MBIL) and a director of MBIL; MBIL, an investment vehicle owned equally by Harvey Bard's children; and Michael Goldstein, an Incoming Director and a director of MBIL, are deemed to be acting in concert in respect of the Company –

referred to throughout this document as the Bard Family Concert Party. Following Second Admission (and assuming that no Open Offer Entitlements are taken up by Shareholders) the Bard Family Concert Party will be interested in 11,307,079 New Ordinary Shares, representing approximately 39.4 per cent. of the Further Enlarged Ordinary Share Capital and an aggregate of 888,889 Option Shares in respect of which options granted to Paul Milner and Michael Goldstein will become unconditional at Second Admission.

Following Second Admission (and assuming the Resolutions are passed) the Vendor will be interested in 14,666,667 New Ordinary Shares, representing approximately 51 per cent. of the Further Enlarged Ordinary Share Capital.

Under Rule 9 of the Takeover Code, the Bard Family Concert Party and the Vendor would normally be obliged each to make an offer to all Shareholders to acquire their Ordinary Shares. Should Resolutions 1 and 2 be passed by Independent Shareholders on a poll, the Panel has agreed to waive the obligations of the Bard Family Concert Party and the Vendor to each make a general offer that would otherwise arise due to their resultant shareholdings in the Company.

Neither the Bard Family Concert Party nor the Vendor will be restricted from making an offer to all Shareholders to acquire their Ordinary Shares.

Your attention is drawn to the Rule 9 Waivers section contained in paragraph 8.1 of this Part I.

4. INFORMATION ON MILTON HOMES & FUTURE STRATEGY OF THE ENLARGED GROUP

Overview

Milton Homes Limited is an equity release provider which has a UK residential property portfolio of 586 properties with a market value of approximately £77 million as at 30 June 2017.

The Directors plan to start acquiring additional homes for equity release. The restart plan is expected to take 12-18 months and will require updating the business' systems and the rebuilding of Milton Homes' marketing and distribution network. The plan envisages investment of approximately £15 million in the first year with a total of £100 million over a five year period, subject to market conditions.

Background and existing property portfolio

The Milton Homes business was founded in 2004 and acquired its first portfolio of UK residential properties in the same year. In 2007, Milton Homes acquired Retirement Plus, another home reversion plan provider and administrator, which consolidated Milton Homes Group's position in the equity release market. The Retirement Plus business is based on a form of home reversion plan which has a different structure from standard home reversion products, enabling it to be competitive in the market.

The existing property portfolio is well-diversified across different regions of the UK and various property types. As at 30 June 2017, 83 per cent. of the portfolio was held in freehold interests. It had a market value of £77 million, with a vacant possession value of £106 million as at 30 June 2017.

Strategy

(A) Milton Homes

The over-65s population of the UK is estimated to hold approximately £1.5 trillion of housing wealth.

The core target market of the Milton Homes Group is individuals over 65 years old who have insufficient cash resources to meet their day to day needs or who have an immediate large capital requirement and who own significant property assets.

Equity release products are desirable in this market as they enable money which is locked into housing stock to be transformed into cash, without the need for re-location.

Equity Release Market

The market for equity release products is a growing opportunity for Milton Homes.

Demand for equity release products is increasing. During 2016 the amount of equity release new advances (amounts paid to customers) reached £2.15 billion.

Long-term structural trends have driven the growth in demand. Part of this has been the impending end of the term of interest-only mortgages, inadequate endowment policy maturities, falling annuity rates, low yields on savings accounts, unsecured personal debt, assisting children into home ownership, and reduction in employment for the over 50s. Employment rates decline sharply from over 80 per cent. of 50 year olds being in work, to just 30 per cent. of 65 year-olds. The number of people of retirement age is increasing and, when combined with increased life expectancy and the flexibility granted in April 2015 in respect of pensions, there is a strong basis to believe that equity release will be established as a mainstream financial market in the future.

Description of the products

The Enlarged Group will offer a single lump sum payment option on its home reversion plans, in competition with other forms of equity release but with the ability to offer larger initial amounts of cash for the customer than would otherwise be available.

Two distinct types of reversion will be made available to customers: a standard reversion and the Retirement Plus Property Plan.

Standard reversion: Milton Homes purchases a property at a discount to market value.

Retirement Plus Property Plan: Milton Homes purchases a share in a property at market value and the share increases each year at a fixed rate until the property is sold or the share reaches its maximum level.

In both cases the occupier remains in the property and is responsible for all maintenance and outgoings. Following their death or move to care, Milton Homes sells the property and receives the value of its share.

Milton Homes' investment is in long-term, stable, underlying assets that generate an income as the term to each reversion shortens, and an assured cash flow from completed property sales after reversion.

(B) CAML

The Company has decided to retain CAML and, by arranging an increase in the available block funding facilities, has taken steps to give CAML the ability to grow its business and achieve scale. The Company continues to focus on providing a sound foundation whereby the business of CAML and Professions Funding Limited, its lease and professions funding platform, can realise its underlying potential.

Following the uncertainties caused by capital constraints in the first half of the year, the Directors believe that CAML is now well-placed to move its business forward in the coming months.

5. DETAILS OF THE OPEN OFFER

The Company proposes an Open Offer to raise up to approximately £4 million (before expenses) through the issue of 4,444,433 New Ordinary Shares at the Issue Price.

The Offer Shares will be offered to Qualifying Shareholders on the following basis:

12.06 Offer Shares for every 100 Existing Ordinary Shares held in their name(s) on the Record Date for the Open Offer

Shareholders should carefully consider the "Risk Factors" set out in Part II of this document before deciding whether or not to proceed with an investment in the Company.

Qualifying Shareholders are being offered the opportunity to apply for additional Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer

Entitlement in full. In the event that applications are received for an excess of the 4,444,433 Offer Shares available, excess applications will be scaled back *pro rata* to Qualifying Shareholders' existing shareholdings.

The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer is 11.00 a.m. on 29 September 2017.

The Open Offer is conditional on the prior completion of the Capital Reorganisation.

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. On the assumption that, among other things, the Resolutions are passed, it is expected that First Admission will become effective on or around 3 October 2017.

Any Qualifying Shareholder validly applying for their Open Offer Entitlement shown above will be allotted those shares.

In the event that the Open Offer is not fully subscribed, any shortfall will be taken up by MBIL under the terms of the Underwriting Agreement.

Full details of the Open Offer, together with the terms and conditions of the Open Offer, are set out in Part III of this document.

Underwriting Agreement

MBIL has agreed to fully underwrite the Open Offer under the Underwriting Agreement. It has agreed to subscribe, at the Issue Price, for all of the Offer Shares not taken up by Shareholders under the Open Offer. The funds payable by MBIL upon subscription for the Offer Shares are guaranteed by Harvey Bard under the Underwriting Agreement.

MBIL is not being paid an underwriting fee for its underwriting commitment.

The obligations of MBIL and Harvey Bard under the Underwriting Agreement are conditional upon First Admission becoming effective on or before 14 November 2017.

For further details about the Underwriting Agreement, see paragraph 18 of Part IX of this document.

6. DETAILS OF THE SUBSCRIPTION

The Company is proposing to raise approximately £7 million (before expenses) by way of a Subscription for 7,777,778 Subscription Shares at the Issue Price. The Subscription Shares will represent approximately 27 per cent. of the Further Enlarged Ordinary Share Capital (assuming that the Subscription Shares are subscribed for in full).

On 10 August 2017, the Company entered into Subscription Agreements with MBIL and certain other new investors. MBIL has agreed to subscribe for £5.8 million in Subscription Shares. Unconnected investors have agreed to subscribe for £1.2 million in Subscription Shares and Peel Hunt may also subscribe, in lieu of part of MBIL's subscription, to ensure that a free float of 10 per cent. is achieved following completion of the Acquisition.

For further details about the Subscription Agreements, see paragraph 18 of Part IX of this document.

The table below sets out details of the subscribers committing to subscribe (subject to the conditions described below) for the Subscription Shares:

<i>Investor Name</i>	<i>Number of Subscription Shares to be subscribed for</i>	<i>Percentage of Further Enlarged Ordinary Share Capital at Second Admission³</i>
MBIL	6,444,444	22.4% ¹
Prime Investments (London) Ltd	333,333	1.2% ²
Morston Investments Ltd	333,333	1.2% ²
Lee Reuben	22,222	0.1% ²
Martin Reuben	222,222	0.8% ²
P.P. Pension Scheme	55,556	0.2% ²
James Reuben	222,222	0.8% ²
Dobell Finance Limited	22,222	0.1% ²
David Litwack	333,333	1.2% ²
Total	<u>7,777,778</u>	<u>27.1%</u>

¹ Assuming that Open Offer Entitlements are taken up by Shareholders in full and therefore no Offer Shares are issued to MBIL. In the event that MBIL is required to subscribe for all of the Offer Shares under the Underwriting Agreement then MBIL's holding of New Ordinary Shares at Second Admission will be 10,888,877 representing approximately 38 per cent. of the Further Enlarged Ordinary Share Capital.

² Assuming that no Open Offer Entitlements are taken up by Shareholders.

³ Assuming that no Ordinary Shares are issued prior to Second Admission other than the Offer Shares, the Subscription Shares and the Consideration Shares.

The Subscription is conditional, among other things, on completion of the Acquisition, the passing of the Resolutions, Regulatory Approval (which has already been granted) and Second Admission becoming effective.

The Subscription Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid after Second Admission and will be equal in all respects with the Existing Ordinary Shares. The Subscription Shares have not been made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

Application will be made to the London Stock Exchange for the Further Enlarged Ordinary Share Capital to be admitted to trading on AIM. On the assumption that, among other things, the Resolutions are passed, it is expected that Second Admission will become effective on 5 October 2017.

The Subscription Shares have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Subscription Shares may not be offered or sold within the United States.

The Subscription will result in a significant dilution of the proportionate holdings of existing Shareholders who do not participate in the Subscription; approximately 27 per cent. of the Further Enlarged Ordinary Share Capital will be represented by the Subscription Shares upon completion of the Subscription.

7. ADMISSION TO AIM AND DEALINGS IN THE NEW ORDINARY SHARES

If all of the Resolutions are passed at the General Meeting, application will be made for the Offer Shares to be admitted to trading on AIM. It is expected that First Admission will become effective and dealings in the Enlarged Ordinary Share Capital will commence on 3 October 2017.

In addition, if the conditions to the Acquisition are satisfied, application will be made for the Further Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Second Admission will become effective and dealings in the Further Enlarged Ordinary Share Capital will commence on 5 October 2017.

If any of the Resolutions are not passed at the General Meeting, the Acquisition will not proceed and the Directors will consider alternative options for the Company.

You should note that if Resolutions 2, 5, 6, 8 and 9 are passed, the Open Offer may complete, and First Admission may occur, even if the Acquisition, the Subscription and Second Admission do not occur.

Peel Hunt has been retained as the Company's nominated adviser and broker in relation to First Admission and Second Admission. Further details of Peel Hunt's engagement are set out at paragraph 18 of Part IX of this document.

8. IMPLICATIONS OF THE OPEN OFFER AND PROPOSALS UNDER THE CODE

8.1 *Rule 9 Waivers*

The Code is issued and administered by the Panel. The Company is a company to which the Code applies and its Shareholders are entitled to the protections afforded by the Code. Under Rule 9 of the Code, any person who acquires an interest (as defined in the Code) in shares which, taken together with shares in which they are already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Rule 9 of the Code further provides that where any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any such person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which they are interested, such person or persons acting in concert with him will normally be required to make a general offer to all remaining Shareholders to acquire their shares.

An offer under Rule 9 of the Code must be made in cash at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

The Company has applied to the Panel for waivers of Rule 9 of the Takeover Code in order to permit the Open Offer, Acquisition, the Subscription and the grant of options with respect to the Concert Party Option Shares (or any of them) without triggering an obligation on the part of the Bard Family Concert Party or the Vendor to make a general offer to Shareholders. Subject to the approval of the Independent Shareholders on a poll, the Panel has agreed to waive the obligations to make a general offer for the entire issued share capital of the Company that would otherwise arise as a result of the issue of the Offer Shares, Subscription Shares and Concert Party Option Shares (or any of them) to the Bard Family Concert Party and the issue of the Consideration Shares to the Vendor. Accordingly, the Whitewash Resolutions being proposed at the General Meeting will be taken by means of a poll of Independent Shareholders attending and voting at the General Meeting. None of the members of the Bard Family Concert Party nor the Vendor (nor any adviser connected to them) are permitted to exercise their voting rights (if any) in respect of either of the Whitewash Resolutions, but may exercise their voting rights in respect of the remainder of the Resolutions.

The respective waivers to which the Panel has agreed under the Code will be invalidated if any purchases are made by any member of the Bard Family Concert Party or, as the case may be, the Vendor, or any person acting in concert with any of them, in the period between the date of this document and the General Meeting. Furthermore, no member of the Bard Family Concert Party or the Vendor, nor any person acting in concert with either of them, has purchased Ordinary Shares in the 12 months preceding the date of this document.

8.2 *Background to the Bard Family Concert Party*

Under the Code a concert party arises, among other things, when 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 to which the Code applies.

“Control” means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company irrespective of whether the holding or holdings give de facto control. Persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate, to obtain or consolidate control of that company.

The Panel treats the following as members of a concert party: Harvey Bard; his wife, Sonia Bard; his two children, Alexander Bard and Tania Bard; his nieces, Sarah Bard and Rebecca Bard; his brother, Roy Michael Bard; his sister-in-law, Rosi Bard; Savoylane, a nominee company holding shares on behalf of Alexander Bard, Tania Bard, Sarah Bard and Rebecca Bard; the HPB Pension Trust, of which Harvey Bard is a beneficiary; Paul Milner, a director of the Company currently nominated by Harvey Bard (who will become MBIL’s nominated director of the Company following Second Admission pursuant to a Relationship Agreement entered into by Harvey Bard and MBIL) and a director of MBIL; MBIL, an investment vehicle owned equally by Harvey Bard’s children; and Michael Goldstein, an Incoming Director and a director of MBIL.

Further details of the Bard Family Concert Party are set out in Part VIII of the document.

8.3 **Bard Family Concert Party**

The Bard Family Concert Party’s existing shareholdings in the Company and their proposed interest in the Enlarged Group immediately following First Admission and Second Admission are set out in the table below:

Name	Current interest in the Company		Proposed interests in the Enlarged Group following First Admission ²			Proposed interests in the Enlarged Group following Second Admission ²		
	No. of Existing Ordinary Shares	% of the Existing Ordinary Share Capital	No. of Offer Shares	Total holding of New Ordinary Shares at First Admission	% of issued Enlarged Ordinary Share Capital	No. of Subscription Shares	Total holding of New Ordinary Shares following Second Admission	% of total issued ordinary share capital
Harvey Bard	48,000	0.1%	–	2,400	0.04%	–	2,400	0.01%
Sonia Bard	58,000	0.2%	–	2,900	0.04%	–	2,900	0.01%
Alexander Bard ¹	2,134,014	5.8%	–	106,700	1.7%	–	106,700	0.4%
Tania Bard ¹	2,190,514	5.9%	–	109,525	1.7%	–	109,525	0.4%
Sarah Bard ¹	1,704,356	4.6%	–	85,217	1.4%	–	85,217	0.3%
Rebecca Bard ¹	1,684,356	4.6%	–	84,217	1.3%	–	84,217	0.3%
Roy Michael Bard	101,000	0.3%	–	5,050	0.08%	–	5,050	0.02%
Rosi Bard	107,500	0.3%	–	5,375	0.09%	–	5,375	0.02%
HPB Pension Trust	240,964	0.7%	–	12,048	0.19%	–	12,048	0.04%
Paul Milner ³	95,188	0.3%	–	4,759	0.08%	–	4,759	0.02%
MBIL	–	–	4,444,433	4,444,433	70.7%	6,444,444	10,888,877	37.9%
Total	8,363,892	22.8%	4,444,433	4,862,624	77.3%	6,444,444	11,307,079	39.42%

Proposed interests in the Enlarged Group assuming the maximum number of Concert Party Option Shares (2,762,040) are granted and exercised following Second Admission

Paul Milner ³	–	–	–	–	–	–	1,269,908	4.0%
Michael Goldstein	–	–	–	–	–	–	1,492,132	4.7%
Grand total	8,363,892	22.8%	4,444,433	4,862,624	77.3%	6,444,444	14,069,119	44.7%

- 1 Savoylane holds Existing Ordinary Shares as nominee for Alexander Bard, Tania Bard, Rebecca Bard and Sarah Bard.
- 2 Assuming that no Open Offer Entitlements are taken up and that no Ordinary Shares are issued prior to Second Admission other than the Offer Shares, the Subscription Shares and the Consideration Shares.
- 3 Options with respect to 333,333 Concert Party Option Shares granted to Paul Milner and with respect to 555,556 Concert Party Option Shares granted to Michael Goldstein will become unconditional at Second Admission. The maximum number of Concert Party Option Shares is 2,762,040.

In aggregate, on Second Admission the Bard Family Concert Party will be interested in a) up to 11,307,079 New Ordinary Shares, representing approximately 39.4 per cent. of the Further Enlarged Ordinary Share Capital, assuming that no Open Offer Entitlements are taken up, and no Ordinary Shares are issued prior to Second Admission other than the Offer Shares, the Subscription Shares and

the Consideration Shares and b) an aggregate of 888,889 Option Shares in respect of which options granted to Paul Milner and Michael Goldstein will become unconditional at Second Admission.

8.4 **Maximum Potential Controlling Positions**

Bard Family Concert Party

As at the date of this document, the members of the Bard Family Concert Party have an interest in 8,363,982 Existing Ordinary Shares representing approximately 22.8 per cent. of the Existing Ordinary Share Capital.

On First Admission, the Bard Family Concert Party will be interested in, in aggregate, up to 4,862,624 New Ordinary Shares (on the assumption that no Shareholders take up their Open Offer Entitlements), representing approximately 77.3 per cent. of the Enlarged Ordinary Share Capital which, without a waiver of the obligations under Rule 9 of the Takeover Code, would oblige the Bard Family Concert Party to make a general offer to Shareholders under Rule 9 of the Takeover Code.

Completion of the Acquisition is conditional upon on a number of matters, any of which may not occur, such as all of the Resolutions being passed, the Subscription Agreements having become unconditional, the Admission Agreement not having been terminated and Second Admission having occurred. In addition, the Acquisition Agreement may be terminated before Second Admission in circumstances where certain matters occur which have a material adverse effect on either the Company's Group or the Milton Homes Group. Furthermore, any such matter (or other circumstances which may arise) may cause Peel Hunt to exercise its right to terminate the Admission Agreement before Second Admission if it determines (having regard to its duties as a nominated adviser under the AIM Rules) that the Company is not suitable or appropriate to have its Ordinary Shares admitted to trading on AIM.

You should note therefore that if Resolutions 2, 5, 6, 8 and 9 are passed, the Open Offer may complete and First Admission may occur, even if the Acquisition, the Subscription and Second Admission do not occur.

On Second Admission, the Bard Family Concert Party will be interested in, in aggregate, up to 11,307,079 New Ordinary Shares, representing approximately 39.4 per cent. of the Further Enlarged Ordinary Share Capital and an aggregate of 888,889 Option Shares in respect of which options granted to Paul Milner and Michael Goldstein will become unconditional at Second Admission, which, without a waiver of the obligations under Rule 9 of the Takeover Code, would oblige the Bard Family Concert Party to make a general offer to Shareholders under Rule 9 of the Takeover Code.

Following Second Admission, Paul Milner and Michael Goldstein, who are presumed under the Takeover Code to be members of the Bard Family Concert Party, will participate in the Share Option Scheme which may result in them acquiring New Ordinary Shares in the Company. The maximum aggregate number of New Ordinary Shares that Paul Milner and Michael Goldstein may be entitled to receive in aggregate pursuant to any awards made to them under the Share Option Scheme will be equal to 2,762,040 New Ordinary Shares, which if issued, would be equal to approximately 8.8 per cent. of the issued ordinary share capital of the Company as enlarged by such issue. Further details of the Share Option Scheme are set out in paragraph 7 of Part IX of this document.

On the assumption that Paul Milner and Michael Goldstein are granted and they exercise options with respect to all of the Concert Party Option Shares, and assuming no other changes in the Bard Family Concert Party's holding of Ordinary Shares or in the Company's issued share capital, the maximum controlling interest of the Bard Family Concert Party following Second Admission would be 14,069,119 New Ordinary Shares representing approximately 44.7 per cent. of the then enlarged issued ordinary share capital of the Company. The earliest possible date on which the options to be granted in respect of the Option Shares may in normal circumstances be exercised will be the third anniversary of Second Admission.

The increase in the Bard Family Concert Party's interest in Ordinary Shares, resulting from the issue of the Offer Shares and Subscription Shares (or any of them) to the Bard Family Concert Party, would ordinarily incur an obligation under Rule 9 of the Code for the Bard Family Concert Party to make a general offer for the remainder of the entire issued share capital of the Company. In addition, any future

exercise by Paul Milner or Michael Goldstein of any options granted with respect to any of the Concert Party Option Shares pursuant to the Share Option Scheme could potentially trigger an obligation under Rule 9 of the Takeover Code, given that they are members of the Bard Family Concert Party, depending on the Bard Family Concert Party's holding of Ordinary Shares at that time. However, the Panel has agreed to waive these obligations subject to the approval of the Independent Shareholders voting on a poll at the General Meeting.

Shareholders should be aware that if Resolution 2 (pertaining to the waiver of the Bard Family Concert Party's obligations under Rule 9 of the Code) is passed and the Offer Shares issued to MBIL (on the assumption that no Shareholders take up their Open Offer Entitlements), the Bard Family Concert Party would have a direct interest in more than 50 per cent. of the voting rights of the Company, and, for so long as they continue to be treated as acting in concert, members of the Bard Family Concert Party would be able to increase their aggregate interests in the Company without incurring any obligation under Rule 9 of the Code to make a general offer to all Shareholders to acquire their shares in the Company, although individual members of the Bard Family Concert Party will not be able to increase their percentage interests in the Company through or between a Rule 9 threshold without Panel consent. The Bard Family Concert Party will continue to have an interest in more than 50 per cent. of the voting rights of the Company unless or until the Acquisition completes, the Consideration Shares are issued and Second Admission occurs.

Vendor (DV4 Limited)

As at the date of this document, the Vendor does not have an interest in any Existing Ordinary Shares. Immediately following Second Admission, the Vendor will be interested in, in aggregate, 14,666,667 Ordinary Shares, representing approximately 51 per cent. of the Further Enlarged Ordinary Share Capital which, without a waiver of the obligations under Rule 9 of the Takeover Code, would oblige the Vendor to make a general offer to Shareholders under Rule 9 of the Takeover Code.

The size of the Vendor's interest in Ordinary Shares, resulting from the issue of the Consideration Shares to the Vendor would ordinarily incur an obligation under Rule 9 of the Code for the Vendor to make a general offer for the remainder of the entire issued share capital of the Company. However, the Panel has agreed to waive these obligations subject to the approval of the Independent Shareholders voting on a poll at the General Meeting.

Shareholders should be aware that if Resolution 1 (pertaining to the waiver of the Vendor's obligations under Rule 9 of the Code) is passed and the Consideration Shares are issued to the Vendor pursuant to the Acquisition Agreement, the Vendor will have a direct interest in more than 50 per cent. of the voting rights of the Company, and will be able to increase its aggregate interest in the Company without incurring any obligation under Rule 9 of the Code to make a general offer to all Shareholders to acquire their shares in the Company.

Further details regarding the provisions of the Code, the Whitewash Resolutions and the interests of the concert parties in the Company are set out above in the section headed "Rule 9 Waivers" of this Part I and in Part VIII of this document.

8.5 Independent Shareholders

Paul Milner is not regarded as an Independent Shareholder in respect of the Rule 9 Waivers as he is deemed to be a member of the Bard Family Concert Party (details of which are set out in paragraph 4 of Part VIII of this document), none of whom are regarded as Independent Shareholders. All other Shareholders in the Company are deemed to be Independent Shareholders.

8.6 Intentions of the Vendor and the Bard Family Concert Party

At present the Company is an "investing company" with no trading business. The Bard Family Concert Party and the Vendor have confirmed that following completion of the Proposals, their intention is that the business of the Company is changed to that of developing the Milton Homes business as described under "Information on Milton Homes and the Future Strategy of the Enlarged Group" in paragraph 4 above and to developing the CAML business as described at paragraph 4B of this Part I.

Other than this change to the Company's strategy, the Bard Family Concert Party and the Vendor have specifically confirmed that they have no intention to make changes regarding:

- the location of the Company's place of business;
- the continued employment of the Company's employees and management, including any material changes in employment;
- employer contributions into the Company's pension schemes, the accrual of benefits for existing members and the admission of new members;
- the deployment of the Company's fixed assets; or
- the maintenance of any existing trading facilities for the Ordinary Shares (i.e. the trading of the Company's shares on AIM).

8.7 **Independent Advice**

Peel Hunt has provided advice to the Existing Directors in respect of the Open Offer, Subscription, issue of Consideration Shares and grant of options over Concert Party Option Shares as required under Rule 3 of the Code. This included advice in respect of the potential maximum controlling positions of the Bard Family Concert Party following First Admission and Second Admission and of the Vendor following Second Admission and the effect of those controlling positions on Shareholders.

9. **EXISTING DIRECTORS AND INCOMING DIRECTORS**

Brief biographical details of the Existing Directors and Incoming Directors are set out below:

9.1 **Existing Directors**

The current composition of the Board of the Company is as follows:

Paul Milner (*Non-executive Chairman*)

Paul was appointed to the Board in November 2013 and became chairman in October 2015. Since July 2013 he has been chief executive of a privately owned group of property companies associated with Harvey Bard. Paul qualified as a solicitor in 1986 but has spent most of his career in the property, construction and private finance industries. In recent years he has played key roles on raising senior debt and equity finance for infrastructure projects. From 2005 to 2012 he worked in central government leading a commercial team tasked with delivery of infrastructure programmes and projects. From 2012 to June 2013 he worked at UPP Group Ltd where he played a key role in the successful bond refinancing of a number of student accommodation projects.

On Second Admission, it is intended that Paul will cease to be Non-executive Chairman and will become an executive Director.

Andrew (Andy) Crossley (*Independent Non-executive Director*)

Andy was appointed to the Board on 19 October 2015. Andy is currently the Managing Director of Stockdale Securities Ltd having left Peel Hunt LLP in 2015, where he spent four years as Head of Corporate Sales and was subsequently Head of ECM/Syndicate. At Peel Hunt LLP Andy had both a financial advisory and execution role and sat at the interface between corporate clients and investing institutions. Prior to his move to the sell side Andy spent twenty-four years, principally at Invesco Perpetual, as one of the UK's best known UK small cap fund managers. Andy currently sits on the AIM Advisory Group and brings a wealth of corporate governance and capital markets expertise to the Company.

Lorraine Young (*Independent Non-executive Director*)

Lorraine set up her own company secretarial and corporate governance advisory practice following a career in the City. She is now a partner at Shakespeare Martineau LLP and a non-executive director of PHSC plc, an AIM quoted company which provides health, safety and security management services across a range of sectors. She is a past President and a Fellow of ICSA, The Governance Institute. In her previous roles at Brambles Industries plc and Standard Chartered PLC, she was involved in acquisitions and disposals, bid defence, directors' induction and continuing professional

development and promoting clear communication to shareholders and employees. Lorraine graduated from Leeds University with a BSc (Hons) degree in Chemical Sciences.

9.2 **Incoming Directors**

The following individuals have been appointed to the Board, conditional upon Second Admission:

Colin Wagman (*Non-executive Chairman*)

Colin was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1970. He practiced as a specialist in business structuring and tax planning and became a senior partner of his central London practice in the 1980s. Since 1998 he has been Deputy Chairman and Chief Financial Officer of Delancey which is the principal adviser to the Delancey property funds which own several billion pounds of property investments and development in the UK.

Michael Goldstein (*Chief Executive Officer*)

Michael was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1984. He practised as an audit partner with particular emphasis on the Real Estate sector. He was a Senior Audit partner in BDO LLP where he was responsible for the management of the national audit business. Since leaving BDO in 2015, he has led the restructuring of a large family property business where he is now Chief Executive.

Christopher Rumsey (*Managing Director*)

Chris qualified as a chartered surveyor in 1984 having gained experience in commercial and residential property with Milton Keynes Development Corporation and afterwards as development director of Burton Property Trust. In 1995 he joined the Dusco Group, a regulated property investment business, becoming its chief executive. In 2000 he led the management-buy-out of Dusco, allowing him to concentrate on his research into the potential for retirement-age individuals to gain more from their property ownership. In turn this led to the creation of Retirement Plus which he co-founded in 2004 and which became part of Milton Homes in 2007.

10. **FINANCIAL INFORMATION**

Historical financial information on the Company and on Milton Homes is set out in Parts V and VI respectively of this document. An unaudited pro forma net assets statement showing the hypothetical net assets of the Enlarged Group after completion of the Proposals is set out in Part VII of this document.

11. **USE OF FUNDS**

The net proceeds of the Open Offer and the Subscription will be deployed in financing the £7 million cash consideration (subject to any adjustments that may be made under the terms of the Acquisition Agreement) to be paid to the Vendor under the Acquisition Agreement and the balance for general working capital purposes.

12. **LOCK-INS AND ORDERLY MARKET ARRANGEMENTS**

Under the Lock-in Agreement, MBIL and Harvey Bard have undertaken to the Company that they will not (or, in the case of Harvey Bard, procure that certain other members of the Bard Family Concert Party do not) dispose of any interest they hold in New Ordinary Shares for a period of 12 months following Second Admission, subject to certain typical exceptions, and that, for a further period of 6 months afterwards, they shall only dispose of an interest in New Ordinary Shares on an orderly market basis through the Company's then broker, unless the Company's broker is unable to arrange for such disposal within 10 business days of the relevant shareholder's request. This Lock-in Agreement will terminate if Second Admission does not occur on or before 31 December 2017.

Paul Milner has entered into a Lock-in Agreement with the Company on substantially the same terms as MBIL and Harvey Bard in respect of his beneficial interest in Ordinary Shares.

The Vendor has also entered into a Lock-in Agreement with the Company on substantially the same terms as MBIL and Harvey Bard in respect of the Consideration Shares to be allotted and issued to it.

Further details of the lock-in and orderly market arrangements are set out in paragraph 18 of Part IX of this document.

13. CORPORATE GOVERNANCE

The Existing Directors and Incoming Directors recognise the importance of sound corporate governance and, following Second Admission, the Company will continue to comply with the UK Corporate Governance Code, as published by the Financial Reporting Council, to the extent the Directors consider appropriate in light of the size, stage of development and resources of the Enlarged Group.

The Company will hold board meetings as required to review and monitor the financial performance of the Enlarged Group and the development of the business in line with the strategic plan. It will also meet on other occasions as necessary to deal with any issues which may arise which are within the schedule of matters reserved to it for decision and which cannot be left until the next scheduled board meeting. The matters for the Enlarged Group for which the Board will be responsible include:

- Setting its strategic direction
- Overseeing the management and performance of its business
- Monitoring its financial position
- Monitoring the development of its business in line with strategic and business plans
- Establishing policies, including those relating to risk management and internal controls

The responsibilities of the Board are carried out on behalf of the Shareholders, to whom the Directors are accountable. The primary duty of the Board will be to act in the best interests and promote the success of the Company and the Enlarged Group at all times.

The Company has a remuneration committee (“Remuneration Committee”), an audit and risk committee (“Audit and Risk Committee”) with formally delegated duties and responsibilities. The full Board acts as a nominations committee.

The Remuneration Committee, which will, conditional on Second Admission, comprise Colin Wagman as Chair, Andrew Crossley and Lorraine Young, will meet not less than twice each year. The committee will be responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of long term incentives with due regard to the interests of the Shareholders and the performance of the Enlarged Group. The Remuneration Committee is also responsible for selecting individuals to whom to make grants of options over New Ordinary Shares under the Share Option Scheme.

The Audit and Risk Committee, which will, conditional on Second Admission, comprise Andrew Crossley as Chair, Colin Wagman and Lorraine Young, will meet not less than twice a year. The committee will be responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Enlarged Group is properly monitored and reported. In addition, the Audit and Risk Committee will oversee the internal controls and risk management framework for the Enlarged Group.

Matters usually the responsibility of a nominations committee such as identifying and nominating new members of the Board, recommending Directors to be appointed to or to chair each committee of the Board and arranging for the evaluation of the Directors will, conditional on Second Admission, be reserved to the Board.

The Company has adopted and will maintain a share dealing code governing the share dealings of the Directors, any other persons discharging managerial responsibility and applicable employees with a view to ensuring compliance with the AIM Rules and the Market Abuse Regulation.

14. RELATIONSHIP AGREEMENTS

MBIL and Harvey Bard (in respect of himself and certain other members of the Bard Family Concert Party) have entered into a Relationship Agreement. Under the terms of this agreement, MBIL and Harvey Bard

have undertaken to the Company, subject to certain exceptions, that, for so long as they (and certain other members of the Bard Family Concert Party) are entitled to (a) exercise 25 per cent. or more of the total voting rights in the Company's shares capable of being voted at general meetings of the Company or (b) control the appointment of a majority of directors to the board of the Company, they shall conduct all business with the Company on arm's length terms and on a normal commercial basis.

The Vendor has entered into a Relationship Agreement with the Company on substantially the same terms as MBIL and Harvey Bard, save that, for so long as the Vendor (and its concert parties) are interested in more than 45 per cent. of the voting rights exercisable at general meetings of the Company, the Company shall, at the request of the director nominated by the Vendor, convene a general meeting at which certain reserved matters shall be proposed for consideration and, if thought fit, approved by Shareholders.

The Relationship Agreements are conditional on Second Admission occurring.

Further details of the Relationship Agreements are set out in paragraph 18 of Part IX of this document.

15. RELATED PARTY TRANSACTIONS

Execution of the Proposals shall involve the following related party transactions pursuant to Rule 13 of the AIM Rules:

- entry into the Underwriting Agreement by MBIL and Harvey Bard, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below;
- execution of an Irrevocable Undertaking by each of Harvey Bard and Paul Milner, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below;
- entry into a Relationship Agreement by MBIL and Harvey Bard, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below;
- participation in the Open Offer by any member of the Bard Family Concert Party due to its holding, in aggregate, of approximately 22.8 per cent. of the Existing Ordinary Shares;
- entry into a Subscription Agreement by MBIL and Harvey Bard, both being members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below; and
- entry into a Lock-in Agreement by MBIL and Harvey Bard, and Paul Milner, each of whom are members of the Bard Family Concert Party. For further details, see paragraph 18 of Part IX below.

The Independent Directors consider, having consulted with Peel Hunt, that each of the related party transactions referred to above is fair and reasonable insofar as the Shareholders are concerned.

16. OPTIONS

Conditional on Second Admission becoming effective, the Board resolved to adopt the Share Option Scheme on 13 September 2017, to incentivise the Directors and employees and to align their interests with the interests of Shareholders. In addition, the Board resolved to grant options over the Option Shares conditional on Second Admission. For further information on the Share Option Scheme, see paragraph 7 of Part IX below and for further details on the option grants to certain Existing Directors and Incoming Directors which will become unconditional at Second Admission, see paragraph 14 of Part IX below.

There are no options outstanding over Ordinary Shares in the Company as at the date of this document and, save for the options granted with respect to the Option Shares, there are no proposals to grant any such options.

17. DIVIDEND POLICY

The nature of the Enlarged Group's business means that it is unlikely that the Directors will be in a position to recommend a dividend in the early years following Second Admission. The Directors believe that the Enlarged Group should seek to generate capital growth for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, if and when it becomes commercially prudent to do so. There can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any dividends in the future.

18. TAXATION

General information regarding UK taxation is set out in paragraph 23 of Part IX of this document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to their tax position, they should consult their own independent financial adviser immediately.

Investors subject to tax in other jurisdictions are strongly urged to contact their tax advisers about the tax consequences of holding Ordinary Shares.

19. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

The New Ordinary Shares will be eligible for CREST settlement. Accordingly, following each of First Admission and Second Admission, settlement of transactions in the New Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

For more information concerning CREST, Shareholders should contact their stockbroker or Euroclear at 33 Cannon Street, London EC4M 5SB or by telephone on +44 (0) 20 7849 0000.

20. RISK FACTORS

Shareholders and other prospective investors in the Company should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part II of this document.

21. FURTHER INFORMATION

Shareholders should read the whole of this document, which provides additional information on the Company, Milton Homes and the Proposals, and should not rely on summaries of, or individual parts only of, this document. Your attention is drawn, in particular, to Parts II to VII of this document.

22. GENERAL MEETING

You will find set out at the end of this document a notice convening the General Meeting of the Company to be held at 9.00 a.m. on 2 October 2017 at Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR, at which the following Resolutions will be proposed:

Resolution 1: an ordinary resolution to approve the DV Rule 9 Waiver;

Resolution 2: an ordinary resolution to approve the Bard Family Rule 9 Waiver;

Resolution 3: an ordinary resolution (subject to, and conditional upon, the passing of Resolutions 1 and 2) to approve the Acquisition;

Resolution 4: an ordinary resolution (subject to, and conditional upon, the passing of Resolutions 1 to 3) to approve the Change of Status of the Company;

Resolution 5: an ordinary resolution (subject to, and conditional upon, the passing of Resolutions 2 and 8) to approve the Capital Reorganisation;

Resolution 6: an ordinary resolution (subject to, and conditional upon, the passing of Resolutions 2, 5 and 8) to authorise the Directors to allot the Offer Shares up to an aggregate nominal amount of £88,889;

Resolution 7: an ordinary resolution (subject to, and conditional upon, the passing of Resolutions 1 to 3, 5 and 8) to authorise the Directors to allot New Ordinary Shares (or rights to subscribe for New Ordinary Shares) up to an aggregate nominal amount of £660,433, to include the issue of Subscription Shares, Consideration Shares, the grant of options over the Option Shares and a general authorisation to allot up to 9,577,170 New Ordinary Shares;

Resolution 8: a special resolution (subject to, and conditional upon, the passing of Resolutions 2 and 5) to adopt the Amended Articles of Association of the Company to include the rights of the Deferred Shares;

Resolution 9: a special resolution (subject to, and conditional upon, the passing of Resolutions 2, 5, 6 and 8) to dis-apply statutory pre-emption provisions to enable the Directors to allot New Ordinary Shares for cash other than on a pre-emptive basis but limited to the allotment of the Offer Shares up to an aggregate nominal amount of £88,889; and

Resolution 10: a special resolution (subject to, and conditional upon, the passing of Resolutions 1 to 3, 5, 7 and 8) to dis-apply statutory pre-emption provisions to enable the Directors to allot New Ordinary Shares for cash other than on a pre-emptive basis but limited to the allotment of New Ordinary Shares up to an aggregate nominal amount of £526,352, comprising the allotment of Subscription Shares and Consideration Shares, the grant of options in respect of the Option Shares and a general disapplication in respect of up to 2,873,155 New Ordinary Shares.

23. IRREVOCABLE UNDERTAKINGS

Harvey Bard has given an irrevocable undertaking to the Company and the Vendor to vote in favour of the Resolutions at the General Meeting (excluding the Whitewash Resolutions) and to procure that certain members of the Bard Family Concert Party vote (or will procure that their nominees vote) in favour of those Resolutions in respect of their entire beneficial holdings in the Existing Ordinary Shares, totalling 8,268,704 Existing Ordinary Shares, representing approximately 22 per cent. of the Existing Ordinary Shares. This undertaking expires on the earlier of the conclusion of the General Meeting and 31 October 2017 and does not provide for any other termination rights.

Certain other Shareholders have also given irrevocable undertakings to the Company, on substantially the same terms as Harvey Bard, in respect of 9,605,221 Existing Ordinary Shares in aggregate, representing approximately 26 per cent. of the Existing Ordinary Shares. Please refer to paragraph 9 of Part IX for further details on the Shareholders which have given such undertakings.

In addition, Paul Milner in his capacity as beneficial owner of 95,188 Existing Ordinary Shares, has undertaken to procure that his shares are voted in favour of the Resolutions (excluding the Whitewash Resolutions).

24. ACTION TO BE TAKEN

A Form of Proxy is enclosed for use by Shareholders at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are asked to complete, sign and return the Form of Proxy by post or by hand to the Company's Registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to arrive no later than 48 hours before the General Meeting (excluding any part of a day which is not a Business Day). The completion and return of a Form of Proxy will not preclude a Shareholder from attending the General Meeting and voting in person should they wish to do so. Alternatively, Shareholders may submit their voting instructions via the CREST proxy voting service.

You should read the whole of this document and not just rely on the information contained in this letter. In particular, you should consider carefully the "Risk Factors" set out in Part II of this document. Your attention is also drawn to the information set out in Parts III to VII of this document.

25. RECOMMENDATION

As I am deemed to be a member of the Bard Family Concert Party I am not permitted to participate in the Board's consideration of the Whitewash Resolutions (Resolutions 1 and 2), nor may I vote my shares on those Resolutions.

Andrew Crossley and Lorraine Young, as the Independent Directors, who have been so advised by Peel Hunt, believe that the Proposals are fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole. In providing advice to the Independent Directors, Peel Hunt has taken into account the Directors' commercial assessments.

Andrew Crossley and Lorraine Young, as the Independent Directors, recommend that Independent Shareholders vote in favour of Resolutions 1 and 2.

The Board is of the opinion that Resolutions 3 to 10 (inclusive) are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Existing Directors unanimously recommend that Shareholders vote in favour of each of Resolutions 3 to 10 (inclusive) as the Existing Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 95,188 Existing Ordinary Shares, representing approximately 0.3 per cent. of the Existing Ordinary Share Capital.

Yours faithfully

Paul Milner
Chairman

PART II

RISK FACTORS

In addition to all other information set out in this document, the following specific risk factors are those which the Directors consider to be the material risk factors relating to the Ordinary Shares, including as a result of the Proposals, and should be considered carefully in deciding whether or not to vote in favour of the Resolutions.

Investing in the Ordinary Shares involves a high degree of risk and an investment in the Enlarged Group is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Enlarged Group. In particular, the Enlarged Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority. Additionally, there may be risks and uncertainties not mentioned in this document of which the Directors are not aware or believe to be immaterial but which may, in the future, adversely affect the Enlarged Group's business and the market price of the Ordinary Shares. The information set out below does not purport to be an exhaustive summary of the risks affecting the Enlarged Group.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Enlarged Group is suitable for them and, if they are in any doubt should consult with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

RISKS RELATING TO THE PROPOSALS

Conditionality of the Acquisition

Completion of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including, among other things: the passing of the Resolutions; in certain circumstances no matter having a material adverse effect having occurred in relation to the Milton Homes Group or the Company's Group prior to completion of the Acquisition; Regulatory Approval (which has already been granted) and Second Admission.

There is no guarantee that the conditions will be satisfied (or waived, if applicable), in which case the Acquisition will not complete. This would force the Existing Directors to reconsider the Company's future strategy and may have a material adverse effect on the financial condition and prospects of the Company.

The Open Offer is not conditional upon completion of the Acquisition. Therefore if Resolutions 2, 5, 6, 8 and 9 are passed, the Open Offer may complete, and First Admission may occur, even if the Acquisition, the Subscription and Second Admission do not occur.

Limited recourse under Acquisition Agreement

Under the terms of the Acquisition Agreement, the Company is receiving customary warranties and indemnities in relation to the business and affairs of the Milton Homes Group from the Vendor. As the Acquisition constitutes a reverse takeover under the AIM Rules, and given the significant number of Consideration Shares to be issued to the Vendor, which upon Second Admission will represent approximately 51 per cent. of the voting rights of the Company, the Company is giving similar warranties and indemnities to the Vendor with respect to the Company's Group. The consideration under the Acquisition comprises of 14,666,667 Consideration Shares (valued at £13.2 million at the Issue Price) and £7 million in cash (subject to any adjustments that may be made under the terms of the Acquisition Agreement). The Vendor and the Company have agreed for each of them to have their respective recourse under warranties and tax indemnities given in the Acquisition Agreement limited to £1, but with recourse in certain circumstances to warranty and indemnity insurance. Both parties may therefore have limited recourse against one another for breaches of warranty or other breaches of the

Acquisition Agreement. In addition, there are customary limitations on the ability of either party to bring claims for breach of warranty, including as to the time period during which claims may be brought.

RISKS RELATING TO THE COMPANY

The Company currently has a highly concentrated Shareholder base, which is able to exert substantial influence over the Company, and this will continue to be the case following completion of the Proposals

The Company has a highly concentrated Shareholder base and this concentration will increase as a result of completion of the Proposals. Details of the Company's major Shareholders are set out at paragraph 6 of Part IX of this document.

Following Second Admission, the Vendor will own approximately 51 per cent. of the voting rights of the Company and the Bard Family Concert Party will own approximately 39.4 per cent. As such, both will have the ability to exercise substantial influence over the business of the Enlarged Group. Furthermore, given the level of its voting rights, the Vendor will not be subject to the provisions of Rule 9 of the Code. It may therefore have flexibility to acquire further Ordinary Shares in the future without Shareholders having the benefit of the protections of such provisions.

In order to regulate the Company's relationship with each concert party, it has entered into Relationship Agreements with the Vendor, and with MBIL and Harvey Bard with respect to the Bard Family Concert Party. The Relationship Agreement entered into by the Company with the Vendor provides that, for so long as the Vendor (and its concert parties) are interested in more than 45 per cent. of the voting rights exercisable at general meetings of the Company, the Company shall, at the request of the director nominated by the Vendor, convene a general meeting at which certain reserved matters shall be proposed for consideration and, if thought fit, approved by Shareholders.

Further details of the Relationship Agreements are set out at paragraph 18 of Part IX of this document. Notwithstanding the terms of such agreements, it is possible that the Vendor, MBIL or Harvey Bard or any person acting in concert with any of them may cause or take actions that are not in, or may conflict with, the best interests of the Enlarged Group or other Shareholders.

Furthermore, there is a risk that support from some or all of these Shareholders for the Board and the longer term business planning and strategic direction of the Company is not forthcoming in the future. Certain future funding options rely largely or entirely on shareholder support and unless this is achieved, it is possible that funds will either not be available or that the Board may be unable to deliver its strategy for the future. In addition, the existence of these large shareholdings may hinder the development of an active and liquid trading market for the Ordinary Shares.

TFPL in administration

The Company's associate, TFPL, entered into administration on 29 March 2017. On that date, TFPL had estimated assets of £29,797 and liabilities of £18,088,553. The Company has written down the value of its investment in TFPL and the loans extended to it to zero. The Company may be at risk of various potential claims arising in the future, including but not limited to any of the following:

- claims made by the administrators against the Company and its directors in their capacity as shareholder and/or directors of TFPL;
- disputes with Macquarie Bank Limited and its affiliates in their capacity as lenders to and/or shareholders of TFPL under the terms of the shareholders' agreement with the Company and others relating to TFPL and related agreements; and
- claims from former or existing shareholders in the Company to the extent that any such persons may determine that they suffered loss as a result of the adverse impact on the Company of its failed investment in TFPL and/or the circumstances or facts related to such matters.

While the Directors believe that the risk of any such successful claims is very low, any such claims, if made, would be protracted and costly to defend, would expend significant management time and if successful could result in the Company meeting claims for damages and expenses of third parties which could result in material losses for the Enlarged Group.

RISKS RELATING TO THE ENLARGED GROUP AND ITS BUSINESS

Milton Homes strategy

Milton Homes ceased acquiring properties in 2009 due to the impact of the banking crisis on the equity release market. Since that time, Milton Homes has focused on selling and administering its existing portfolio. The business therefore requires significant updates to its infrastructure before it can be re-launched into the market and the market needs to be receptive to Milton Homes writing new business. It is possible that Milton Homes could therefore fail to prove its value proposition in the market which could affect the planned rate of sales and make profitable growth difficult.

Implementation of the Milton Homes business plan is expected to require additional equity fundraisings. If such fundraisings prove to be unsuccessful, it may not be possible for the Enlarged Group to execute its strategy as envisaged or make the investments required to produce profitable growth.

Regulatory compliance

The Company operates, and the Enlarged Group will operate, in a regulated industry. Several members of the Company's Group and the Milton Homes Group are authorised by the FCA to perform a number of regulated activities. The Enlarged Group will seek advice on its ongoing compliance obligations on a regular basis but there can be no assurance that the Group will be fully compliant with its obligations at all times and any non-compliance could subject the Enlarged Group to fines, censure or a cancellation or variation of its permissions, any of which could have material adverse consequences for the continuation of its business in the future.

Property market conditions

Market values of properties are generally affected by overall conditions in the economy, such as growth in GDP, employment trends, changes in inflation and interest rates. An extended period of below trend gross domestic product growth in the UK or adverse global economic conditions would reduce anticipated returns.

The performance of the Enlarged Group could be adversely affected in the longer term by downturns in the property market. In the event of a significant downturn, properties within the Milton Homes Group portfolio may only be realisable at a loss or may prove difficult to sell.

The Milton Homes Group portfolio was valued by Allsop LLP at £77 million as at 30 June 2017. The valuation of a property is generally a matter of the specific valuer's opinion and may fluctuate up or down from time to time. There is no assurance that the valuation of a property will reflect the actual sale price even where such sale occurs shortly after the relevant valuation date.

Competition

There may be existing or new competitors entering the Enlarged Group's market segment with larger resources, greater market presence, better name recognition, economies of scale or a lower cost base than the Enlarged Group. They could seek to copy or improve on the Enlarged Group's business strategy which could adversely affect the Company's market shares.

Future funding requirements

In the longer term, the Enlarged Group may need to raise additional funding to undertake development of future products or to expand the business. There is no certainty that this will be possible at all or that it will be possible on acceptable terms. In addition, the terms of any such financing may be dilutive to, or otherwise adversely affect, Shareholders.

Attraction and retention of key management and employees

The successful operation of the Enlarged Group will depend partly upon the performance and expertise of its current and future management and employees. The loss of the services of certain of these members of the Enlarged Group's key management or employees or the inability to identify, attract and retain a sufficient number of suitably skilled and qualified employees may have a material adverse effect on the Enlarged Group. Expansion of the Enlarged Group may require considerable management time which may in turn inhibit management's ability to conduct the day to day business of the Company.

RISKS RELATING TO AN INVESTMENT IN THE ORDINARY SHARES

Trading and performance of Ordinary Shares

The AIM Rules are less demanding than those of the Official List and an investment in a company whose shares are traded on AIM is likely to carry a higher risk than an investment in a company whose shares are quoted on the Official List. It may be more difficult for investors to realise their investment in a company whose shares are traded on AIM than to realise an investment in a company whose shares are quoted on the Official List. The share price of publicly traded companies can be highly volatile. The price at which the Ordinary Shares will be traded and the price at which investors may realise these investments will be influenced by a large number of factors, some specific to the Enlarged Group and its operations and some which may affect quoted companies generally. The value of Ordinary Shares will, among other things, be dependent upon the success of the operational activities undertaken by the Enlarged Group and prospective investors should be aware that the value of the Ordinary Shares can go down as well as up. Furthermore, there is no guarantee that the market price of an Ordinary Share will accurately reflect its underlying value.

Volatility of share price

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Enlarged Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Company's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Company's performance.

Future sales of Ordinary Shares could adversely affect the price of the Ordinary Shares

There can be no assurance that the Vendor, the Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the lock-in and orderly market arrangements, details of which are set out in paragraph 18 of Part IX of this document, or otherwise. The sale of a significant number of Ordinary Shares in the public market, or the perception that such sales may occur, could materially adversely affect the market price of the Ordinary Shares. Sales by the Company's existing Shareholders could also make it more difficult for the Company to sell equity securities in the future at a time and price that it deems appropriate.

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

The Company may need to raise additional funds in the future to finance, among other things, working capital, expansion of the Enlarged Group, new acquisitions or the development of new products. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. The Company may also issue shares as consideration shares on acquisitions or investments which would also dilute Shareholders' respective shareholdings.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits and distributable reserves, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

There can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any dividends in the future.

PART III

TERMS AND CONDITIONS OF THE OPEN OFFER

1. INTRODUCTION

As explained in Part I of this document (Letter from the Chairman), the Company is proposing the Offer to raise approximately £4 million (before expenses) through the issue of 4,444,433 New Ordinary Shares at an Issue Price of 90 pence per New Ordinary Share.

The Offer has been fully underwritten by MBIL. Upon completion of the Offer, the Offer Shares will represent approximately 71 per cent. of the Company's Enlarged Ordinary Share Capital.

The purpose of this Part III is to set out the terms and conditions of the Open Offer. The Open Offer provides an opportunity for Qualifying Shareholders to apply for, in aggregate, up to 4,444,433 Offer Shares *pro rata* (excepting fractional entitlements) to their current holdings and, pursuant to the Excess Application Facility, to apply for Excess Shares, in each case at the Issue Price in accordance with the terms of the Open Offer set out in this Part III. The Open Offer is being underwritten.

The Offer Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is the close of business on 13 September 2017. Open Offer Entitlements attach only to Existing Ordinary Shares held by Qualifying Shareholders as at the Record Date and not to New Ordinary Shares. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on 15 September 2017 and Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 8.00 a.m. on 18 September 2017.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Shares. For Qualifying Non-CREST Shareholders, further details in relation to the Excess Application Facility are set out in Part IV of this document and in the Application Form.

The latest time and date for payment in full under the Open Offer and receipt of completed Application Forms or settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 29 September 2017 with First Admission and commencement of dealings in the Offer Shares expected to take place at 8.00 a.m. on 3 October 2017.

The Open Offer is conditional on Shareholder approval, which will be sought at the General Meeting, completion of the Capital Reorganisation and First Admission taking effect in respect of the Offer Shares. This document and, for Qualifying Non-CREST Shareholders only, the Application Form contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part III, which gives details of the procedure for application and payment for the Offer Shares including any Excess Shares applied for under the Excess Application Facility.

You should note that if Resolutions 2, 5, 6, 8 and 9 are passed, the Open Offer may complete, and First Admission may occur, even if the Acquisition, the Subscription and Second Admission do not occur.

Any Qualifying Shareholder who has sold or transferred all or part of their registered holding(s) of Existing Ordinary Shares prior to the close of business on 15 September 2017 is advised to consult their stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Offer Shares under the Open Offer may be a benefit which may be claimed from them by the purchasers under the rules of the London Stock Exchange.

2. THE OPEN OFFER

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Offer Shares at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their *pro rata* entitlement to their holdings of Existing Ordinary Shares as at the Record Date, payable in full on application. Qualifying Shareholders' basic entitlements shall be calculated on the basis of:

12.06 Offer Shares for every 100 Existing Ordinary Shares

registered in the name of each Qualifying Shareholder on the Record Date.

Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares and any fractional entitlements to Offer Shares that would otherwise have arisen will be aggregated and available under the Excess Application Facility. Qualifying Shareholders may apply to subscribe for less than their Open Offer Entitlement should they so wish. Qualifying Shareholders are also being given the opportunity, provided they take up any Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Any monies received in respect of unsuccessful applications for Excess Shares will be promptly returned to Shareholders.

Please refer to paragraph 3.1(d) of this Part III for further details of the Excess Application Facility.

Valid applications by Qualifying Shareholders will be satisfied in full up to the maximum amount of their individual Open Offer Entitlement (excluding any Excess Shares applied for through the Excess Application Facility). Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 6) and also shows the maximum number of Offer Shares for which you are entitled to apply if you apply for your Open Offer Entitlement in full (in Box 7). Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 3.2 of this Part III and also to the CREST Manual for further information on the relevant CREST procedures. Qualifying Shareholders may apply for any number of Offer Shares up to the maximum to which they are entitled under the Open Offer (if any), and also under the Excess Application Facility.

Any Qualifying Shareholder who validly completes and returns an Application Form or requests registration of the Offer Shares comprised in it, or who is a CREST member or CREST sponsored member who makes or is treated as making a valid acceptance in accordance with the procedures set out in this Part III will be deemed to make the representations and warranties to the Company contained in paragraph 3.1(e) of this Part III of this document.

The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom is drawn to paragraph 6 of this Part III. The Open Offer will not be made into certain territories. Subject to the provisions of paragraph 5, Shareholders with a registered address in the United States or another Restricted Jurisdiction are not being sent this document and will not be sent an Application Form.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Accordingly, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying Non-CREST Shareholders should note that applications in respect of Open Offer Entitlements (or Excess Shares) may only be made by the Qualifying Non-CREST Shareholder originally entitled, or by a person entitled by virtue of a *bona fide* market claim in accordance with paragraph 3.1(b) of Part III of this document.

A Qualifying Shareholder that does not take up any Offer Shares under the Open Offer will experience a more substantial dilution of approximately 93.6 per cent. as result of the Open Offer, the Subscription and the issue of Consideration Shares. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim in accordance with paragraph 3.2(b) of Part III of this document raised by Euroclear's Claims Processing Unit.

Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who are not eligible to or do not apply to take up Offer Shares will have no rights under the Open Offer nor receive any proceeds from it.

Application will be made for the Open Offer Entitlements and the Excess CREST Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Open Offer Entitlements and the Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts by 8.00 a.m. on 18 September 2017.

A Qualifying Shareholder that takes up their Open Offer Entitlement in full (excluding any Excess Shares taken up through the Excess Application Facility) will be diluted by approximately 93.6 per cent. as at Second Admission.

The Existing Ordinary Shares are in registered form, are admitted to trading on AIM and are not traded on any other exchange. Offer Shares will also be in registered form, will be issued credited as fully paid and will rank equally in all respects with the issued Existing Ordinary Shares. Offer Shares will be issued only pursuant to the Open Offer and, subject as set out in this Part III, will not otherwise be marketed or made available in whole or in part to the public.

Offer Shares are not being made available except under the terms of the Open Offer in accordance with article 43 of the Financial Services and Market Act 2000 (Financial Promotions) Order 2005 and within the financial limit provided for in paragraph 9 of Schedule 11A of FSMA.

Overseas Shareholders are referred to the section entitled "Overseas Shareholders" set out in paragraph 6 of Part III of this Document.

3. PROCEDURE FOR APPLICATION AND PAYMENT

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has an Application Form in respect of their Open Offer Entitlement or a Qualifying Shareholder has Open Offer Entitlements credited to their CREST stock account.

Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in certificated form will receive the Application Form, enclosed with this document. The Application Form shows the number of Existing Ordinary Shares held at the Record Date. It will also show Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Offer Shares in CREST.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Offer Shares in uncertificated form to the extent that their entitlement to Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2 of this Part III.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to take up or apply for Offer Shares under the Open Offer should take no action and (if a Qualifying non-CREST Shareholder) should not complete or return the Application

Form. Qualifying Shareholders, however, are encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy or by submitting their voting instruction via the CREST proxy voting service.

3.1 ***If you receive an Application Form in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in paragraph 6 of Part III of this document in relation to Overseas Shareholders, Application Forms are being sent to Qualifying non-CREST Shareholders with this document. The Application Form will show the number of Ordinary Shares registered in their name as of the Record Date in Box 6. It will also show the maximum number of Offer Shares for which they are entitled to apply under their Open Offer Entitlement in Box 7. Qualifying Non-CREST Shareholders may apply for less than their maximum Open Offer Entitlement should they wish to do so. Qualifying Non-CREST Shareholders may, subject to paragraph 6 of Part III of this document, also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer to Qualifying non-CREST Shareholders.

(b) *Bona fide Market Claims*

Applications to acquire Offer Shares may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a market purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” for the purposes of entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 27 September 2017. The Application Form is not a negotiable document or document of title and cannot be separately traded. A Qualifying non-CREST Shareholder who has sold or otherwise transferred all or part of their holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” for the purposes of entitlement to participate in the Open Offer, should consult their broker or other professional adviser as soon as possible, as the invitation to acquire Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser or transferee.

Qualifying Non-CREST Shareholders who have sold all of their Existing Ordinary Shares should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and send the Application Form, together with this document, at once 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. The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into any Restricted Jurisdiction or otherwise in breach of paragraph 6 of Part III of this document. Box 11 of the Application Form must be completed and signed by the person(s) to whom the Existing Ordinary Shares the subject of such *bona fide* market claim have been sold or otherwise transferred if they wish to apply using such Application Form for Offer Shares.

Qualifying Non-CREST Shareholders who, before the date upon which the Existing Ordinary Shares were so marked “ex”, have sold part only of their registered holding of Existing Ordinary Shares, should complete Box 10 on the Application Form and immediately send the Application Form to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU accompanied by a letter stating the number of *pro rata* entitlements of Offer Shares to be included in each split Application Form. The number of *pro rata* Open Offer Entitlements to apply to each split Application Form must be stated and the aggregate must not exceed the number shown in Box 7 of the Application Form. Box 10 of the Application Form on each split Application Form will be marked “Declaration of Sale duly made”. The latest time and date for splitting is 3.00 p.m. on 27 September 2017.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 3.2 below.

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire all or any of the Offer Shares to which they are entitled should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be sent by post or delivered by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, with a cheque drawn in Sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided for members of any of those companies. Cheques should be drawn on a personal account to which the Shareholder has sole or joint title. Third party cheques will not be accepted with the exception of building society cheques where the bank or building society has endorsed the back of the cheque by adding the Shareholder's details and the branch stamp. Such cheques must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Applications must be received by Capita Asset Services, Corporate Actions (at the address detailed above) no later than 11.00 a.m. on 29 September 2017, after which time Application Forms will not be valid. Once submitted, applications are irrevocable. If an Application Form is being sent by post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Cheques should be made payable to "Capita Registrars Limited Re: City of London Group Plc – Open Offer A/C" and crossed "A/C Payee Only". Post-dated cheques will not be accepted. It is a condition of application that cheques will be honoured on first presentation and the Company may in its absolute discretion elect not to treat as valid any application in respect of which a cheque is not so honoured.

The Company may, in its sole discretion but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either Application Forms received after 11.00 a.m. on 29 September 2017 with the envelope bearing a legible postmark not later than 11.00 a.m. on 29 September 2017 or applications in respect of which remittances are received before 11.00 a.m. on 29 September 2017 from authorised persons (as defined in FSMA) specifying the Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days. Multiple applications will not be accepted.

Cheques are liable to be presented for payment upon receipt. If they are presented before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account until the conditions are fully met. If the conditions of the Open Offer are not fulfilled on or before 8.00 a.m. on 10 October 2017, or such later date as the Company may determine (being no later than 8.00 a.m. on 31 October 2017), the Open Offer will lapse, all applications to subscribe for New Ordinary Shares under the Open Offer shall be void and of no effect and all application monies will be returned (at the applicant's risk) without interest by cheques or CREST payment as soon as is practicable after that date. Interest earned on monies held will be retained for the benefit of the Company. The Company shall have no other liability or obligation to any person applying for New Ordinary Shares under the Open Offer in the event that the Open Offer so lapses.

(d) *The Excess Application Facility*

Provided such Qualifying Non-CREST Shareholder chooses to take up any Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Excess Shares. If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Qualifying Non-CREST Shareholders who wish to apply for Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on it. Should the Open Offer become unconditional and applications for Offer Shares exceed 4,444,433 Offer Shares, resulting in a scale back of applications, each Qualifying Non-CREST

Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for Excess Shares has been received, will receive a Sterling amount equal to the number of Offer Shares applied and paid for, but not allocated to, the relevant Qualifying Non-CREST Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable afterwards, without payment of interest and at the applicant's sole risk.

(e) *Effect of application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) requests that the Offer Shares for which they have applied be issued to them on the terms set out in this document and subject to the Articles of Association;
- (ii) agrees with the Company that all applications under the Open Offer and contracts resulting from it, shall be governed by, and construed in accordance with, the laws of England;
- (iii) confirms with the Company that, in making the application, they are not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part of it or involved in its preparation shall have any liability for any such information or representation not so contained;
- (iv) represents and warrants that, if the applicant received some or all of their Open Offer Entitlements from a person other than the Company, the applicant is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (v) represents and warrants that they are not a person nor are they applying on behalf of a person who by virtue of being resident in or a citizen of any country outside the United Kingdom is prevented by the law of any relevant jurisdiction from lawfully applying for Offer Shares;
- (vi) represents and warrants that: (a) they are not in the United States, any other Restricted Jurisdiction or any other territory in which it is unlawful to make or accept an offer to apply for Offer Shares or to use the Application Form in any manner in which they have used or will use it; (b) they are not acting for the account or benefit of a person located within the United States, or any other Restricted Jurisdiction or any other territory in which it is unlawful to make or accept an offer to apply for Offer Shares and were not acting for the account or benefit of such a person at the time the instruction to apply for Offer Shares was given; and (c) they are not acquiring Offer Shares with a view to the offer, sale, resale, delivery or transfer, directly or indirectly, of any such Offer Shares into the United States, or any other Restricted Jurisdiction or any other territory in which it is unlawful to make or accept an offer to apply for Offer Shares, in each case except where proof satisfactory to the Company has been provided that such applicant is entitled to take up their entitlement without any breach of applicable law;
- (vii) confirms that Offer Shares have not been offered to them by the Company, or any of its affiliates, by means of any: (a) "directed selling efforts" as defined in Regulation S under the Securities Act; or (b) "general solicitation" or "general advertising" as defined in Regulation D under the Securities Act; and
- (viii) represents and warrants that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986.

Further representations and warranties are contained in the Application Form.

Should you need advice with regard to these procedures, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The

helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Qualifying Shareholders who do not wish to apply for Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

3.2 ***If you have Open Offer Entitlements credited to your stock account***

(a) *General*

Subject as provided in paragraph 6 of Part III of this document in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to their stock account in CREST of their Open Offer Entitlements. Any fractional entitlements to Offer Shares will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, on 18 September 2017, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements which should have been credited to their stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

Open Offer Entitlements will constitute securities for the purposes of CREST and will have the ISIN number stated at paragraph 3.2(d)(ii) of Part III of this document. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will be transferred accordingly afterwards.

(c) *Unmatched Stock Events ("USE") instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Asset Services under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita Asset Services in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Offer Shares referred to in paragraph 3.2(c)(i) above.

(d) *Content of USE instruction*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Asset Services;
- (ii) the ISIN of the Open Offer Entitlements. This is GB00BD9GV847 in respect of the Open Offer Entitlement and GB00BD9GVB71 in respect of the Excess Shares;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Asset Services in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account ID of Capita Asset Services in its capacity as a CREST receiving agent. This is 29313CIT;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 29 September 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 29 September 2017.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 29 September 2017 in order to be valid is 11:00 a.m. on that day.

If the conditions of the Open Offer are not fulfilled on or before 8.00 a.m. on 10 October 2017 or such later time and date as the Company may determine (being no later than 8.00 a.m. on 31 October 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Capita Asset Services will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable afterwards. Any interest earned on such monies will be retained for the benefit of the Company.

(e) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in their Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the file name of a person entitled by virtue of a *bona fide* market claim) provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the Open Offer Entitlements are reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 29 September 2017.

In particular, having regard to normal processing times in CREST and on the part of Capita Asset Services, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 26 September 2017, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 25 September 2017, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 29 September 2017.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Asset Services by the relevant CREST member(s) that they are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" in the Application Form, and a declaration to the Company and Capita Asset Services from the relevant CREST member(s) that they are not a citizen(s) or resident(s) of any Restricted Jurisdiction and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(f) *Bona fide market claims*

Each of the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the Excess CREST Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will be transferred accordingly afterwards.

(g) *Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders to apply for Offer Shares in excess of their Open Offer Entitlement. If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part III in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST. The credit of such Excess CREST Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the Offer Shares attributable to the Excess CREST Open Offer Entitlement as an Excess CREST Open Offer Entitlement is subject to scaling back in accordance with the terms of this document. To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque. Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlement(s) will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold

all of their Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST, and allocated to the relevant Qualifying Shareholder, will be transferred to the purchaser. Please note that an additional USE Instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement. Should the Open Offer become unconditional and applications for Offer Shares by Qualifying Shareholders under the Open Offer exceed 4,444,433 Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for the Excess Shares has been received, will receive a Sterling amount equal to the number of Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable afterwards, without payment of interest, and at the applicant's sole risk. Fractions of Offer Shares will not be issued under Excess Application Facility and fractions of Offer Shares will be rounded down to the nearest whole number.

(h) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 29 September 2017 will constitute a valid application under the Open Offer.

(i) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that their CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 29 September 2017. In this connection, CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(j) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through Capita Asset Services, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Issue Price (or, if lower, the maximum number of Offer Shares the subject of the relevant Qualifying Shareholder's Open Offer Entitlement), refunding any unutilised sum to the CREST member in question (without interest); and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Offer Shares referred to in the USE instruction (or, if lower, the maximum number of Offer Shares the subject of the relevant Qualifying Shareholder's Open Offer Entitlement), refunding any unutilised sum to the CREST member in question (without interest).

(k) *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will by doing so:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the bank account of Capita Asset Services in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);

- (ii) request that the Offer Shares for which they have applied be issued to them on the terms set out in this document and subject to the Articles of Association;
 - (iii) agree that all applications under the Open Offer and contracts resulting from it shall be governed by, and construed in accordance with, the laws of England;
 - (iv) confirm that, in making the application, the applicant is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part of it shall have any liability for any such information or representation not so contained;
 - (v) represent and warrant that they are not a person who is prevented by the law of any relevant jurisdiction from lawfully applying for Offer Shares by virtue of being resident in or a citizen of any country outside the United Kingdom;
 - (vi) represent and warrant that: (a) they are not in the United States, any other Restricted Jurisdiction or any other territory in which it is unlawful to make or accept an offer to apply for Offer Shares; (b) they are not acting for the account or benefit of a person located within the United States, any other Restricted Jurisdiction or any other territory in which it is unlawful to make or accept an offer to apply for Offer Shares and they were not acting for the account or benefit of such a person at the time the instruction to apply for Offer Shares was given; and (c) they are not acquiring Offer Shares with a view to the offer, sale, resale, delivery or transfer, directly or indirectly, of any such Offer Shares into the United States, any other Restricted Jurisdiction or any other territory in which it is unlawful to make or accept an offer to apply for Offer Shares, in each case except where proof satisfactory to the Company has been provided that such applicant is entitled to take up their entitlement without breach of applicable law;
 - (vii) confirm that Offer Shares have not been offered to them by the Company, or any of its affiliates by means of any: (a) "directed selling efforts" as defined in Regulation S under the Securities Act; or (b) "general solicitation" or "general advertising" as defined in Regulation D under the Securities Act;
 - (viii) represent and warrant that they are not and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and
 - (ix) represent and warrant that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that they have received such Open Offer Entitlements by virtue of a *bona fide* market claim.
- (l) *Company's discretion as to the rejection and validity of applications*
The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in Part III of this document;
 - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita Asset Services receives a properly authenticated dematerialised instruction giving details of the first instruction or afterwards, either the Company or Capita Asset Services have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
 - (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or

CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Registrars Limited in connection with CREST.

4. MONEY LAUNDERING REGULATIONS

4.1 *Holders of Application Forms*

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 2017, the money laundering provisions of the Criminal Justice Act 1993, Part VIII of FSMA and the Proceeds of Crime Act 2002 (together with other guidance and source books produced in relation to financial sector firms), Capita Asset Services may at its absolute discretion require verification of identity from any person lodging an Application Form (in this paragraph, the “applicant”) including, without limitation, any applicant who (i) tenders payment by way of cheque drawn on an account in the name of a person or persons other than the applicant, or (ii) appears to Capita Asset Services to be acting on behalf of some other person. In the former case, verification of the identity of the applicant may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (ii) if the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers their application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or
- (iv) if the aggregate subscription price for Offer Shares is less than the Sterling equivalent of €15,000 (approximately £13,800).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant), by the building society or bank endorsing on the cheque the applicant’s name and the number of an account held in the applicant’s name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;
- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Gibraltar, Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, People’s Republic of China, Republic of Korea, Russian Federation, Singapore, South Africa, Switzerland, Turkey, the UK Crown Dependencies, the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has that status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita Asset Services. If the agent is not such an organisation, it should contact Capita Asset Services using the telephone numbers set out in this document; and
- (c) if the Application Form is in respect of Offer Shares with an aggregate subscription price of the Sterling equivalent of €15,000 (currently approximately £13,800) or more and is/are lodged by hand by the applicant in person, they should ensure that they have with them evidence of identity bearing their photograph (for example, a passport) and evidence of their address. Third-party cheques will not be accepted. If you deliver your Application Form personally by

hand, you should ensure that you have with you evidence of identity bearing your photograph (for example your passport). If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 29 September 2017, Capita Asset Services have not received evidence satisfactory to them as aforesaid, Capita Asset Services may, at their discretion, as the agents of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

4.2 Open Offer Entitlements held in CREST

If you hold your Open Offer Entitlement in CREST and apply for Offer Shares in respect of all or some of your Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the relevant CREST receiving agent before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, and in any event prior to 11.00 a.m. on 29 September 2017, then the application for the Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence as to the identity of the person or persons on whose behalf the application is made.

5. NO PUBLIC OFFERING OUTSIDE THE UNITED KINGDOM

The Company has not taken, nor will take, any action in any jurisdiction that would permit a public offering of Ordinary Shares other than in the United Kingdom.

6. OVERSEAS SHAREHOLDERS

6.1 General

The distribution of this document and making of the Open Offer to Overseas Shareholders may be affected by the laws or regulatory requirements of the relevant jurisdiction. Overseas Shareholders who are in any doubt in this respect should consult their professional advisers. No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to them, nor should they in any event use such Application Form or credit of Open Offer Entitlements to a stock account in CREST, unless, in the relevant territory, such an invitation or offer could lawfully be made to them or such Application Form or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used without contravention of any legislation or other local regulatory requirements. Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements to a stock account in CREST does not constitute an invitation or offer to Overseas Shareholders in the territories in which it would be unlawful to make an invitation or offer and in such circumstances they are sent for information only. It is the responsibility of any person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant territory in connection with any application for Offer Shares, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such

territory and paying any issue, transfer or other taxes due in such other territory.

Persons (including, without limitation, stockbrokers, banks and other agents) receiving an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST should not, in connection with the Open Offer, distribute, communicate or send the Application Form or credit of Open Offer Entitlements in a stock account in CREST into (or to any person subject to the laws of) any Restricted Jurisdictions or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

If an Application Form or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such jurisdiction or by the stockbrokers, banks and other agents or nominees of such person, they must not seek to take up the Offer Shares except under an express written agreement with the Company. Any person who does distribute, communicate or send an Application Form or credit of Open Offer Entitlements in a stock account in CREST into (or to any person subject to the laws of) any jurisdiction outside the UK, whether under a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph 6. The Company reserves the right to reject an application to subscribe for Offer Shares under any Open Offer Entitlement, submitted by or on behalf of any person, in any such jurisdiction, or by or on behalf of any person who is acquiring Offer Shares for resale in any such jurisdiction.

The Company reserves the right in its absolute discretion to treat as invalid any application for Offer Shares under the Open Offer if it appears to the Company and its agents that such application or acceptance of it may involve a breach of the laws or regulations of any jurisdiction or if in respect of such application the Company has not been given the relevant warranty concerning overseas jurisdictions set out in the Application Form or in this document, as appropriate.

All payments under the Open Offer must be made in Sterling.

6.2 **United States**

The New Ordinary Shares have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States and, unless so registered, may not be offered, sold, resold, taken up, delivered or distributed, directly or indirectly, within, into or in the United States, except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Outside the United States, the New Ordinary Shares may not be offered, taken up, delivered or transferred, except in an "offshore transaction" (as defined in Rule 902(h) under the Securities Act) in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act. Inside the United States, the New Ordinary Shares may not be offered, taken up, delivered or transferred except in a private placement transaction not involving any public offering in reliance on the exemption from the registration requirements of Section 5 of the Securities Act provided by Section 4(2) under the Securities Act or another applicable exemption therefrom (a "US Placing"). There will be no public offer in the United States.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities, or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities in the United States.

Application Forms are not being sent to, and Open Offer Entitlements are not being credited to a stock account in CREST of, any Shareholder with a registered address in the United States unless such Shareholder satisfies the Company that an allotment is permitted under an exception from the securities laws referred to above. Subject to certain exceptions this document is being sent to such Shareholders for information purposes only and does not constitute an offer or invitation to apply for Offer Shares. Subject to certain exceptions, any application for Offer Shares will be treated as invalid if it appears to have been executed or effected in, postmarked or otherwise despatched in or from the United States, or if it provides an address in the United States for the registration or issue of Offer Shares in uncertificated form or for the delivery of Offer Shares in certificated form, or if it appears to have been sent by a person who cannot make the representations and warranties set out in the

Application Form or in this document. In addition, until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the Offer Shares within the US by a dealer (whether or not participating in the Open Offer) may violate the registration requirements of the Securities Act.

6.3 **Other Restricted Jurisdictions**

Due to the restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form and no Open Offer Entitlements will be credited to their CREST stock accounts.

The Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any of their states, provinces or territories and may not be offered, sold, resold, delivered or distributed, directly or indirectly in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except under an applicable exemption.

7. **SETTLEMENT AND DEALINGS**

The result of the Open Offer is expected to be announced on 3 October 2017. Application will be made to the London Stock Exchange for Offer Shares to be admitted to trading on AIM. It is expected that, subject to the Open Offer becoming unconditional in all respects, First Admission of Offer Shares will become effective and that dealings in Offer Shares will commence at 8.00 a.m. on 3 October 2017. Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 29 September 2017 (the latest date for applications under the Open Offer). Subject to the satisfaction of the conditions of the Open Offer, Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. Capita Asset Services will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Offer Shares with effect from the date of First Admission (expected to be 3 October 2017). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and to allot and/or to issue any Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by Capita Asset Services in connection with CREST. This right may also be exercised if the correct details (such as participant ID and member account ID details) are not provided as requested on the Application Form.

For Qualifying Non-CREST Shareholders who have applied for Offer Shares using an Application Form and whose application has been accepted by the Company, share certificates for the Offer Shares issued to such Qualifying Shareholders, are expected to be dispatched by post within ten days of First Admission of Offer Shares. No temporary documents of title will be issued. Pending despatch of definitive share certificates, transfers of relevant Offer Shares by such Qualifying Shareholders will be certified against the register of members of the Company. All documents or remittances sent by or to an applicant (or their agent as appropriate) through the post are sent at the risk of the applicant.

Qualifying CREST Shareholders should note that they will be sent no confirmation of the credit of Offer Shares to their CREST stock account nor any other written communication by the Company in respect of the issue of Offer Shares.

PART IV

QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part IV are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under FSMA if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part IV deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part III of this document and you should take professional advice as to whether you are eligible for, and/or whether you need to observe any formalities to enable you to take up, your Open Offer Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part III of this document for full details of what action you should take.

If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call Capita Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult their own appropriate professional advisers for advice. This document is for information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. WHAT IS AN OPEN OFFER?

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional shares over and above their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to 4,444,433 New Ordinary Shares in total, at a price of 90 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, unless you are a Shareholder with a registered address in or are located or resident in the United States, or another Restricted Jurisdiction (subject to certain exceptions) you will likely be entitled to buy Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 12.06 Offer Shares for every 100 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number.

The Offer Shares will be issued after the proposed Capital Reorganisation and will be New Ordinary Shares with a nominal value of 2 pence per share. For further information on the proposed Capital Reorganisation, please see paragraph 3 of Part I.

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares over and above any Open Offer Entitlements. If applications under the Excess Application Facility are received from Qualifying Shareholders for more than the available number of Offer Shares then Offer Shares may be

allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full, in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Open Offer Entitlements can be traded. Shareholders will not be able to apply for any Subscription Shares which are the subject of the Subscription using the Application Form.

2. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW I AM ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?

If you receive an Application Form and you are not a holder with a registered address or located or resident in the United States or any other Restricted Jurisdiction (subject to certain exceptions), then you will likely be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 15 September 2017 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

3. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW HOW MANY OFFER SHARES I AM ENTITLED TO TAKE UP?

If you hold your Existing Ordinary Shares in certificated form and you do not have a registered address and are not located or resident in the United States or any other Restricted Jurisdiction (subject to certain exceptions), you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Offer Shares you are entitled to buy; and
- how much you need to pay if you want to buy all the Offer Shares to which you are entitled.

If you have a registered address in the United States or any other Restricted Jurisdiction, you will not receive an Application Form.

If you would like to buy any Offer Shares you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms and a cheque should be returned by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 29 September 2017, after which time Application Forms will not be valid.

4. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM AND AM ELIGIBLE TO RECEIVE AN APPLICATION FORM. WHAT ARE MY CHOICES IN RELATION TO THE OPEN OFFER?

4.1 *If you do not want to buy any shares in the Open Offer*

If you do not want to buy the Offer Shares to which you are entitled, you do not need to do anything and you will not receive any Offer Shares. Nor will you receive any money when the Offer Shares you could have taken up are sold, as would typically happen under a rights issue.

You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Offer Shares to which you are entitled by 11.00 a.m. on 29 September 2017, the Company has made arrangements under which it has agreed to issue those Offer Shares to other Qualifying Shareholders under the Excess Application Facility or, failing which, to MBIL under the terms of the Underwriting Agreement.

If you do not take up your Open Offer Entitlement then, following the issue of the Offer Shares under the Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest will be diluted by the issue of New Ordinary Shares under the Acquisition and the Subscription.

4.2 ***If you want to take up some but not all of your Open Offer Entitlement***

If you want to take up some but not all of the Offer Shares to which you are entitled, you should write the number of Offer Shares you want to take up in Boxes 2 and 4 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write '25' in Boxes 2 and 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, '25') by £0.90, which is the price in pounds of each Offer Share (giving you an amount of £22.50 in this example). You should write this amount in Box 5, rounding up to the nearest whole pence and this should be the amount your cheque is made out for. You should then return the completed Application Form, together with a cheque for that amount, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 29 September 2017, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in Sterling and made by cheque made payable to "Capita Registrars Limited Re: City of London Group plc – Open Offer A/C" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you during the week commencing 9 October 2017.

4.3 ***If you want to take up all of (but not more than) your Open Offer Entitlement***

If you want to take up all of the Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque for the amount (as indicated in Box 8 of your Application Form), by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 29 September 2017, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in Sterling and made by cheque made payable to Capita Registrars Limited Re: City of London Group plc – Open Offer A/C and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or

bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you during the week commencing 9 October 2017.

4.4 If you want to apply for more than your Open Offer Entitlement

Provided you have agreed to take up any Open Offer Entitlement in full, you can apply for further Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares over and above their Open Offer Entitlement (if any) as at the Record Date. You should write the number of Offer Shares comprised in your Open Offer Entitlement (as indicated in Box 7 of the Application Form) in Box 2 and write the number of Excess Shares for which you would like to apply in Box 3. You should then add the totals in Boxes 2 and 3 and insert the total number of Offer Shares for which you would like to apply in Box 4. For example, if you have an Open Offer Entitlement for 50 Offer Shares but you want to apply for 75 Offer Shares in total, then you should write '50' in Box 2, '25' in Box 3 and '75' in Box 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, '75') by £0.90, which is the price in Sterling of each Offer Share (giving you an amount of £67.50 in this example). You should write this amount in Box 5. You should then return your Application Form by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 29 September 2017, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four Business Days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion. No assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

A definitive share certificate will then be sent to you for the Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Offer Shares is expected to be despatched to you, at your own risk, during the week commencing 9 October 2017.

5. I HOLD MY EXISTING ORDINARY SHARES IN UNCERTIFICATED FORM IN CREST. WHAT DO I NEED TO DO IN RELATION TO THE OPEN OFFER?

CREST members should follow the instructions set out in Part III of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Offer Shares which they are entitled to buy (if any) and (ii) how to apply for Offer Shares over and above any Open Offer Entitlement. If you do not receive this information, you should contact your CREST member.

6. I ACQUIRED MY EXISTING ORDINARY SHARES PRIOR TO THE RECORD DATE AND HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT IF I DO NOT RECEIVE AN APPLICATION FORM OR I HAVE LOST MY APPLICATION FORM?

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 13 September 2017 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 13 September 2017 but were not registered as the holders of those shares at the close of business on 13 September 2017; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact Capita Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

7. CAN I TRADE MY OPEN OFFER ENTITLEMENT?

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it.

8. WHAT IF I CHANGE MY MIND?

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to Capita Asset Services, you cannot withdraw your application or change the number of Offer Shares for which you have applied, except in the very limited circumstances which are set out in this document.

9. WHAT IF THE NUMBER OF OFFER SHARES TO WHICH I AM ENTITLED IS NOT A WHOLE NUMBER; AM I ENTITLED TO FRACTIONS OF OFFER SHARES?

If the number of Offer Shares to which you are entitled is not a whole number, you will not receive a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number.

10. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT SHOULD I DO IF I HAVE SOLD SOME OR ALL OF MY EXISTING ORDINARY SHARES?

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 13 September 2017, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Offer Shares under the Open Offer. However, notwithstanding the above, you should not contact the buyer if they are located or resident in, are a citizen of, or have a registered office in a Restricted Jurisdiction. If you sell any of your Existing Ordinary Shares on or after 13 September 2017, you may still take up and apply for the Offer Shares as set out on your Application Form.

11. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I PAY?

Completed Application Forms should be returned with a cheque drawn in the appropriate form. All payments must be in Sterling and made by cheque made payable to Capita Registrars Limited Re: City of London Group plc – Open Offer A/C and crossed “A/C Payee Only”. Cheques or banker’s drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

12. WILL THE EXISTING ORDINARY SHARES THAT I HOLD NOW BE AFFECTED BY THE OPEN OFFER?

If you decide not to apply for any Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

13. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHERE DO I SEND MY APPLICATION FORM?

You should send your completed Application Form together with a cheque in the appropriate form, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Offer Shares then you need take no further action.

14. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHEN DO I HAVE TO DECIDE IF I WANT TO APPLY FOR OFFER SHARES?

Capita Asset Services, Corporate Actions must receive the Application Form by no later than 11.00 a.m. on 29 September 2017, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

15. HOW DO I TRANSFER MY ENTITLEMENTS INTO THE CREST SYSTEM?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

16. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHEN WILL I RECEIVE MY NEW SHARE CERTIFICATE?

It is expected that all new share certificates will be posted during the week commencing 9 October 2017.

17. IF I BUY EXISTING ORDINARY SHARES AFTER THE RECORD DATE, WILL I BE ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

18. WILL I BE TAXED IF I TAKE UP MY ENTITLEMENTS?

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

19. WHAT SHOULD I DO IF I LIVE OR AM LOCATED OUTSIDE THE UNITED KINGDOM?

Your ability to apply to acquire Offer Shares may be affected by the laws of the country in which you live or are located and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located or resident in the United States or any other Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part III of this document.

20. FURTHER ASSISTANCE

Should you require further assistance please call Capita Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

PART V

HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

In accordance with Rule 28 of the AIM Rules, this document does not contain historical financial information on the Company, which would otherwise be required under Section 20 of Annex I of the Prospectus Rules.

This information is available on the Company's website, as follows:

- COLG's audited results for the year ended 31 March 2015
<http://www.cityoflondongroup.com/corporate-reports.asp?sYear=2015>
- COLG's audited results for the year ended 31 March 2016
<http://www.cityoflondongroup.com/corporate-reports.asp?sYear=2016>
- COLG's audited results for the year ended 31 March 2017
<http://www.cityoflondongroup.com/corporate-reports.asp?sYear=2017>

Shareholders or other recipients of this document may request a hard copy of the information incorporated by reference referred to above from the Company at its registered office 6th Floor, 60 Gracechurch Street, London EC3V 0HR. The telephone number of the Company's registered office is 020 7264 4456. A copy will be provided to the requester within 7 days. A hard copy of the omitted information incorporated by reference referred to above will not be sent to Shareholders or other recipients of this document unless requested.

PART VI

HISTORICAL FINANCIAL INFORMATION ON MILTON HOMES

Historical financial information on Milton Homes is set out in this Part VI as follows:

Section A; Audited financial statements for the year ended 31 December 2016

Section B: Audited financial statements for the year ended 31 December 2015

Section C: Audited financial statements for the year ended 31 December 2014

Section A: Audited financial statements for the year ended 31 December 2016

OFFICERS AND PROFESSIONAL ADVISERS

Directors	CR Rumsey – <i>Managing Director</i> CB Wagman – <i>Non-executive Chairman</i> DV4 Administration Limited
Secretary	DV4 Administration Limited 6th Floor Lansdowne House Berkeley Square London W1J 6ER
Registered office	Bryan Cave LLP 88 Wood Street London EC2V 7AJ
Head office and principal place of business	Newcombe House 45 Notting Hill Gate London W11 3LQ
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Legal advisers	King & Wood Mallesons LLP 10 Queen Street Place London EC4R 1BE
Valuer	Allsop LLP 33 Park Place Leeds LS1 2RY

STRATEGIC REPORT

The Directors present the Strategic Report, together with the financial statements and auditors' report of Milton Homes Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

Principal activities

The principal activity of the Group is to own and manage residential property acquired through home reversion plans. Whilst the Group is not currently entering into new business it plans to maintain a significant long-term exposure to the UK residential property market as a provider of both traditional and innovative home reversion plans. The Group's subsidiaries, Living Plus Limited, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, are authorised by The Financial Conduct Authority ("FCA") as home reversion plan providers and Retirement Plus Limited is authorised as an arranger and administrator of home reversion plans.

Results for the financial year

The financial statements show results for the Group for the year as follows:

	<i>Year ended 31 December 2016 £'000</i>	<i>Year ended 31 December 2015 £'000</i>
Income	<u>5,849</u>	<u>9,809</u>
(Loss)/Profit before tax	(1,256)	2,316
Tax credit for the year	<u>113</u>	<u>-</u>
(Loss)/Profit for the year, attributable to equity shareholders	<u>(1,143)</u>	<u>2,316</u>

Business review and future developments

The Group has managed its business activities in the face of a fluctuating property market and extremely challenging lending conditions. In common with its peer group, the gain on revaluation of the Group's portfolio of reversionary interests in investment property dominates an assessment of current year financial performance in common with the prior financial period.

The Directors believe that the Group's strong brands, scalable infrastructure and established relationships with key intermediaries position it well to enjoy further significant growth when the company enters into new business.

Details of the principal risks and uncertainties facing the Group can be found in the Financial and Risk Review on pages 5 to 9.

Investment portfolio

When acquiring reversionary interests in investment property and equity release plan financial assets in the past, the Group endeavoured to reduce the property risk to which it is exposed by investing in higher-quality affordable housing stock and by maintaining regional diversification.

The Directors believe that this strategy has satisfied the somewhat conflicting objectives of conserving cash whilst maintaining the business presence of the Group.

The Group's reversionary interests in investment properties and equity release plan financial assets have been acquired at a significant discount to vacant possession value at the time of acquisition. The pre-tax reversionary surplus of the Group's investment property and equity release plan financial assets portfolio (ie

the difference between current vacant possession values and investment values determined by Allsop) as a percentage of investment value has remained virtually static at 38 per cent. or, in absolute terms, £30,465,483 (2015: £31,466,863) indicative of the level of profits to be expected from future property disposals.

The Group seeks to maintain a high-quality and well-diversified portfolio. In order to reduce portfolio risk, the Group aims to:

- minimise its exposure to adverse regional property price cycles by holding a geographically well-diversified portfolio of reversionary interests in investment property; and
- maintain a demographically well-balanced portfolio of reversionary interests so that there is a constant and smooth pattern of realisations.

Substantial interests

The Directors are aware that at the date of this report, the following shareholders held beneficial interests in ordinary shares amounting to 3 per cent. or more of the issued ordinary share capital of the company.

	<i>No. of shares</i>	<i>% of issued share capital</i>
DV4 Limited	42,092,323	100.00%

On 11 February 2015, DV4 Limited acquired the remaining 90.39 per cent. share capital of Milton Homes Limited. As part of this arrangement £12,137,708 of the deep discounted bonds payable to DV3 Limited (the Group’s immediate parent undertaking at 31 December 2014), was waived by DV3 Limited in consideration for the issue of £12,137,708 £1 A ordinary shares of Milton Homes Limited.

Financial risk management objectives and policies

As part of the process of effective Corporate Governance, the Group conducts a process for the assessment and mitigation of risks affecting the Group, particularly those which could inhibit achievement of Group strategic objectives. In addition, risk management focuses on operational, compliance and financial objectives.

The Board sets the overall risk appetite and philosophy of the Group. The Board establishes the parameters for risk appetite through setting strategic direction, contributing to and ultimately approving annual business plans for the Group, and regularly reviewing and monitoring performance in relation to risk through half-yearly and ad hoc reports from the monthly Executive Committee meetings. Risk appetite is defined in both qualitative and quantitative terms and is an expression of the maximum level of residual risk that the Group is prepared to accept in order to deliver its business objectives and is regularly assessed. Monitoring exposure to risk and uncertainty is an integral part of the Group’s structured management processes. The Group’s activities expose it to a number of financial risks including interest rate risk, credit risk, property market risk, longevity risk and liquidity risk. Details of how these risks are monitored and mitigated can be found in the Financial and Risk Review.

The Group finances its operations and investment activity from the following sources:

- a) Equity;
- b) Shareholder debt;
- c) External borrowings, and
- d) Net proceeds from the sale of reverted properties and equity release plan assets.

Capitalisation and indebtedness

The following tables show the capitalisation and indebtedness of the Group at each year end:

	<i>31 December</i> 2016 £'000	<i>31 December</i> 2015 £'000
<i>Capitalisation and indebtedness</i>		
Unguaranteed/unsecured	42	49
Total current debt	<u>42</u>	<u>49</u>
Secured	60,893	61,527
Unguaranteed/unsecured	11,465	12,194
Total non-current debt	<u>72,358</u>	<u>73,721</u>
Share capital and share premium	42,225	42,225
Capital reserves	–	–
Merger reserves	(4,837)	(4,837)
Retained losses	<u>(29,694)</u>	<u>(28,551)</u>
Shareholders' equity	<u>7,694</u>	<u>8,837</u>
	<i>31 December</i> 2016 £'000	<i>31 December</i> 2015 £'000
<i>Net indebtedness</i>		
Cash	349	651
Total liquidity	349	651
Other current financial debt	<u>(42)</u>	<u>(49)</u>
Current financial debt	<u>(42)</u>	<u>(49)</u>
Net current financial funds	<u>307</u>	<u>602</u>
Non-current Partnership loan	(60,893)	(61,527)
Other non-current financial debt	<u>(11,465)</u>	<u>(12,194)</u>
Non-current financial indebtedness	<u>(72,358)</u>	<u>(73,721)</u>
Net financial indebtedness	<u>(72,051)</u>	<u>(73,119)</u>

Risk management

In assessing risk the Board utilises a consistent approach drawn from perceived best risk management practice which utilises a generic high-level framework and generic risk factors. This approach considers the potential impact of each risk together with the likelihood of the risk materialising at an “inherent” level, i.e. before considering any mitigating controls. The definition of these terms is as follows:

- Impact – the extent to which the risk, if it materialised, would adversely affect the Group. Factors that help define the impact rating may include financial effect, reputation impact, ability to achieve key objectives, etc.
- Likelihood – the probability of a risk materialising over a predefined time period, currently set at one year. In some cases, frequency of occurrence may be considered as well.

This assessment process results in a list of key business risks which have a high overall risk rating and, therefore, are those which most critically require controls to be implemented to manage or mitigate the underlying risks. Reassessment of key business risks is undertaken by executive management on a regular basis. The reassessment is not limited to the identified key business risks but takes into consideration both internal and external changes and includes those risks which would impact on the financial reporting process.

The Directors believe that this approach is consistent with FCA guidance for integrating and embedding risk and capital management practices and procedures.

The following Board and executive sub-committees support the Board in the risk management process:

The Executive Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for the running of the Group's businesses. The Executive Committee consists of the Managing Director, who is Chairman, the Chief Executive Officer, and such other senior executives as the Managing Director chooses to appoint.

The Risk Management Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for monitoring and managing risk throughout the Group's businesses, ensuring that the Group's risk management framework is adequate in design and operates effectively. At present the Risk Management Committee is run as part of the Executive Committee and has not been constituted as a separate committee. The Risk Management Committee recommends for approval limits, policies and procedures in respect of the effective management of all material risks, considering risks to the Group under the headings of:

- a) Strategic objectives – that relate to high-level goals, aligned with and supporting the Group's mission;
- b) Operational objectives – that relate to the effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss;
- c) Compliance objectives – that relate to adherence to the laws and regulations to which the Group is subject; and
- d) Financial objectives – that pertain both to the financial status of the Group, together with that of individual operating companies, and financial reporting, including the exposure to fraudulent or erroneous public disclosure of financial information.

The principal risks that the Group seeks to manage are as follows:

- a) Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and arises primarily from the mismatch between the Group's secured debt obligations and the fixed rate it earns on its long term equity release plan financial assets and investment properties.

- b) Liquidity risk is the risk that the Group is unable to meet its cash obligations as they fall due.

The Group monitors its liquidity risk by maintaining short-term and long-term cash flow forecasts which identify significant future cash flow requirements, primarily from debt repayment schedules.

The Group seeks to maintain facilities that ensure the Group has sufficient available funds to satisfy daily requirements and planned future acquisitions of reversionary interest in investment property and equity release plan assets.

Partnership Life Assurance Company Limited has provided long-term funding on commercial terms.

- c) Credit risk is the risk that the Group will incur losses as a result of the failure of customers and counterparties to meet their obligations and arises from holdings of financial assets.

The Group is not subject to material levels of credit risk, as these assets revert fully to the Group on reversion.

- d) Longevity risk is the risk that the Group, as a provider of equity release products, will incur financial loss because of the later-than-anticipated reversion of properties and equity release plan financial assets on account of experienced life expectancy improvements.

The Group seeks to mitigate this risk through the use of conservative mortality assumptions. The services of professionally qualified, independent firms of actuaries are regularly utilised to review the mortality assumptions employed by the Group, monitoring them against external data, emerging trends and historic assumptions.

The Group regularly reviews the purchase of insurance protection against longevity risk and has insurance cover for excessive longevity risk built into the Living Plus impaired-life product.

- e) Property market risk is the risk that the investment value of the Group's reversionary interest in investment properties and equity release plan financial assets may experience lower than anticipated or indeed negative growth. The investment value of the Group's reversionary interest in investment

properties and equity release plan financial assets is determined by changes in investment yields, actuarial assumptions regarding mortality and morbidity rates and by changes in the market value of the underlying properties.

The Group seeks to mitigate the level of property risk to which it is exposed by maintaining a portfolio that is well diversified both geographically and in terms of individual property values, and by seeking to avoid holding lower-quality property assets which are generally more adversely impacted by market downturns.

The Group's property market risk is further mitigated by the five-year floor in the Retirement Plus Property Plan which protects the Group from negative HPI in the first five years of the plan.

- f) Regulatory risk is the risk arising from a failure to satisfy the Group's obligations to its regulators, primarily the FCA, or to identify the requirement for and implement revised business processes in response to changes in the regulations to which the Group is subject.

The Group utilises the services of a firm of regulatory compliance consultants to both advise on relevant changes in the regulatory environment and to ensure that the Group's operational processes and procedures are fully compliant with FCA rules, regulations and guidance and that they operate effectively.

- g) Reputation risk is the risk of damage to the Group's trading name, brands and/or corporate identity arising from perceived or actual instances of unethical or disreputable business behaviour.

The Directors recognise that the success of the Group is heavily dependent upon demonstrating and maintaining consistently high ethical standards in all business dealings and in delivering a high-quality, hassle-free service to intermediaries and customers. The Directors believe that the Group's service ethos helps engender a passion for delivering a high-quality personalised service.

- h) Operational risk is the risk arising from the Group's people, processes, systems and external events.

The Group seeks to manage operational risk through the risk management framework articulated above.

Approved by the Board of Directors
and signed by order of the Board

CR Rumsey
Director
11 April 2017

DIRECTOR'S REPORT

Directors

The Directors who served the company during the year and up to the date of this report were as follows:

CR Rumsey
CB Wagman
DV4 Administration Limited
DJW Young (resigned 10 April 2016)

In terms of section 234 of the Companies Act 2006, the Directors of the Company have been granted Qualifying Third Party Indemnity Provisions by the Company, which remain in force as at the date of approving the Strategic Report and the Directors' Report.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: £nil).

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Disabled persons

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

The Group encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Group through frequent email notices, internal notices and Board statements. The Group maintains a strong communications network and employees are encouraged, through its open-door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Under Company Law, the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Group and of the Company and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Company;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, and Article 4 of the IAS regulation.

The Directors are also responsible for the system of internal control, safeguarding the assets of the Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements.

The Directors and the Group are committed to high ethical standards in all their dealings. The subsidiary company, Retirement Plus Limited, as an FCA authorised arranger and administrator of home reversion plans is reliant upon its ability to build a long-term relationship of trust and high-quality service with elderly homeowners.

In observing the FCA's high-level principle of Treating Customers Fairly, the Directors believe the delivery of appropriate advice is critical.

The Group's home reversion plans also continue to comply with the code of practice of the Equity Release Council (ERC) (formerly Safe Home Income Plans ("SHIP")). Occupants of properties held under the Group's home reversion plans have access to the Group's skilled staff who assist them with any problems associated with the maintenance of their homes.

Through its active participation in ERC and other bodies, the Group has assisted with the development of industry best practice in a changing regulatory environment. In addition, ERC has its own Reversions Complaints Board which acts independently of the FCA.

Although the equity release market is fully regulated by the FCA, homeowners contemplating an equity release plan are advised only to consider plans provided by members of ERC. Its members commit to a voluntary code which incorporates minimum product standards and other safeguards for consumers not covered by FCA regulation, including:

- a no negative equity guarantee;
- security of tenure for life;
- the ability to move home without financial penalty;
- clear presentation of plans, and
- a requirement that no plan may be taken out without the customer having first received independent legal advice.

Going concern statement

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not contractually repayable until December 2020, at which time the Group is expected to have generated further funds from the disposal of reverted investment

properties and equity release plan assets. Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least 13 months from the date the financial statements are approved. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies (Audit, Investigations and Community Enterprise) Act 2004 (which amends the Companies Act 2006), companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of any liability incurred by them in defending any proceedings (whether civil or criminal) in which judgment is given in their favour and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours.

Auditors

In the case of each of the persons who is a Director at the time when the Strategic Report and the Directors' Report are approved, the following apply:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware, and
- each of the Directors has taken all the steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board

CR Rumsey
Director
11 April 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON HOMES LIMITED

We have audited the financial statements of Milton Homes Limited for the year ended 31 December 2016 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Changes in Equity, the consolidated and company Balance Sheets, the consolidated and company Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Williams (*Senior statutory auditor*)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	<i>Notes</i>	<i>Year ended 31 December 2016 £'000</i>	<i>Year ended 31 December 2015 £'000</i>
Income			
Profit on disposal of investment property		541	933
Gain on cancellation of equity release plans		383	108
Gain on revaluation of investment properties		2,693	5,777
Gain on revaluation of equity release plan financial assets		254	802
Other income	3	1,978	2,189
		5,849	9,809
Administrative expenses		(1,555)	(1,725)
Operating profit	4	4,294	8,084
Finance expense	6	(5,550)	(5,768)
(Loss)/Profit before tax		(1,256)	2,316
Tax credit for the year	7	113	–
Total comprehensive (loss)/income for the financial year, attributable to equity shareholders		(1,143)	2,316

All activities arise from continuing activities. The Group has no other comprehensive income other than the losses and profits above, for the year ended 31 December 2016 (2015: £nil).

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

	<i>Share capital</i> £'000	<i>Share premium reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Merger reserves</i> £'000	<i>Accumulated losses</i> £'000	<i>Total</i> £'000
As at 1 January 2015	29,955	133	7,750	(4,782)	(38,672)	(5,616)
Issue of Share capital	12,137	–	–	–	–	12,137
Transfers	–	–	(7,750)	(55)	7,805	–
Total comprehensive income for the year	–	–	–	–	2,316	2,316
As at 31 December 2016	<u>42,092</u>	<u>133</u>	<u>–</u>	<u>(4,837)</u>	<u>(28,551)</u>	<u>8,837</u>
As at 1 January 2016	42,092	133	–	(4,837)	(28,551)	8,837
Total comprehensive loss for the year	–	–	–	–	(1,143)	(1,143)
As at 31 December 2016	<u>42,092</u>	<u>133</u>	<u>–</u>	<u>(4,837)</u>	<u>(29,694)</u>	<u>7,694</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	<i>Share capital</i> £'000	<i>Share premium reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Other reserves</i> £'000	<i>Accumulated losses</i> £'000	<i>Total</i> £'000
At 1 January 2015	29,955	133	3,097	55	(38,856)	5,616
Issue of Share capital	12,137	–	–	–	–	12,137
Transfers	–	–	(3,097)	(55)	3,152	–
Total comprehensive loss for the year	–	–	–	–	(2,316)	(2,316)
At 31 December 2015	<u>42,092</u>	<u>133</u>	<u>–</u>	<u>–</u>	<u>(33,388)</u>	<u>8,837</u>
At 1 January 2016	42,092	133	–	–	(33,388)	(8,837)
Total comprehensive income for the year	–	–	–	–	1,143	1,143
At 31 December 2016	<u>42,092</u>	<u>133</u>	<u>–</u>	<u>–</u>	<u>(34,531)</u>	<u>7,694</u>

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
ASSETS			
Non-current assets			
Investment properties	8	43,351	45,604
Investment properties – held for sale	8	5,917	5,034
Financial assets – equity release plans	9	28,464	29,178
Financial assets – equity release plans held for sale	9	2,363	2,483
Plant and equipment	11	20	29
		<u>80,115</u>	<u>82,328</u>
Current assets			
Trade and other receivables	12	53	54
Cash and cash equivalents		349	651
		<u>402</u>	<u>705</u>
Total assets		<u>80,517</u>	<u>83,033</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	423	426
Interest-bearing loans and borrowings	14	42	49
		<u>465</u>	<u>475</u>
Non-current liabilities			
Interest-bearing loans and borrowings	14	72,358	73,721
		<u>72,358</u>	<u>73,721</u>
Total liabilities		<u>72,823</u>	<u>74,196</u>
Total net assets		<u>7,694</u>	<u>8,837</u>
EQUITY			
Share capital	16	42,092	42,092
Share premium reserve	17	133	133
Capital reserve	17	–	–
Other reserves	17	(4,837)	(4,837)
Accumulated losses	17	(29,694)	(28,551)
Total equity		<u>7,694</u>	<u>8,837</u>

These financial statements were approved by the Board of Directors and authorised for issue on 11 April 2017.

Signed on behalf of the Board of Directors

CR Rumsey
Director

COMPANY BALANCE SHEET
as at 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	10	70,779	68,921
		<u>70,779</u>	<u>68,921</u>
Current assets			
Trade and other receivables	12	80	76
Cash and cash equivalents		25	10
		<u>105</u>	<u>86</u>
Total assets		<u>70,884</u>	<u>69,007</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	12,405	10,454
Interest-bearing loans and borrowings	14	39,468	37,710
		<u>51,873</u>	<u>48,164</u>
Non-current liabilities			
Interest-bearing loans and borrowings	14	11,317	12,006
		<u>11,317</u>	<u>12,006</u>
Total liabilities		<u>63,190</u>	<u>60,170</u>
Total net assets		<u>7,694</u>	<u>8,837</u>
EQUITY			
Share capital	16	42,092	42,092
Share premium reserve	17	133	133
Capital reserve	17	–	–
Other reserve	17	–	–
Accumulated losses	17	(34,531)	(33,388)
Total equity		<u>7,694</u>	<u>8,837</u>

These financial statements were approved by the Board of Directors and authorised for issue on 11 April 2017.

Signed on behalf of the Board of Directors

CR Rumsey
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2016

	<i>Notes</i>	<i>Year ended 31 December 2016 £'000</i>	<i>Year ended 31 December 2015 £'000</i>
Operating activities			
(Loss)/Profit for the year		(1,143)	2,316
Increase in fair value of investment properties	8	(2,693)	(5,777)
Realised gain on disposal of investment properties		(541)	(934)
Increase in fair value of equity release plan financial assets	9	(254)	(802)
Realised gains from cancellation of equity release plans		(383)	(108)
Equity Transfer Rate income	3	(1,978)	(2,189)
Finance expense	6	5,523	5,768
Depreciation of plant and equipment	11	12	6
Net cash outflow before changes in working capital		<u>(1,457)</u>	<u>(1,720)</u>
Decrease/(Increase) in trade and other receivables		1	(7)
(Decrease)/Increase in trade and other payables		(33)	18
Net cash outflow from operating activities		<u>(1,489)</u>	<u>(1,709)</u>
Investing activities			
Proceeds from sale of investment properties		4,931	8,600
Purchase of investment properties		(266)	(411)
Proceeds from cancellation of equity release assets		3,332	941
Purchase of equity release assets		(39)	(253)
Net cash inflow from investing activities		<u>7,958</u>	<u>8,877</u>
Financing activities			
Repayment to parent company		(1,900)	(2,682)
Interest paid		(13)	(17)
Repayment of Partnership loan		(4,708)	(5,089)
Drawdown of Partnership loan		–	498
Early repayment charge		(102)	(71)
Repayment of deferred purchase consideration		(48)	(80)
Net cash outflow from financing activities		<u>(6,771)</u>	<u>(7,441)</u>
(Decrease) in cash and cash equivalents		<u>(302)</u>	<u>(273)</u>
Cash and cash equivalents at the beginning of the year		651	924
Cash and cash equivalents at the end of the year		<u><u>349</u></u>	<u><u>651</u></u>

The finance expense of £5,323k incurred in the financial year ended 31 December 2016 is relation to the accrued loan interests and early repayment charge on the Partnership loan, which is unpaid as at 31 December 2016.

COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2016

	<i>Notes</i>	<i>Year 31 December 2016 £'000</i>	<i>Year 31 December 2015 £'000</i>
Operating activities			
(Loss)/Profit for the year	17	(1,143)	2,316
Provision for diminution in value of investment in subsidiary undertakings	10	(1,858)	(5,418)
Finance expense		2,999	3,074
		<hr/>	<hr/>
Net cash outflow before changes in working capital		(2)	(28)
Increase in trade and other receivables		(4)	(21)
(Decrease)/increase in trade and other payables		(39)	27
		<hr/>	<hr/>
Net cash outflow from operating activities		(45)	(22)
Financing activities			
Repayment to ultimate parent company		(1,900)	(2,682)
Repayments to subsidiary undertakings		–	–
New debt drawn down from subsidiary undertakings		1,960	2,682
		<hr/>	<hr/>
Net cash inflow from financing activities		60	–
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		15	(22)
Cash and cash equivalents at beginning of the year		10	32
		<hr/>	<hr/>
Cash and cash equivalents at end of the year		<u>25</u>	<u>10</u>

The finance expense of £2,999k incurred in the financial year ended 31 December 2016 is relation to the accrued loan interests payable to the subsidiary undertakings, which is unpaid as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2016**

1. Accounting policies

Milton Homes Limited (the “Company”) is a company registered in England and Wales under the Companies Act 2006. The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the Company and its subsidiaries (together the “Group”).

The Group and Company’s financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (together “IFRS”) as adopted by the European Union, and comply with the Companies Act 2006.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes.

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared in Sterling and all values are rounded to the nearest pounds thousands except where otherwise indicated.

Changes in accounting policy

There are no new accounting policies or amendments to IFRS, effective as of 1 January 2016, that are relevant to the Group.

Standards and interpretations issued but not yet applied

There are no standards issued but not yet effective up to the date of issuance of the Group’s financial statements that are relevant to the Group.

Basis of consolidation

The financial statements comprise the financial statements of Milton Homes Limited and its subsidiary undertakings.

Subsidiaries are consolidated from the date control passes, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company balances and transactions are eliminated.

Going concern

Having made appropriate enquiries and reviewing the Group’s forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not repayable until December 2020, at which time the Group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets. Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least 13 months from the date the financial statements are approved. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less any provision for impairment in value.

The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investment property

Freehold property that is held for capital appreciation and that is not occupied by the Group is classified as investment property. Leasehold property held for capital appreciation and that is not occupied by the Group is treated as a finance lease and included within investment property.

Investment property is measured initially at cost, including commissions paid to independent financial advisors and directly attributable property acquisition transaction costs, and is thereafter reported at fair value, which reflects market conditions at the period end date.

Gains or losses arising from a change in the fair values of the investment properties are recognised in the statement of comprehensive income in the year in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Financial assets – equity release plans

Through the Property Plan agreements of the subsidiary companies, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, the Group owns rights to increasing beneficial interests in residential properties in the United Kingdom. The values of these interests are, subsequent to initial recognition at cost, measured at fair value with changes recognised in the statement of comprehensive income. Directly attributable transaction costs are excluded from the initial cost of financial assets which are fair valued through profit or loss.

Gains or losses arising from a change in the fair values of the financial assets are recognised in the statement of comprehensive income in the year in which they arise.

A financial asset is derecognised on disposal or when the financial asset is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of financial assets is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Office and IT equipment – 33 per cent.

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstance indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are renewed annually and where adjustments are required, these are made prospectively.

An item of plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Properties leased out to tenants under operating leases are included in investment properties in the consolidated balance sheet and accounted for in accordance with the accounting policy on investment property.

Trade and other receivables

Trade receivables are carried at the lower of their invoiced value and recoverable amount.

Impairment of other receivables

The Group assesses at each balance sheet date whether other receivables are impaired.

If there is objective evidence that an impairment loss on other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits, and are subjected to insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are stated at cost.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit, as reported in the statement of comprehensive income, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities against current tax assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses on the repurchase, settlement or cancellation of liabilities are recognised in the statement of comprehensive income as finance income and finance expense, respectively.

Pension costs

Pension costs in respect of contributions to the Self-Invested Personal Pension plan arrangements of certain employees, together with employer contributions to the Group's stakeholder pension arrangements, are charged to the statement of comprehensive income as incurred.

Deferred purchase consideration on acquisition of reversionary interests in investment property

The Group has entered into loan agreements with certain tenants which are repaid by way of monthly instalments over the term of the agreement ("Deferred purchase consideration"). The loans are recognised when the Group becomes party to the related contract and are measured initially at fair value less directly attributable transaction costs. After initial recognition, deferred purchase consideration is measured at amortised cost using the effective interest method.

The loans are repaid in the event of death, vacation from the property or at the Group's request, but generally in response to receipt of a request for repayment from the tenant.

Derecognition of financial liabilities

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or otherwise expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, so that the difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the statement of comprehensive income.

Revenue recognition

Profits or losses on the sale of financial assets and reverted properties are recognised on completion of the sale and are included in operating profit. Profits or losses on disposal are calculated as net sales proceeds less the carrying value of the Group's beneficial interest in the properties determined with reference to the most recent valuation.

Equity Transfer Rate ("ETR") income represents the recognition in the statement of comprehensive income of the increase in the Group's beneficial interest in the properties underlying the equity release plan financial asset portfolio in accordance with the contractual terms of the Retirement Plus Property Plan. ETR income is recognised on a monthly basis over the term of the plan until the Group's beneficial interest reaches the maximum set out in each individual Property Plan. This increase in value is recognised as part of other income in the statement of comprehensive income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. Critical accounting judgements and key sources of estimation and uncertainty

In the process of applying the Group's accounting policies as described in note 1, management have made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

Fair value of investment properties

The fair value of the Group's investment properties and equity release plan assets is determined by independent real estate valuation experts Allsop LLP, using recognised valuation techniques. See note 8.

Fair value of financial assets – equity release plans

The fair value of the Group's equity release plans is determined by independent real estate valuation experts Allsop LLP using recognised valuation techniques. See note 9

3. Other income

	2016 £'000	2015 £'000
Equity Transfer Rate income	1,978	2,189

4. Operating profit

The operating profit is stated after charging:

	2016 £'000	2015 £'000
Depreciation of plant and equipment	12	6
Auditors' remuneration: – audit fees	9	8

5. Information regarding directors and employees

	2016 £	2015 £
Directors' emoluments:		
Directors' remuneration	433,892	458,297
Pension contributions	6,125	28,125
	<u>440,017</u>	<u>486,422</u>
Highest paid Director, excluding pension contributions	<u>272,957</u>	<u>247,500</u>
Pension contributions for highest paid Director	<u>2,375</u>	<u>28,125</u>
	2016 £	2015 £
Employment costs including Directors' emoluments, are as follows:		
Wages and salaries	749,047	797,240
Social security costs	83,173	98,294
Other pension costs	16,632	43,057
	<u>848,852</u>	<u>938,591</u>

At 31 December 2016, the unpaid accrued pension costs amounted to £1,269 (2015: £1,668).

	2016 No.	2015 No.
The average number of persons, including executive Directors, employed by the Group is analysed below:		
Sales	3	3
Administration	6	6
	<u>9</u>	<u>9</u>

6. Finance expense

	2016 £'000	2015 £'000
Interest payable on Partnership loan	4,197	4,251
Early repayment charge on Partnership loan	129	71
Interest payable on other loans	13	17
Shareholders' loan interest on DDBs	1,211	1,429
	<u>5,550</u>	<u>5,768</u>

7. Taxation

Group

	2016 £'000	2015 £'000
Analysis of tax credit for the year		
Deferred tax credit	–	–
Prior year adjustments in respect of group relief	(113)	–
Tax credit for the year	<u>(113)</u>	<u>–</u>

The effective rate of corporation tax for the year varies from the standard rate in the United Kingdom (20 per cent.) as applied to the Group's pre-tax profit for the reasons analysed below:

	2016 £'000	2015 £'000
Reconciliation of total tax charge		
(Loss)/Profit on ordinary activities before tax	(1,256)	2,316
Profit for the year multiplied by the standard rate of corporation tax in the United Kingdom ((20%) (2015: 20.25%))	(251) 469	
Factors affecting the tax charge for the year:		
Expenses not deductible for tax purposes	1,171	1,229
Temporary timing differences deductible when paid	–	(113)
Group relief	–	44
Profit on revaluation of assets offset by brought forward losses	(539)	(1,170)
Other tax adjustments	(110)	(192)
Chargeable gains	243	458
Taxation losses utilised in year	5	(800)
Taxation losses carried forward	(519)	75
Prior year adjustments in respect of group relief	(113)	–
	<u>(113)</u>	<u>–</u>

Deferred tax

The deferred tax liabilities are analysed below:

	2016 £	2015 £
Deferred tax liability		
Gains arising from the revaluation of the investment properties	1,371,250	1,548,917
Losses	<u>(1,371,250)</u>	<u>(1,548,917)</u>
Deferred tax liabilities	<u> -</u>	<u> -</u>

The group has an unrecognised deferred tax asset of £4,517,313 (2015: £6,096,903) in respect of tax losses together with capital allowances not yet claimed and other temporary differences calculated using the applicable standard rate of UK corporation tax of 17 per cent. (2015: 18 per cent.).

The Finance (No.2) Act 2015 was enacted on 18 November 2015, which introduced a reduction in the headline rate of corporation tax from 20 per cent. to 19 per cent. from 1 April 2017. The Finance Act 2016 was enacted on 15 September 2016, and introduced a further reduction of the headline rate of corporation tax to 17 per cent. from 1 April 2020.

At the balance sheet date the reductions in the tax rate had been substantively enacted. Deferred tax is calculated at 17 per cent. as the temporary differences are expected to unwind after April 2020. The rate changes will impact the amount of future tax payments to be made by the Company.

8. Investment properties

	No.	2016 £'000	No.	2015 £'000
Valuation at beginning of year	375	50,638	417	52,141
Additions	1	267	3	411
Disposals	(29)	(4,330)	(45)	(7,691)
Revaluations	-	<u>2,693</u>	-	<u>5,777</u>
Valuation at end of year	<u>347</u>	<u>49,268</u>	<u>375</u>	<u>50,638</u>

Fair value hierarchy

The valuation of the investment properties is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The board of directors is responsible for determining the company's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where the Group has taken vacant possession of property an allowance has been made against the full market value to take account of necessary refurbishment costs. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.
- Investment rate – also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Cost saving rate – the potential cost saving of acquiring already existing life tenancy investments.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2011–13 (2015: for the period 2011–13). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a “speed up” rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant’s life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10 per cent. for younger tenants to 2.5 per cent. for older tenants. This remains unchanged from the prior year.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75 per cent. to 8 per cent.. This remains unchanged from the prior year.

Cost saving rate – In determining the discount percentage, an adjustment is made for each property to take into account the potential cost saving of acquiring already existing life tenancy investments. It is estimated that the initial set up cost per property of acquiring life tenancy investments is approximately 5 per cent. of the value of the vacant possession equity being acquired.

A 1.25 per cent. uplift has been applied to account for the potential cost savings of acquiring already existing life tenancy investments. This remains unchanged from the prior year.

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value.

Decreases in estimated investment terms and rates would result in a higher fair value.

9. Financial assets – equity release plans

	<i>2016</i>		<i>2015</i>	
	<i>No.</i>	<i>£'000</i>	<i>No.</i>	<i>£'000</i>
Valuation at beginning of year	290	31,661	298	29,252
Additions	–	39	2	253
Equity transfer	–	1,978	–	2,189
Cancellation of plans	(22)	(3,105)	(10)	(835)
Revaluations	–	254	–	802
Valuation at end of year	<u>268</u>	<u>30,827</u>	<u>290</u>	<u>31,661</u>

Fair value hierarchy

The valuation of the financial assets is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the estimated equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The board of directors is responsible for determining the Group's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge and expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.
- Investment rate – also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession.

The resultant valuations are capped at the estimated value of the Group's interest in the vacant possession value of the property should it have been obtained at the balance sheet date.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2011–13 (2015: for the period 2011–13). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10 per cent. for younger tenants to 2.5 per cent. for older tenants. This remains unchanged from the prior year.

Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession is calculated with reference to the expected investment term, the equity interest owned by the Group at the balance sheet date and the additional slices of equity in each property that will accrue under the terms of the equity release plans.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75 per cent. to 8 per cent.. This remains unchanged from the prior year.

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value.

Decreases in estimated investment terms and rates would result in a higher fair value.

10. Investment in subsidiary undertakings

	<i>£'000</i>
Cost	
At 1 January 2016 and 31 December 2016	80,227
Provision	
At 1 January 2016	(11,306)
Impairment write back	1,858
At 31 December 2016	(9,448)
Carrying amount	
At 31 December 2016	70,779
At 31 December 2015	68,921

The impairment write back is determined by the growth in net assets of subsidiaries as at the current year ended 31 December 2016.

11. Plant and equipment

	<i>Office and IT equipment £'000</i>
Cost	
At 1 January 2016	267
Additions	3
At 31 December 2016	270
Accumulated depreciation	
At 1 January 2016	(238)
Charge for the year	(12)
At 31 December 2016	(250)
Carrying amount	
At 31 December 2016	20
At 31 December 2015	29

12. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	5	3	–	–
Amounts due from group companies	–	–	80	76
Prepayments	47	48	–	–
Other debtors	1	3	–	–
	<u>53</u>	<u>54</u>	<u>80</u>	<u>76</u>

13. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	4	38	–	26
Other tax and social security	18	28	–	–
Amounts due to group companies	–	–	12,076	10,131
Accrued interest on loans from group companies	–	–	314	285
Accruals and deferred income	401	360	15	12
	<u>423</u>	<u>426</u>	<u>12,405</u>	<u>10,454</u>

14. Interest-bearing loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current				
Group company borrowings	–	–	39,468	37,710
Deferred purchase consideration	42	49	–	–
	<u>42</u>	<u>49</u>	<u>39,468</u>	<u>37,710</u>

	<i>Group</i>		<i>Company</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current				
Partnership loan	60,893	61,527	–	–
Shareholder loans	11,317	12,006	11,317	12,006
Deferred purchase consideration	148	188	–	–
	<u>72,358</u>	<u>73,721</u>	<u>11,317</u>	<u>12,006</u>

Partnership loan

Partnership Life Assurance Company Limited has provided a £62,633,796 facility. The facility bears interest at 7.15 per cent. per annum and is secured on the Borrowers' rights to beneficial interests in residential properties acquired through equity release plans. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of. As at 31 December 2016, £60,893,501 was due to Partnership Life Assurance Company Limited (2015: £61,526,975).

Shareholder loans – Deep Discounted Bonds

DV4 Limited provided to Milton Homes Limited deep discounted bonds of £11,000,000 under a subordinated loan agreement on 11 February 2015. The deep discounted bonds have an interest element of 10 per cent. accruing to reach the maturity value upon the repayment date of 31 December 2020.

Group company borrowings

The Company has various subordinated loan facilities provided by subsidiary companies.

The loans are unsecured and bear interest at LIBOR plus 1 per cent. per annum and at a fixed rate of 10 per cent. per annum. At 31 December 2016 the loans outstanding were £39,468,236 (2015: £37,709,507).

Undrawn committed borrowings

As at 31 December 2016, the Group had £nil (2015: £nil) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fifth year commitment of £50 million has now expired.

Deferred purchase consideration

Deferred purchase consideration represents annuities payable to tenants where consideration for a property has taken the form, in some part, of a commitment by the Group to pay monthly cash instalments over a set period. The last of these instalments is payable in 2025. The effective interest rate is 5.95 per cent..

15. Financial instruments

Apart from the property plans, the group's principal financial instruments comprise cash, the Partnership loan, shareholder loans, deferred purchase consideration trade and other receivables, and trade and other payables. Cash and cash equivalents are considered to be cash at bank and cash in hand. The main purpose of these instruments is to finance the acquisition of investment property and to meet operating, administrative and finance costs. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are liquidity risk, credit risk and capital management. There is no currency risk as all financial instruments are held in Sterling. The Financial and Risk Review includes an explanation of the Group's objectives and policies with regard to financial instruments and the management of risk.

Group

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2015 and 2016 based on contractual undiscounted payments:

	<i>Interest rate (%)</i>	<i>Within 1 year £'000</i>	<i>1-5 years £'000</i>	<i>More than 5 years £'000</i>	<i>Total £'000</i>
<i>31 December 2015</i>					
Partnership loan	7.15	–	–	61,527	61,527
Shareholder DDBs loans	10	–	–	19,683	19,683
Deferred purchase consideration	5.95	60	175	40	275
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>Interest rate (%)</i>	<i>Within 1 year £'000</i>	<i>1-5 years £'000</i>	<i>More than 5 years £'000</i>	<i>Total £'000</i>
<i>31 December 2016</i>					
Partnership loan	7.15	–	–	60,893	60,893
Shareholder DDB loans	10	–	–	16,804	16,804
Deferred purchase consideration	5.95	60	175	40	275
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

In regards to the Partnership loan, the above table shows the outstanding loan balance and accrued interest as at 31 December 2016. In addition, the Partnership loan bears interest at 7.15 per cent. per annum. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of.

Liquidity risk

In order to ensure that sufficient funds are available to fund the purchase of Investment Properties and Equity Release Plan assets the Company has access to a funding facility from Partnership Life Assurance Company Limited. As at 31 December 2016, the Group had £nil (2015: £nil) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fifth year commitment of £50 million has now expired.

Credit risk

The Group's exposure to credit risk on cash and cash equivalents and loans, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

Through efficient capital management, the Group aims to maximise corporate value whilst reducing the financial risks to which it is exposed. Investment property and equity release plan asset acquisitions are individually reviewed for consistency with the Group's eligible investment property criteria.

The Group funds investment activity and operations through proceeds from reverted properties, shareholder equity and debt. The mix of financing between equity and bank debt is generally reviewed when debt facilities are renegotiated or when significant investment activity is forecast.

Fair values of financial assets and liabilities

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments, other than those carrying amounts that are reasonable approximations of fair values.

	<i>Book Value 2016 £'000</i>	<i>Fair Value 2016 £'000</i>	<i>Book Value 2015 £'000</i>	<i>Fair Value 2015 £'000</i>
Financial liabilities				
Shareholder DDB loans	<u>11,317</u>	<u>10,700</u>	<u>12,006</u>	<u>9,500</u>

16. Share capital

Group and Company

	<i>2016 £'000</i>	<i>2015 £'000</i>
<i>Authorised</i>		
100,000,000 (2015: 100,000,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	<i>2016 £'000</i>	<i>2015 £'000</i>
<i>Allotted, Issued & fully paid</i>		
29,954,615 'A' Shares at £1	29,955	29,955
12,137,708 'A' Shares issued at £1	<u>12,137</u>	<u>12,137</u>
At 31 December	<u>42,092</u>	<u>42,092</u>

17. Reserves

<i>Group</i>	<i>Share premium reserve £'000</i>	<i>Capital reserve £'000</i>	<i>Merger reserves £'000</i>	<i>Accumulated losses £'000</i>
At 1 January 2016	133	–	(4,837)	(28,551)
Transfers	–	–	–	–
Loss for the year	–	–	–	(1,143)
At 31 December 2016	133	–	(4,837)	(29,694)

<i>Company</i>	<i>Share premium reserve £'000</i>	<i>Capital reserve £'000</i>	<i>Other reserves £'000</i>	<i>Accumulated losses £'000</i>
At 1 January 2016	133	–	–	(33,388)
Transfers	–	–	–	–
Loss for the year	–	–	–	(1,143)
At 31 December 2016	133	–	–	(34,531)

Reserves are defined as follows:

Share premium reserve represents amounts subscribed for issued share capital in excess of nominal value. The capital reserve comprises the difference between the fair value and nominal amount of non-interest bearing loans made available by the ultimate parent company.

Merger reserves is a non-distributable reserve created as part of a group reorganisation.

Retained earnings are the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

18. Related party transactions

DV4 Limited, its ultimate parent, provided to Milton Homes Limited deep discounted bonds of £11,000,000, under a subordinated loan agreement effective from 11 February 2015. The loans have an interest element of 10 per cent. accruing to reach the maturity value upon the repayment date of 31 December 2020. At 31 December 2016 the loan was recorded at £11,316,820 payable to DV4 Limited (2015: £12,005,587).

Transactions with key management personnel (comprising the Directors) are disclosed below:

	<i>31 December 2016 £'000</i>	<i>31 December 2015 £'000</i>
Short-term employee benefits	440	486

19. Ultimate parent undertaking and controlling party

At 31 December 2016, the ultimate parent undertaking and controlling party was DV4 Limited, a company registered in the British Virgin Islands.

Section B: Audited financial statements for the year ended 31 December 2015

OFFICERS AND PROFESSIONAL ADVISERS

Directors	CR Rumsey – <i>Managing Director</i> CB Wagman – <i>Non-executive Chairman</i> DJW Young – <i>Chief Executive</i> DV4 Administration Limited
Secretary	DV4 Administration Limited 6th Floor Lansdowne House Berkeley Square London W1J 6ER
Registered office	Bryan Cave LLP 88 Wood Street London EC2V 7AJ
Head office and principal place of business	Newcombe House 45 Notting Hill Gate London W11 3LQ
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Legal advisers	King & Wood Mallesons LLP 10 Queen Street Place London EC4R 1BE
Valuer	Allsop LLP 33 Park Place Leeds LS1 2RY

STRATEGIC REPORT

The Directors present the Strategic Report, together with the financial statements and auditors' report of Milton Homes Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

Principal activities

The principal activity of the Group is to own and manage residential property acquired through home reversion plans. Whilst the Group is not currently entering into new business it plans to maintain a significant long-term exposure to the UK residential property market as a provider of both traditional and innovative home reversion plans. The Group's subsidiaries, Living Plus Limited, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, are authorised by The Financial Conduct Authority ("FCA") as home reversion plan providers and Retirement Plus Limited is authorised as an arranger and administrator of home reversion plans.

Results for the financial year

The financial statements show results for the Group for the year as follows:

	<i>Year ended 31 December 2015 £'000</i>	<i>Year ended 31 December 2014 £'000</i>
Income	<u>9,809</u>	<u>11,878</u>
Profit before tax	2,316	3,272
Tax charge for the year	<u>–</u>	<u>–</u>
Profit for the year, attributable to equity shareholders	<u><u>2,316</u></u>	<u><u>3,272</u></u>

Business review and future developments

The Group has managed its business activities in the face of a fluctuating property market and extremely challenging lending conditions. In common with its peer group, the gain on revaluation of the Group's portfolio of reversionary interests in investment property dominates an assessment of current year financial performance in common with the prior financial period.

The Directors believe that the Group's strong brands, scalable infrastructure and established relationships with key intermediaries position it well to enjoy further significant growth when the company enters into new business.

Details of the principal risks and uncertainties facing the Group can be found in the Financial and Risk Review on pages 5 to 9.

Investment portfolio

When acquiring reversionary interests in investment property and equity release plan financial assets in the past, the Group endeavoured to reduce the property risk to which it is exposed by investing in higher-quality affordable housing stock and by maintaining regional diversification.

The Directors believe that this strategy has satisfied the somewhat conflicting objectives of conserving cash whilst maintaining the business presence of the Group.

The Group's reversionary interests in investment properties and equity release plan financial assets have been acquired at a significant discount to vacant possession value at the time of acquisition. The pre-tax reversionary surplus of the Group's investment property and equity release plan financial assets portfolio (ie the difference between current vacant possession values and investment values determined by Allsop) as a percentage of investment value has remained virtually static at 38 per cent. or, in absolute terms,

£31,466,863 (2014: £32,136,308) indicative of the level of profits to be expected from future property disposals.

The Group seeks to maintain a high-quality and well-diversified portfolio. In order to reduce portfolio risk, the Group aims to:

- minimise its exposure to adverse regional property price cycles by holding a geographically well-diversified portfolio of reversionary interests in investment property; and
- maintain a demographically well-balanced portfolio of reversionary interests so that there is a constant and smooth pattern of realisations.

Substantial interests

The Directors are aware that at the date of this report, the following shareholders held beneficial interests in ordinary shares amounting to 3 per cent. or more of the issued ordinary share capital of the company.

	<i>No. of shares</i>	<i>% of issued share capital</i>
DV4 Limited	42,092,323	100.00%

On 11 February 2015, DV4 Limited acquired the remaining 90.39% share capital of Milton Homes Limited. As part of this arrangement £12,137,708 of the deep discounted bonds payable to DV3 Limited (the Group's immediate parent undertaking at 31 December 2014), was waived by DV3 Limited in consideration for the issue of £12,137,708 £1 A ordinary shares of Milton Homes Limited.

Financial risk management objectives and policies

As part of the process of effective Corporate Governance, the Group conducts a process for the assessment and mitigation of risks affecting the Group, particularly those which could inhibit achievement of Group strategic objectives. In addition, risk management focuses on operational, compliance and financial objectives.

The Board sets the overall risk appetite and philosophy of the Group. The Board establishes the parameters for risk appetite through setting strategic direction, contributing to and ultimately approving annual business plans for the Group, and regularly reviewing and monitoring performance in relation to risk through half-yearly and ad hoc reports from the monthly Executive Committee meetings. Risk appetite is defined in both qualitative and quantitative terms and is an expression of the maximum level of residual risk that the Group is prepared to accept in order to deliver its business objectives and is regularly assessed. Monitoring exposure to risk and uncertainty is an integral part of the Group's structured management processes. The Group's activities expose it to a number of financial risks including interest rate risk, credit risk, property market risk, longevity risk and liquidity risk. Details of how these risks are monitored and mitigated can be found in the Financial and Risk Review.

The Group finances its operations and investment activity from the following sources:

- (a) Equity;
- (b) Shareholder debt;
- (c) External borrowings, and
- (d) Net proceeds from the sale of reverted properties and equity release plan assets.

Capitalisation and indebtedness

The following tables show the capitalisation and indebtedness of the Group at each year end:

	<i>31 December</i> 2015 £'000	<i>31 December</i> 2014 £'000
<i>Capitalisation and indebtedness</i>		
Unguaranteed/unsecured	49	71
Total current debt	<u>49</u>	<u>71</u>
Secured	61,527	61,866
Unguaranteed/unsecured	<u>12,194</u>	<u>25,641</u>
Total non-current debt	<u>73,721</u>	<u>87,507</u>
Share capital and share premium	42,225	30,088
Capital reserves	–	7,750
Merger reserves	(4,837)	(4,782)
Retained losses	<u>(28,551)</u>	<u>(38,672)</u>
Shareholders' equity/deficit	<u>8,837</u>	<u>(5,616)</u>
	<i>31 December</i> 2015 £'000	<i>31 December</i> 2014 £'000
<i>Net indebtedness</i>		
Cash	<u>651</u>	<u>924</u>
Total liquidity	651	924
Other current financial debt	<u>(49)</u>	<u>(71)</u>
Current financial debt	<u>(49)</u>	<u>(71)</u>
Net current financial funds	<u>602</u>	<u>853</u>
Non-current Partnership loan	(61,527)	(61,866)
Other non-current financial debt	<u>(12,194)</u>	<u>(25,641)</u>
Non-current financial indebtedness	<u>(73,721)</u>	<u>(87,507)</u>
Net financial indebtedness	<u>(73,119)</u>	<u>(86,654)</u>

Risk management

In assessing risk the Board utilises a consistent approach drawn from perceived best risk management practice which utilises a generic high-level framework and generic risk factors. This approach considers the potential impact of each risk together with the likelihood of the risk materialising at an “inherent” level, i.e. before considering any mitigating controls. The definition of these terms is as follows:

- Impact – the extent to which the risk, if it materialised, would adversely affect the Group. Factors that help define the impact rating may include financial effect, reputation impact, ability to achieve key objectives, etc.
- Likelihood – the probability of a risk materialising over a predefined time period, currently set at one year. In some cases, frequency of occurrence may be considered as well.

This assessment process results in a list of key business risks which have a high overall risk rating and, therefore, are those which most critically require controls to be implemented to manage or mitigate the underlying risks. Reassessment of key business risks is undertaken by executive management on a regular basis. The reassessment is not limited to the identified key business risks but takes into consideration both internal and external changes and includes those risks which would impact on the financial reporting process.

The Directors believe that this approach is consistent with FCA guidance for integrating and embedding risk and capital management practices and procedures.

The following Board and executive sub-committees support the Board in the risk management process:

The Executive Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for the running of the Group's businesses. The Executive Committee consists of the Managing Director, who is Chairman, the Chief Executive Officer, and such other senior executives as the Managing Director chooses to appoint.

The Risk Management Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for monitoring and managing risk throughout the Group's businesses, ensuring that the Group's risk management framework is adequate in design and operates effectively. At present the Risk Management Committee is run as part of the Executive Committee and has not been constituted as a separate committee. The Risk Management Committee recommends for approval limits, policies and procedures in respect of the effective management of all material risks, considering risks to the Group under the headings of:

- (a) Strategic objectives – that relate to high-level goals, aligned with and supporting the Group's mission;
- (b) Operational objectives – that relate to the effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss;
- (c) Compliance objectives – that relate to adherence to the laws and regulations to which the Group is subject; and
- (d) Financial objectives – that pertain both to the financial status of the Group, together with that of individual operating companies, and financial reporting, including the exposure to fraudulent or erroneous public disclosure of financial information.

The principal risks that the Group seeks to manage are as follows:

- (a) Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and arises primarily from the mismatch between the Group's secured debt obligations and the fixed rate it earns on its long term equity release plan financial assets and investment properties.
- (b) Liquidity risk is the risk that the Group is unable to meet its cash obligations as they fall due.

The Group monitors its liquidity risk by maintaining short-term and long-term cash flow forecasts which identify significant future cash flow requirements, primarily from debt repayment schedules.

The Group seeks to maintain facilities that ensure the Group has sufficient available funds to satisfy daily requirements and planned future acquisitions of reversionary interest in investment property and equity release plan assets.

Partnership Life Assurance Company Limited has provided long-term funding on commercial terms.

- (c) Credit risk is the risk that the Group will incur losses as a result of the failure of customers and counterparties to meet their obligations and arises from holdings of financial assets.

The Group is not subject to material levels of credit risk, as these assets revert fully to the Group on reversion.

- (d) Longevity risk is the risk that the Group, as a provider of equity release products, will incur financial loss because of the later-than-anticipated reversion of properties and equity release plan financial assets on account of experienced life expectancy improvements.

The Group seeks to mitigate this risk through the use of conservative mortality assumptions. The services of professionally qualified, independent firms of actuaries are regularly utilised to review the mortality assumptions employed by the Group, monitoring them against external data, emerging trends and historic assumptions.

The Group regularly reviews the purchase of insurance protection against longevity risk and has insurance cover for excessive longevity risk built into the Living Plus impaired-life product.

- (e) Property market risk is the risk that the investment value of the Group's reversionary interest in investment properties and equity release plan financial assets may experience lower than anticipated or indeed negative growth. The investment value of the Group's reversionary interest in investment properties and equity release plan financial assets is determined by changes in investment yields, actuarial assumptions regarding mortality and morbidity rates and by changes in the market value of the underlying properties.

The Group seeks to mitigate the level of property risk to which it is exposed by maintaining a portfolio that is well diversified both geographically and in terms of individual property values, and by seeking to avoid holding lower-quality property assets which are generally more adversely impacted by market downturns.

The Group's property market risk is further mitigated by the five-year floor in the Retirement Plus Property Plan which protects the Group from negative HPI in the first five years of the plan.

- (f) Regulatory risk is the risk arising from a failure to satisfy the Group's obligations to its regulators, primarily the FCA, or to identify the requirement for and implement revised business processes in response to changes in the regulations to which the Group is subject.

The Group utilises the services of a firm of regulatory compliance consultants to both advise on relevant changes in the regulatory environment and to ensure that the Group's operational processes and procedures are fully compliant with FCA rules, regulations and guidance and that they operate effectively.

- (g) Reputation risk is the risk of damage to the Group's trading name, brands and/or corporate identity arising from perceived or actual instances of unethical or disreputable business behaviour.

The Directors recognise that the success of the Group is heavily dependent upon demonstrating and maintaining consistently high ethical standards in all business dealings and in delivering a high-quality, hassle-free service to intermediaries and customers. The Directors believe that the Group's service ethos helps engender a passion for delivering a high-quality personalised service.

- (h) Operational risk is the risk arising from the Group's people, processes, systems and external events.

The Group seeks to manage operational risk through the risk management framework articulated above.

Approved by the Board of Directors
and signed by order of the Board

DJW Young
Director

8 April 2016

DIRECTOR'S REPORT

Directors

The current Directors are listed on page 2.

In terms of section 234 of the Companies Act 2006, the Directors of the Company have been granted Qualifying Third Party Indemnity Provisions by the Company, which remain in force as at the date of approving the Strategic Report and the Directors' Report.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: £nil).

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Disabled persons

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

The Group encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Group through frequent email notices, internal notices and Board statements. The Group maintains a strong communications network and employees are encouraged, through its open-door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Under Company Law, the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Group and of the Company and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Company;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;

- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, and Article 4 of the IAS regulation.

The Directors are also responsible for the system of internal control, safeguarding the assets of the Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements.

The Directors and the Group are committed to high ethical standards in all their dealings. The subsidiary company, Retirement Plus Limited, as an FCA authorised arranger and administrator of home reversion plans is reliant upon its ability to build a long-term relationship of trust and high-quality service with elderly homeowners.

In observing the FCA's high-level principle of Treating Customers Fairly, the Directors believe the delivery of appropriate advice is critical.

The Group's home reversion plans also continue to comply with the code of practice of the Equity Release Council (ERC) (formerly Safe Home Income Plans ("SHIP")). Occupants of properties held under the Group's home reversion plans have access to the Group's skilled staff who assist them with any problems associated with the maintenance of their homes.

Through its active participation in ERC and other bodies, the Group has assisted with the development of industry best practice in a changing regulatory environment. In addition, ERC has its own Reversions Complaints Board which acts independently of the FCA.

Although the equity release market is fully regulated by the FCA, homeowners contemplating an equity release plan are advised only to consider plans provided by members of ERC. Its members commit to a voluntary code which incorporates minimum product standards and other safeguards for consumers not covered by FCA regulation, including:

- a no negative equity guarantee;
- security of tenure for life;
- the ability to move home without financial penalty;
- clear presentation of plans, and
- a requirement that no plan may be taken out without the customer having first received independent legal advice.

Going concern statement

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not contractually repayable until December 2020, at which time the Group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets. As part of the arrangement regarding DV4 Limited's acquisition of Milton Homes Limited on 11 February 2015, £12,137,708 of the deep discounted bonds payable to DV3 Limited, at 31 December 2014, were waived by DV3 Limited in consideration for £12,137,708 £1 A ordinary shares of Milton Homes Limited. Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least

13 months from the date the financial statements are approved. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies (Audit, Investigations and Community Enterprise) Act 2004 (which amends the Companies Act 2006), companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of any liability incurred by them in defending any proceedings (whether civil or criminal) in which judgment is given in their favour and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours.

Auditors

In the case of each of the persons who is a Director at the time when the Strategic Report and the Directors' Report are approved, the following apply:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware, and
- each of the Directors has taken all the steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board

DJW Young

Director

8 April 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON HOMES LIMITED

We have audited the financial statements of Milton Homes Limited for the year ended 31 December 2015 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Changes in Equity, the consolidated and company Balance Sheets, the consolidated and company Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	<i>Notes</i>	<i>Year ended 31 December 2015 £'000</i>	<i>Year ended 31 December 2014 £'000</i>
Income			
Profit on disposal of investment property		933	811
Gain on cancellation of equity release plans		108	247
Gain on revaluation of investment properties		5,777	6,862
Gain on revaluation of equity release plan financial assets		802	1,552
Other income	3	<u>2,189</u>	<u>2,406</u>
		9,809	11,878
Administrative expenses		<u>(1,725)</u>	<u>(1,571)</u>
Operating profit	4	8,084	10,307
Finance expense	6	<u>(5,768)</u>	<u>(7,035)</u>
Profit before tax		2,316	3,272
Tax charge for the year	7	<u>–</u>	<u>–</u>
Total comprehensive income for the financial year, attributable to equity shareholders		<u><u>2,316</u></u>	<u><u>3,272</u></u>

All activities arise from continuing activities. The Group has no other comprehensive income other than the profits and losses above, for the year ended 31 December 2015 (2014: £nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	<i>Share capital</i> £'000	<i>Share premium reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Merger reserves</i> £'000	<i>Accumulated losses</i> £'000	<i>Total</i> £'000
As at 1 January 2014	29,955	133	7,750	(4,782)	(41,944)	(8,888)
Total comprehensive income for the year	—	—	—	—	3,272	3,272
As at 31 December 2014	<u>29,955</u>	<u>133</u>	<u>7,750</u>	<u>(4,782)</u>	<u>(38,672)</u>	<u>(5,616)</u>
As at 1 January 2015	29,955	133	7,750	(4,782)	(38,672)	(5,616)
Issue of Share capital	12,137	—	—	—	—	12,137
Transfers	—	—	(7,750)	(55)	7,805	—
Total comprehensive income for the year	—	—	—	—	2,316	2,316
As at 31 December 2015	<u>42,092</u>	<u>133</u>	<u>—</u>	<u>(4,837)</u>	<u>(28,551)</u>	<u>8,837</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	<i>Share capital</i> £'000	<i>Share premium reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Merger reserves</i> £'000	<i>Accumulated losses</i> £'000	<i>Total</i> £'000
At 1 January 2014	29,955	133	3,097	55	(42,128)	(8,888)
Total comprehensive income for the year	—	—	—	—	3,272	3,272
At 31 December 2014	<u>29,955</u>	<u>133</u>	<u>3,097</u>	<u>55</u>	<u>(38,856)</u>	<u>(5,616)</u>
At 1 January 2015	29,955	133	3,097	55	(38,856)	(5,616)
Issue of Share capital	12,137	—	—	—	—	12,137
Transfers	—	—	(3,097)	(55)	3,152	—
Total comprehensive income for the year	—	—	—	—	2,316	2,316
At 31 December 2015	<u>42,092</u>	<u>133</u>	<u>—</u>	<u>—</u>	<u>(33,388)</u>	<u>8,837</u>

CONSOLIDATED BALANCE SHEET
as at 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>£'000</i>	<i>2014</i> <i>£'000</i>
ASSETS			
Non-current assets			
Investment properties	8	45,604	47,363
Investment properties – held for sale	8	5,034	4,778
Financial assets – equity release plans	9	29,178	28,715
Financial assets – equity release plans held for sale	9	2,483	537
Plant and equipment	11	29	–
		<u>82,328</u>	<u>81,393</u>
Current assets			
Trade and other receivables	12	54	53
Cash and cash equivalents		<u>651</u>	<u>924</u>
		<u>705</u>	<u>977</u>
Total assets		<u>83,033</u>	<u>82,370</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	426	408
Interest-bearing loans and borrowings	14	<u>49</u>	<u>71</u>
		475	479
Non-current liabilities			
Interest-bearing loans and borrowings	14	<u>73,721</u>	<u>87,507</u>
		73,721	87,507
Total liabilities		<u>74,196</u>	<u>87,986</u>
Total net assets/(liabilities)		<u>8,837</u>	<u>(5,616)</u>
EQUITY			
Share capital	16	42,092	29,955
Share premium reserve	17	133	133
Capital reserve	17	–	7,750
Other reserves	17	(4,837)	(4,782)
Accumulated losses	17	<u>(28,551)</u>	<u>(38,672)</u>
Total equity/(deficit)		<u>8,837</u>	<u>(5,616)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 8 April 2016.

Signed on behalf of the Board of Directors

DJW Young
Director

CR Rumsey
Director

COMPANY BALANCE SHEET
as at 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>£'000</i>	<i>2014</i> <i>£'000</i>
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	10	<u>68,921</u>	<u>63,503</u>
		68,921	63,503
Current assets			
Trade and other receivables	12	76	70
Cash and cash equivalents		<u>10</u>	<u>32</u>
		86	102
Total assets		<u>69,007</u>	<u>63,605</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	10,454	7,736
Interest-bearing loans and borrowings	14	<u>37,710</u>	<u>36,088</u>
		48,164	43,824
Non-current liabilities			
Interest-bearing loans and borrowings	14	<u>12,006</u>	<u>25,397</u>
		12,006	25,397
Total liabilities		<u>60,170</u>	<u>69,221</u>
Total net assets/(liabilities)		<u>8,837</u>	<u>(5,616)</u>
EQUITY			
Share capital	16	42,092	29,955
Share premium reserve	17	133	133
Capital reserve	17	–	3,097
Other reserve	17	–	55
Accumulated losses	17	<u>(33,388)</u>	<u>(38,856)</u>
Total equity/(deficit)		<u>8,837</u>	<u>(5,616)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 8 April 2016.

Signed on behalf of the Board of Directors

DJW Young
Director

CR Rumsey
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2015

	<i>Notes</i>	<i>Year ended</i> <i>31 December</i> <i>2015</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2014</i> <i>£'000</i>
Operating activities			
Profit for the year		2,316	3,272
Increase in fair value of investment properties	8	(5,777)	(6,862)
Realised gain on disposal of investment properties		(934)	(811)
Increase in fair value of equity release plan financial assets	9	(802)	(1,552)
Realised gains from cancellation of equity release plans		(108)	(247)
Equity Transfer Rate income	3	(2,189)	(2,406)
Finance expense	6	5,768	7,035
Depreciation of plant and equipment	11	6	2
Net cash outflow before changes in working capital		<u>(1,720)</u>	<u>(1,569)</u>
Increase in trade and other receivables		(7)	(6)
Increase/(Decrease) in trade and other payables		<u>18</u>	<u>(40)</u>
Net cash outflow from operating activities		<u>(1,709)</u>	<u>(1,615)</u>
Investing activities			
Proceeds from sale of investment properties		8,600	7,958
Purchase of investment properties		(411)	(91)
Proceeds from cancellation of equity release assets		941	2,480
Purchase of equity release assets		<u>(253)</u>	<u>(60)</u>
Net cash inflow from investing activities		<u>8,877</u>	<u>10,287</u>
Financing activities			
Repayment to parent company DV3 Limited		(2,682)	(1,800)
Interest paid		(17)	(22)
Repayment of Partnership loan		(5,089)	(6,335)
Drawdown of Partnership loan		498	–
Early repayment charge		(71)	(217)
Repayment of deferred purchase consideration		<u>(80)</u>	<u>(81)</u>
Net cash outflow from financing activities		<u>(7,441)</u>	<u>(8,455)</u>
(Decrease)/Increase in cash and cash equivalents		<u>(273)</u>	<u>217</u>
Cash and cash equivalents at the beginning of the year		<u>924</u>	<u>707</u>
Cash and cash equivalents at the end of the year		<u><u>651</u></u>	<u><u>924</u></u>

COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2015

	<i>Notes</i>	<i>Year</i> <i>31 December</i> <i>2015</i> <i>£'000</i>	<i>Year</i> <i>31 December</i> <i>2014</i> <i>£'000</i>
Operating activities			
Profit for the year	17	2,316	3,272
Provision for diminution in value of investment in subsidiary undertakings	10	(5,418)	(7,242)
Finance income		–	(115)
Finance expense		3,074	4,081
		<u> </u>	<u> </u>
Net cash outflow before changes in working capital		(28)	(4)
Increase in trade and other receivables		(21)	–
Increase/(decrease) in trade and other payables		27	(18)
		<u> </u>	<u> </u>
Net cash outflow from operating activities		(22)	(22)
Financing activities			
Repayment to ultimate parent company		(2,682)	(1,800)
Repayments to subsidiary undertakings		–	(21)
New debt drawn down from subsidiary undertakings		2,682	1,850
		<u> </u>	<u> </u>
Net cash inflow from financing activities		–	29
		<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents		(22)	7
Cash and cash equivalents at beginning of the year		32	25
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year		<u> </u> <u> </u>	<u> </u> <u> </u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

1. Accounting policies

Milton Homes Limited (the "Company") is a company registered in England and Wales under the Companies Act 2006. The consolidated financial statements of the Company for the year ended 31 December 2015 comprise the Company and its subsidiaries (together the "Group").

The Group and Company's financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (together "IFRS") as adopted by the European Union, and comply with the Companies Act 2006.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes.

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared in Sterling and all values are rounded to the nearest pounds thousands except where otherwise indicated.

Changes in accounting policy

There are no new accounting policies or amendments to IFRS, effective as of 1 January 2015, that are relevant to the Group.

Standards and interpretations issued but not yet applied

There are no standards issued but not yet effective up to the date of issuance of the Group's financial statements that are relevant to the Group.

Basis of consolidation

The financial statements comprise the financial statements of Milton Homes Limited and its subsidiary undertakings.

Subsidiaries are consolidated from the date control passes, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company balances and transactions are eliminated.

Going concern

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not repayable until December 2020, at which time the Group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets. As part of the arrangement regarding DV4 Limited's acquisition of Milton Homes Limited on 11 February 2015, £12,137,708 of the deep discounted bonds payable to DV3 Limited, at 31 December 2014, were waived by DV3 Limited in consideration for £12,137,708 £1 A ordinary shares of Milton Homes Limited. Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least 13 months

from the date the financial statements are approved. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less any provision for impairment in value. The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investment property

Freehold property that is held for capital appreciation and that is not occupied by the Group is classified as investment property. Leasehold property held for capital appreciation and that is not occupied by the Group is treated as a finance lease and included within investment property.

Investment property is measured initially at cost, including commissions paid to independent financial advisors and directly attributable property acquisition transaction costs, and is thereafter reported at fair value, which reflects market conditions at the period end date.

Gains or losses arising from a change in the fair values of the investment properties are recognised in the statement of comprehensive income in the year in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Financial assets – equity release plans

Through the Property Plan agreements of the subsidiary companies, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, the Group owns rights to increasing beneficial interests in residential properties in the United Kingdom. The values of these interests are, subsequent to initial recognition at cost, measured at fair value with changes recognised in the statement of comprehensive income. Directly attributable transaction costs are excluded from the initial cost of financial assets which are fair valued through profit or loss.

Gains or losses arising from a change in the fair values of the financial assets are recognised in the statement of comprehensive income in the year in which they arise.

A financial asset is derecognised on disposal or when the financial asset is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of financial assets is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Office and IT equipment – 33 per cent

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstance indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are renewed annually and where adjustments are required, these are made prospectively.

An item of plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Properties leased out to tenants under operating leases are included in investment properties in the consolidated balance sheet and accounted for in accordance with the accounting policy on investment property.

Trade and other receivables

Trade receivables are carried at the lower of their invoiced value and recoverable amount.

Impairment of other receivables

The Group assesses at each balance sheet date whether other receivables are impaired.

If there is objective evidence that an impairment loss on other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits, and are subjected to insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are stated at cost.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit, as reported in the statement of comprehensive income, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities against current tax assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses on the repurchase, settlement or cancellation of liabilities are recognised in the statement of comprehensive income as finance income and finance expense, respectively.

Pension costs

Pension costs in respect of contributions to the Self-Invested Personal Pension plan arrangements of certain employees, together with employer contributions to the Group's stakeholder pension arrangements, are charged to the statement of comprehensive income as incurred.

Deferred purchase consideration on acquisition of reversionary interests in investment property

The Group has entered into loan agreements with certain tenants which are repaid by way of monthly instalments over the term of the agreement ("Deferred purchase consideration"). The loans are recognised when the Group becomes party to the related contract and are measured initially at fair value less directly attributable transaction costs. After initial recognition, deferred purchase consideration is measured at amortised cost using the effective interest method.

The loans are repaid in the event of death, vacation from the property or at the Group's request, but generally in response to receipt of a request for repayment from the tenant.

Derecognition of financial liabilities

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or otherwise expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, so that the difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the statement of comprehensive income.

Revenue recognition

Profits or losses on the sale of financial assets and reverted properties are recognised on completion of the sale and are included in operating profit. Profits or losses on disposal are calculated as net sales proceeds less the carrying value of the Group's beneficial interest in the properties determined with reference to the most recent valuation.

Equity Transfer Rate ("ETR") income represents the recognition in the statement of comprehensive income of the increase in the Group's beneficial interest in the properties underlying the equity release plan financial asset portfolio in accordance with the contractual terms of the Retirement Plus Property Plan. ETR income is recognised on a monthly basis over the term of the plan until the Group's beneficial interest reaches the maximum set out in each individual Property Plan. This increase in value is recognised as part of other income in the statement of comprehensive income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. Critical accounting judgements and key sources of estimation and uncertainty

In the process of applying the Group's accounting policies as described in note 1, management have made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

Fair value of investment properties

The fair value of the Group's investment properties and equity release plan assets is determined by independent real estate valuation experts Allsops LLP, using recognised valuation techniques. See note 8.

Fair value of financial assets – equity release plans

The fair value of the Group's equity release plans is determined by independent real estate valuation experts Allsops LLP using recognised valuation techniques. See note 9

3. Other income

	2015 £'000	2014 £'000
Equity Transfer Rate income	2,189	2,406

4. Operating profit

The operating profit is stated after charging:

	2015 £'000	2014 £'000
Depreciation of plant and equipment	6	2
Auditors' remuneration: – audit fees	8	5

5. Information regarding directors and employees

	2015 £	2014 £
Directors' emoluments:		
Directors' remuneration	458,297	434,992
Pension contributions	28,125	27,000
	<u>486,422</u>	<u>461,992</u>
Highest paid Director, excluding pension contributions	<u>247,500</u>	<u>209,992</u>
Pension contributions for highest paid Director	<u>28,125</u>	<u>–</u>
	2015 £	2014 £
Employment costs including Directors' emoluments, are as follows:		
Wages and salaries	797,240	746,426
Social security costs	98,294	95,318
Other pension costs	43,057	41,927
	<u>938,591</u>	<u>883,671</u>

At 31 December 2015, the unpaid accrued pension costs amounted to £1,668 (2014: £1,503).

	2015 No.	2014 No.
The average number of persons, including executive Directors, employed by the Group is analysed below:		
Sales	3	3
Administration	6	6
	<u>9</u>	<u>9</u>

6. Finance expense

	2015 £'000	2014 £'000
Interest payable on Partnership loan	4,251	4,343
Early repayment charge on Partnership loan	71	217
Interest payable on other loans	17	22
Shareholders' loan interest on DDBs	1,429	2,453
	<u>5,768</u>	<u>7,035</u>

7. Taxation

Group

	2015 £'000	2014 £'000
Analysis of tax charge for the year		
Deferred tax credit	-	-
Tax charge for the year	<u>-</u>	<u>-</u>

The effective rate of corporation tax for the year varies from the standard rate in the United Kingdom (20.25 per cent.) as applied to the Group's pre-tax profit for the reasons analysed below:

	2015 £'000	2014 £'000
Reconciliation of total tax charge		
Profit on ordinary activities before tax	2,316	3,272
Profit for the year multiplied by the standard rate of corporation tax in the United Kingdom ((20.25%.) (2014: 21.49%.)	469	703
Factors affecting the tax charge for the year:		
Expenses not deductible for tax purposes	1,229	1
Temporary timing differences deductible when paid	(113)	552
Group relief	44	-
Income not taxable	-	(174)
Profit on revaluation of assets non-deductible	(1,170)	(1,475)
Other tax adjustments	(192)	(3)
Chargeable gains	458	245
Taxation losses utilised in year	(800)	(193)
Taxation losses carried forward	75	344
	<u>-</u>	<u>-</u>

Deferred tax

The deferred tax liabilities are analysed below:

	2015	2014
	£	£
Deferred tax liability		
Gains arising from the revaluation of the investment properties	1,548,917	1,130,920
Losses	<u>(1,548,917)</u>	<u>(1,130,920)</u>
Deferred tax liabilities	<u> -</u>	<u> -</u>

The group has an unrecognised deferred tax asset of £6,096,903 (2014: £10,109,507) in respect of tax losses together with capital allowances not yet claimed and other temporary differences calculated using the applicable standard rate of UK corporation tax of 18 per cent. (2014: 20 per cent.).

The Finance (No.2) Act 2015 was enacted on 18 November 2015, which introduced a reduction in the headline rate of corporation tax from 20 per cent. to 19 per cent. from 1 April 2017 and to 18 per cent. from 1 April 2020.

At the balance sheet date the reductions in the tax rate had been substantively enacted. Deferred tax is calculated at 18 per cent. as the temporary differences are expected to unwind after April 2016. The rate changes will impact the amount of future tax payments to be made by the Company.

8. Investment properties

	No.	2015 £'000	No.	2014 £'000
Valuation at beginning of year	417	52,141	465	52,361
Additions	3	411	-	91
Disposals	(45)	(7,691)	(48)	(7,173)
Revaluations	-	5,777	-	6,862
Valuation at end of year	<u>375</u>	<u>50,638</u>	<u>417</u>	<u>52,141</u>

Fair value hierarchy

The valuation of the investment properties is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The board of directors is responsible for determining the company's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where the Group has taken vacant possession of property an allowance has been made against the full market value to take account of necessary refurbishment costs. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.
- Investment rate – also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Cost saving rate – the potential cost saving of acquiring already existing life tenancy investments.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2011 – 13 (2013: for the period 2010 – 12). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a “speed up” rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant’s life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10 per cent. for younger tenants to 2.5 per cent. for older tenants. This remains unchanged from the prior year.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75 per cent. to 8 per cent. This remains unchanged from the prior year.

Cost saving rate – In determining the discount percentage, an adjustment is made for each property to take into account the potential cost saving of acquiring already existing life tenancy investments. It is estimated that the initial set up cost per property of acquiring life tenancy investments is approximately 5 per cent. of the value of the vacant possession equity being acquired.

A 1.25 per cent. uplift has been applied to account for the potential cost savings of acquiring already existing life tenancy investments. This remains unchanged from the prior year.

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value.

Decreases in estimated investment terms and rates would result in a higher fair value.

9. Financial assets – equity release plans

	No.	2015 £'000	No.	2014 £'000
Valuation at beginning of year	298	29,252	316	27,474
Additions	2	253	–	60
Equity transfer	–	2,189	–	2,406
Cancellation of plans	(10)	(835)	(18)	(2,240)
Revaluations	–	802	–	1,552
	<u>290</u>	<u>31,661</u>	<u>298</u>	<u>29,252</u>

Fair value hierarchy

The valuation of the financial assets is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the estimated equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The board of directors is responsible for determining the Group's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.
- Investment rate – also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession.

The resultant valuations are capped at the estimated value of the Group's interest in the vacant possession value of the property should it have been obtained at the balance sheet date.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2011 – 13 (2013: for the period 2010 – 12). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10 per cent. for younger tenants to 2.5 per cent. for older tenants. This remains unchanged from the prior year.

Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession is calculated with reference to the expected investment term, the equity interest owned by the Group at the balance sheet date and the additional slices of equity in each property that will accrue under the terms of the equity release plans.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75 per cent. to 8 per cent.. This remains unchanged from the prior year.

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value.

Decreases in estimated investment terms and rates would result in a higher fair value.

10. Investment in subsidiary undertakings

	<i>£'000</i>
Cost	
At 1 January 2015 and 31 December 2015	<u>80,227</u>
Provision	
At 1 January 2015	(16,724)
Impairment write back	5,418
At 31 December 2015	<u>(11,306)</u>
Carrying amount	
At 31 December 2015	<u>68,921</u>
At 31 December 2014	<u>63,503</u>

11. Plant and equipment

	<i>Office and IT equipment £'000</i>
Cost	
At 1 January 2015	232
Additions	35
At 31 December 2015	<u>267</u>
Accumulated depreciation	
At 1 January 2015	(232)
Charge for the year	(6)
At 31 December 2015	<u>(238)</u>
Carrying amount	
At 31 December 2015	<u>29</u>
At 31 December 2014	<u>-</u>

12. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	3	2	–	–
Amounts due from group companies	–	–	76	70
Prepayments	48	42	–	–
Other debtors	3	9	–	–
	<u>54</u>	<u>53</u>	<u>76</u>	<u>70</u>

13. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	38	24	26	–
Other tax and social security	28	27	–	–
Amounts due to group companies	–	–	10,131	7,462
Accrued interest on loans from group companies	–	–	285	263
Accruals and deferred income	360	357	12	11
	<u>426</u>	<u>408</u>	<u>10,454</u>	<u>7,736</u>

14. Interest-bearing loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current				
Group company borrowings	–	–	37,710	36,088
Deferred purchase consideration	49	71	–	–
	<u>49</u>	<u>71</u>	<u>37,710</u>	<u>36,088</u>

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current				
Partnership loan	61,527	61,866	–	–
Shareholder loans	12,006	25,397	12,006	25,397
Deferred purchase consideration	188	244	–	–
	<u>73,721</u>	<u>87,507</u>	<u>12,006</u>	<u>25,397</u>

Partnership loan

Partnership Life Assurance Company Limited has provided a £62,633,796 facility. The facility bears interest at 7.15 per cent. per annum and is secured on the Borrowers' rights to beneficial interests in residential properties acquired through equity release plans. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of. As at 31 December 2015, £61,526,975 was due to Partnership Life Assurance Company Limited (2014: £61,865,968).

Shareholder loans – Deep Discounted Bonds

DV3 Limited and DV4 Limited provided to Milton Homes Limited deep discounted bonds of £23,657,608 under a subordinated loan agreement effective from 1 January 2011. The deep discounted bonds have an interest element of 10 per cent. accruing to reach the maturity value upon the repayment date of 31 December 2020.

Group company borrowings

The Company has various subordinated loan facilities provided by subsidiary companies.

The loans are unsecured and bear interest at LIBOR plus 1 per cent. per annum and at a fixed rate of 10 per cent. per annum. At 31 December 2015 the loans outstanding were £37,709,507 (2014: £36,087,762).

Undrawn committed borrowings

As at 31 December 2015, the Group had £nil (2014: £50 million) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fifth year commitment of £50 million has now expired.

Deferred purchase consideration

Deferred purchase consideration represents annuities payable to tenants where consideration for a property has taken the form, in some part, of a commitment by the Group to pay monthly cash instalments over a set period. The last of these instalments is payable in 2025. The effective interest rate is 5.95 per cent.

15. Financial instruments

Apart from the property plans, the group's principal financial instruments comprise cash, the Partnership loan, shareholder loans, deferred purchase consideration trade and other receivables, and trade and other payables. Cash and cash equivalents are considered to be cash at bank and cash in hand. The main purpose of these instruments is to finance the acquisition of investment property and to meet operating, administrative and finance costs. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are liquidity risk, credit risk and capital management. There is no currency risk as all financial instruments are held in Sterling. The Financial and Risk Review includes an explanation of the Group's objectives and policies with regard to financial instruments and the management of risk.

Group

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payments:

	<i>Interest rate (%)</i>	<i>Within 1 year £'000</i>	<i>1-5 years £'000</i>	<i>More than 5 years £'000</i>	<i>Total £'000</i>
<i>31 December 2015</i>					
Partnership loan	7.15	–	–	61,527	61,527
Shareholder DDBs loans	10	–	–	19,683	19,683
Deferred purchase consideration	5.95	60	175	40	275
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>Interest rate (%)</i>	<i>Within 1 year £'000</i>	<i>1-5 years £'000</i>	<i>More than 5 years £'000</i>	<i>Total £'000</i>
<i>31 December 2014</i>					
Partnership loan	7.15	–	–	61,866	61,866
Shareholder DDB loans	10	–	–	45,960	45,960
Deferred purchase consideration	5.95	86	208	72	366
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

In regards to the Partnership loan, the above table shows the outstanding loan balance and accrued interest as at 31 December 2015. In addition, the Partnership loan bears interest at 7.15 per cent. per annum. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of.

Liquidity risk

In order to ensure that sufficient funds are available to fund the purchase of Investment Properties and Equity Release Plan assets the Company has access to a funding facility from Partnership Life Assurance Company Limited. As at 31 December 2015, the Group had £nil (2014: £50 million) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fifth year commitment of £50 million has now expired.

Credit risk

The Group's exposure to credit risk on cash and cash equivalents and loans, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

Through efficient capital management, the Group aims to maximise corporate value whilst reducing the financial risks to which it is exposed. Investment property and equity release plan asset acquisitions are individually reviewed for consistency with the Group's eligible investment property criteria.

The Group funds investment activity and operations through proceeds from reverted properties, shareholder equity and debt. The mix of financing between equity and bank debt is generally reviewed when debt facilities are renegotiated or when significant investment activity is forecast.

Fair values of financial assets and liabilities

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments, other than those carrying amounts that are reasonable approximations of fair values.

	<i>Book Value 2015 £'000</i>	<i>Fair Value 2015 £'000</i>	<i>Book Value 2014 £'000</i>	<i>Fair Value 2014 £'000</i>
Financial liabilities				
Shareholder DDB loans	12,006	9,500	25,397	19,500

16. Share capital

Group and Company

	<i>2015 £'000</i>	<i>2014 £'000</i>
<i>Authorised</i>		
100,000,000 (2014: 100,000,000) ordinary shares of £1 each	100,000	100,000
	<i>2015 £'000</i>	<i>2014 £'000</i>
<i>Allotted, Issued & fully paid</i>		
29,954,615 'A' Shares at £1	29,955	29,955
12,137,708 'A' Shares issued at £1	12,137	–
At 31 December	42,092	29,955

17. Reserves

Group

	<i>Share premium reserve £'000</i>	<i>Capital reserve £'000</i>	<i>Merger reserves £'000</i>	<i>Accumulated losses £'000</i>
At 1 January 2015	133	7,750	(4,782)	(38,672)
Transfers	–	(7,750)	(55)	7,805
Profit for the year	–	–	–	2,316
At 31 December 2015	133	–	(4,837)	(28,551)

Company

	<i>Share premium reserve £'000</i>	<i>Capital reserve £'000</i>	<i>Other reserves £'000</i>	<i>Accumulated losses £'000</i>
At 1 January 2015	133	3,097	55	(38,856)
Transfers	–	(3,097)	(55)	3,152
Profit for the year	–	–	–	2,316
At 31 December 2015	133	–	–	(33,388)

Reserves are defined as follows:

Share premium reserve represents amounts subscribed for issued share capital in excess of nominal value. The capital reserve comprises the difference between the fair value and nominal amount of non-interest bearing loans made available by the ultimate parent company.

Merger reserves is a non-distributable reserve created as part of a group reorganisation.

Retained earnings are the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

18. Related party transactions

DV3 Limited and DV4 Limited provided to Milton Homes Limited deep discounted bonds of £23,657,608 under a subordinated loan agreement effective from 1 January 2011. The loans have an interest element of 10 per cent. accruing to reach the maturity value upon the repayment date of 31 December 2020. On 11 February 2015, DV4 Limited acquired the remaining 90.39 per cent. share capital of Milton Homes Limited. As part of this arrangement £12,137,708 of the deep discounted bonds payable to DV3 Limited (the Group's immediate parent undertaking at 31 December 2014), was waived by DV3 Limited in consideration for the issue of £12,137,708 £1 A ordinary shares of Milton Homes Limited. At 31 December 2015 the loan was recorded at £12,005,587 payable to DV4 Limited (2014: £25,396,769).

Transactions with key management personnel (comprising the Directors) are disclosed below:

	<i>31 December 2015 £'000</i>	<i>31 December 2014 £'000</i>
Short-term employee benefits	486	462

19. Post balance sheet events

There are no post balance sheet events.

20. Ultimate parent undertaking and controlling party

At 31 December 2015, the ultimate parent undertaking and controlling party was DV4 Limited, a company registered in the British Virgin Islands.

On 11 February 2015, DV4 Limited acquired the remaining 90.39 per cent. share capital of Milton Homes Limited, and therefore from this date the ultimate parent undertaking and controlling party is DV4 Limited, a company registered in the British Virgin Islands.

Section C: Audited financial statements for the year ended 31 December 2014

OFFICERS AND PROFESSIONAL ADVISERS

Directors

CR Rumsey – *Managing Director*
CB Wagman – *Non-executive Chairman*
DJW Young – *Chief Executive DV4*
Administration Limited

Secretary

DV4 Administration Limited
6th Floor
Lansdowne House
Berkeley Square
London
W1J 6ER

Registered office

Bryan Cave LLP
88 Wood Street
London
EC2V 7AJ

Head office and principal place of business

Newcombe House
45 Notting Hill Gate
London
W11 3LQ

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Legal advisers

King & Wood Mallesons LLP
10 Queen Street Place
London
EC4R 1BE

Valuer

Allsop LLP
33 Park Place
Leeds
LS1 2RY

STRATEGIC REPORT

The Directors present the Strategic Report, together with the financial statements and auditors' report of Milton Homes Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

Principal activities

The principal activity of the Group is to own and manage residential property acquired through home reversion plans. Whilst the Group is not currently entering into new business it plans to maintain a significant long-term exposure to the UK residential property market as a provider of both traditional and innovative home reversion plans. The Group's subsidiaries, Living Plus Limited, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, are authorised by The Financial Conduct Authority ("FCA") as home reversion plan providers and Retirement Plus Limited is authorised as an arranger and administrator of home reversion plans.

Results for the financial year

The financial statements show results for the Group for the year as follows:

	<i>Year ended 31 December 2014 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Income	11,878	10,770
Profit before tax	3,272	1,822
Tax charge for the year	–	–
Profit for the year, attributable to equity shareholders	3,272	1,822

Business review and future developments

The Group has managed its business activities in the face of a fluctuating property market and extremely challenging lending conditions. In common with its peer group, the gain on revaluation of the Group's portfolio of reversionary interests in investment property dominates an assessment of current year financial performance in common with the prior financial period.

The Directors believe that the Group's strong brands, scalable infrastructure and established relationships with key intermediaries position it well to enjoy further significant growth when the company enters into new business.

Details of the principal risks and uncertainties facing the Group can be found in the Financial and Risk Review on pages 5 to 9.

Investment portfolio

When acquiring reversionary interests in investment property and equity release plan financial assets in the past, the Group endeavoured to reduce the property risk to which it is exposed by investing in higher-quality affordable housing stock and by maintaining regional diversification.

The Directors believe that this strategy has satisfied the somewhat conflicting objectives of conserving cash whilst maintaining the business presence of the Group.

The Group's reversionary interests in investment properties and equity release plan financial assets have been acquired at a significant discount to vacant possession value at the time of acquisition. The pre-tax reversionary surplus of the Group's investment property and equity release plan financial assets portfolio (ie the

difference between current vacant possession values and investment values determined by Allsop) as a percentage of investment value has remained virtually static at 39 per cent. or, in absolute terms, £32,136,308 (2013: £32,428,730) indicative of the level of profits to be expected from future property disposals.

The Group seeks to maintain a high-quality and well-diversified portfolio. In order to reduce portfolio risk, the Group aims to:

- minimise its exposure to adverse regional property price cycles by holding a geographically well-diversified portfolio of reversionary interests in investment property; and
- maintain a demographically well-balanced portfolio of reversionary interests so that there is a constant and smooth pattern of realisations.

Substantial interests

The Directors are aware that at the date of this report, the following shareholders held beneficial interests in ordinary shares amounting to 3 per cent. or more of the issued ordinary share capital of the company.

	<i>No. of shares</i>	<i>% of issued share capital</i>
DV3 Limited	26,985,901	87.39%
DV4 Limited	2,968,714	9.61%
Royal Bank of Scotland	926,431	3.00%

Post balance sheet events

On 11 February 2015, DV4 Limited acquired the remaining 90.39 per cent. share capital of Milton Homes Limited. As part of this arrangement £12,137,708 of the deep discounted bonds payable to DV3 Limited (the Group's immediate parent undertaking at 31 December 2014) at 31 December 2014, was waived by DV3 Limited in consideration for the issue of £12,137,708 £1 A ordinary shares of Milton Homes Limited.

Financial risk management objectives and policies

As part of the process of effective Corporate Governance, the Group conducts a process for the assessment and mitigation of risks affecting the Group, particularly those which could inhibit achievement of Group strategic objectives. In addition, risk management focuses on operational, compliance and financial objectives.

The Board sets the overall risk appetite and philosophy of the Group. The Board establishes the parameters for risk appetite through setting strategic direction, contributing to and ultimately approving annual business plans for the Group, and regularly reviewing and monitoring performance in relation to risk through half-yearly and ad hoc reports from the monthly Executive Committee meetings. Risk appetite is defined in both qualitative and quantitative terms and is an expression of the maximum level of residual risk that the Group is prepared to accept in order to deliver its business objectives and is regularly assessed. Monitoring exposure to risk and uncertainty is an integral part of the Group's structured management processes. The Group's activities expose it to a number of financial risks including interest rate risk, credit risk, property market risk, longevity risk and liquidity risk. Details of how these risks are monitored and mitigated can be found in the Financial and Risk Review.

The Group finances its operations and investment activity from the following sources:

- a) Equity;
- b) Shareholder debt;
- c) External borrowings, and
- d) Net proceeds from the sale of reverted properties and equity release plan assets.

Capitalisation and indebtedness

The following tables show the capitalisation and indebtedness of the Group at each year end:

	<i>31 December</i> 2014 £'000	<i>31 December</i> 2013 £'000
<i>Capitalisation and indebtedness</i>		
Unguaranteed/unsecured	71	80
Total current debt	<u>71</u>	<u>80</u>
Secured	61,866	63,858
Unguaranteed/unsecured	25,641	25,060
Total non-current debt	<u>87,507</u>	<u>88,918</u>
Share capital and share premium	30,088	30,088
Capital reserves	7,750	7,750
Other reserves	(4,782)	(4,782)
Retained losses	(38,672)	(41,944)
Shareholders' deficit	<u>(5,616)</u>	<u>(8,888)</u>
	<i>31 December</i> 2014 £'000	<i>31 December</i> 2013 £'000
<i>Net indebtedness</i>		
Cash	924	707
Total liquidity	924	707
Other current financial debt	(71)	(80)
Current financial debt	<u>(71)</u>	<u>(80)</u>
Net current financial funds	<u>853</u>	<u>627</u>
Non-current Partnership loan	(61,866)	(63,858)
Other non-current financial debt	(25,641)	(25,060)
Non-current financial indebtedness	<u>(87,507)</u>	<u>(88,918)</u>
Net financial indebtedness	<u>(86,654)</u>	<u>(88,291)</u>

Risk management

In assessing risk the Board utilises a consistent approach drawn from perceived best risk management practice which utilises a generic high-level framework and generic risk factors. This approach considers the potential impact of each risk together with the likelihood of the risk materialising at an "inherent" level, i.e. before considering any mitigating controls. The definition of these terms is as follows:

- Impact – the extent to which the risk, if it materialised, would adversely affect the Group. Factors that help define the impact rating may include financial effect, reputation impact, ability to achieve key objectives, etc.
- Likelihood – the probability of a risk materialising over a predefined time period, currently set at one year. In some cases, frequency of occurrence may be considered as well.

This assessment process results in a list of key business risks which have a high overall risk rating and, therefore, are those which most critically require controls to be implemented to manage or mitigate the underlying risks. Reassessment of key business risks is undertaken by executive management on a regular basis. The reassessment is not limited to the identified key business risks but takes into consideration both internal and external changes and includes those risks which would impact on the financial reporting process.

The Directors believe that this approach is consistent with FCA guidance for integrating and embedding risk and capital management practices and procedures.

The following Board and executive sub-committees support the Board in the risk management process:

The Executive Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for the running of the Group's businesses. The Executive Committee consists of the Managing Director, who is Chairman, the Chief Executive Officer, and such other senior executives as the Managing Director chooses to appoint.

The Risk Management Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for monitoring and managing risk throughout the Group's businesses, ensuring that the Group's risk management framework is adequate in design and operates effectively. At present the Risk Management Committee is run as part of the Executive Committee and has not been constituted as a separate committee. The Risk Management Committee recommends for approval limits, policies and procedures in respect of the effective management of all material risks, considering risks to the Group under the headings of:

- a) Strategic objectives – that relate to high-level goals, aligned with and supporting the Group's mission;
- b) Operational objectives – that relate to the effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss;
- c) Compliance objectives – that relate to adherence to the laws and regulations to which the Group is subject; and
- d) Financial objectives – that pertain both to the financial status of the Group, together with that of individual operating companies, and financial reporting, including the exposure to fraudulent or erroneous public disclosure of financial information.

The principal risks that the Group seeks to manage are as follows:

- a) Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and arises primarily from the mismatch between the Group's secured debt obligations and the fixed rate it earns on its long term equity release plan financial assets and investment properties.

- b) Liquidity risk is the risk that the Group is unable to meet its cash obligations as they fall due.

The Group monitors its liquidity risk by maintaining short-term and long-term cash flow forecasts which identify significant future cash flow requirements, primarily from debt repayment schedules.

The Group seeks to maintain facilities that ensure the Group has sufficient available funds to satisfy daily requirements and planned future acquisitions of reversionary interest in investment property and equity release plan assets.

Partnership Life Assurance Company Limited has provided long-term funding on commercial terms.

- c) Credit risk is the risk that the Group will incur losses as a result of the failure of customers and counterparties to meet their obligations and arises from holdings of financial assets.

The Group is not subject to material levels of credit risk, as these assets revert fully to the Group on reversion.

- d) Longevity risk is the risk that the Group, as a provider of equity release products, will incur financial loss because of the later-than-anticipated reversion of properties and equity release plan financial assets on account of experienced life expectancy improvements.

The Group seeks to mitigate this risk through the use of conservative mortality assumptions. The services of professionally qualified, independent firms of actuaries are regularly utilised to review the mortality assumptions employed by the Group, monitoring them against external data, emerging trends and historic assumptions.

The Group regularly reviews the purchase of insurance protection against longevity risk and has insurance cover for excessive longevity risk built into the Living Plus impaired-life product.

- e) Property market risk is the risk that the investment value of the Group's reversionary interest in investment properties and equity release plan financial assets may experience lower than anticipated

or indeed negative growth. The investment value of the Group's reversionary interest in investment properties and equity release plan financial assets is determined by changes in investment yields, actuarial assumptions regarding mortality and morbidity rates and by changes in the market value of the underlying properties.

The Group seeks to mitigate the level of property risk to which it is exposed by maintaining a portfolio that is well diversified both geographically and in terms of individual property values, and by seeking to avoid holding lower-quality property assets which are generally more adversely impacted by market downturns.

The Group's property market risk is further mitigated by the five-year floor in the Retirement Plus Property Plan which protects the Group from negative HPI in the first five years of the plan.

- f) Regulatory risk is the risk arising from a failure to satisfy the Group's obligations to its regulators, primarily the FCA, or to identify the requirement for and implement revised business processes in response to changes in the regulations to which the Group is subject.

The Group utilises the services of a firm of regulatory compliance consultants to both advise on relevant changes in the regulatory environment and to ensure that the Group's operational processes and procedures are fully compliant with FCA rules, regulations and guidance and that they operate effectively.

- g) Reputation risk is the risk of damage to the Group's trading name, brands and/or corporate identity arising from perceived or actual instances of unethical or disreputable business behaviour.

The Directors recognise that the success of the Group is heavily dependent upon demonstrating and maintaining consistently high ethical standards in all business dealings and in delivering a high-quality, hassle-free service to intermediaries and customers. The Directors believe that the Group's service ethos helps engender a passion for delivering a high-quality personalised service.

- h) Operational risk is the risk arising from the Group's people, processes, systems and external events.
The Group seeks to manage operational risk through the risk management framework articulated above.

Approved by the Board of Directors
and signed by order of the Board

DJW Young
Director
30 April 2015

DIRECTOR'S REPORT

Directors

The current Directors are listed on page 2.

In terms of section 234 of the Companies Act 2006, the Directors of the Company have been granted Qualifying Third Party Indemnity Provisions by the Company, which remain in force as at the date of approving the Strategic Report and the Directors' Report.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: £nil).

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Disabled persons

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

The Group encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Group through frequent email notices, internal notices and Board statements. The Group maintains a strong communications network and employees are encouraged, through its open-door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Under Company Law, the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Group and of the Company and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Company;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;

- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, and Article 4 of the IAS regulation.

The Directors are also responsible for the system of internal control, safeguarding the assets of the Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements.

The Directors and the Group are committed to high ethical standards in all their dealings. The subsidiary company, Retirement Plus Limited, as an FCA authorised arranger and administrator of home reversion plans is reliant upon its ability to build a long-term relationship of trust and high-quality service with elderly homeowners.

In observing the FCA's high-level principle of Treating Customers Fairly, the Directors believe the delivery of appropriate advice is critical.

The Group's home reversion plans also continue to comply with the code of practice of the Equity Release Council (ERC) (formerly Safe Home Income Plans ("SHIP")). Occupants of properties held under the Group's home reversion plans have access to the Group's skilled staff who assist them with any problems associated with the maintenance of their homes.

Through its active participation in ERC and other bodies, the Group has assisted with the development of industry best practice in a changing regulatory environment. In addition, ERC has its own Reversions Complaints Board which acts independently of the FCA.

Although the equity release market is fully regulated by the FCA, homeowners contemplating an equity release plan are advised only to consider plans provided by members of ERC. Its members commit to a voluntary code which incorporates minimum product standards and other safeguards for consumers not covered by FCA regulation, including:

- a no negative equity guarantee;
- security of tenure for life;
- the ability to move home without financial penalty;
- clear presentation of plans, and
- a requirement that no plan may be taken out without the customer having first received independent legal advice.

Going concern statement

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not contractually repayable until December 2020, at which time the Group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets. As part of the arrangement regarding DV4 Limited's acquisition of Milton Homes Limited on 11 February 2015, £12,137,708 of the deep discounted bonds payable to DV3 Limited, at 31 December 2014, were waived by DV3 Limited in consideration for £12,137,708 £1 A ordinary shares of Milton Homes Limited. Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least

13 months from the date the financial statements are approved. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies (Audit, Investigations and Community Enterprise) Act 2004 (which amends the Companies Act 2006), companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of any liability incurred by them in defending any proceedings (whether civil or criminal) in which judgment is given in their favour and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours.

Auditors

In the case of each of the persons who is a Director at the time when the Strategic Report and the Directors' Report are approved, the following apply:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware, and
- each of the Directors has taken all the steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board

DJW Young
Director
30 April 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON HOMES LIMITED

We have audited the financial statements of Milton Homes Limited for the year ended 31 December 2014 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Changes in Equity, the consolidated and company Balance Sheets, the consolidated and company Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Williams (*Senior statutory auditor*)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	<i>Year ended 31 December 2014 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Income		
Profit on disposal of investment property	811	1,187
Gain on cancellation of equity release plans	247	269
Gain on revaluation of investment properties	6,862	7,128
Gain/(loss) on revaluation of equity release plan financial assets	1,552	(401)
Other income	3 2,406	2,587
	<hr/>	<hr/>
Administrative expenses	11,878 (1,571)	10,770 (1,762)
Operating profit	4 10,307	9,008
Finance expense	6 (7,035)	(7,186)
	<hr/>	<hr/>
Profit before tax	3,272	1,822
Tax charge for the year	7 –	–
	<hr/>	<hr/>
Total comprehensive income for the financial year, attributable to equity shareholders	<u>3,272</u>	<u>1,822</u>

All activities arise from continuing activities. The Group has no other comprehensive income other than the profits and losses above, for the year ended 31 December 2014 (2013: £nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	<i>Share capital</i> £'000	<i>Share premium reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Other reserves</i> £'000	<i>Accumulated losses</i> £'000	<i>Total</i> £'000
As at 1 January 2014	29,955	133	7,750	(4,782)	(41,944)	(8,888)
Total comprehensive income for the year	–	–	–	–	3,272	3,272
As at 31 December 2014	<u>29,955</u>	<u>133</u>	<u>7,750</u>	<u>(4,782)</u>	<u>(38,672)</u>	<u>(5,616)</u>
As at 1 January 2013	29,955	133	7,750	(4,782)	(43,766)	(10,710)
Total comprehensive income for the year	–	–	–	–	1,822	1,822
As at 31 December 2013	<u>29,955</u>	<u>133</u>	<u>7,750</u>	<u>(4,782)</u>	<u>(41,944)</u>	<u>(8,888)</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	<i>Share capital</i> £'000	<i>Share premium reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Other reserves</i> £'000	<i>Accumulated losses</i> £'000	<i>Total</i> £'000
At 1 January 2014	29,955	133	3,097	55	(42,128)	(8,888)
Total comprehensive income for the year	–	–	–	–	3,272	3,272
At 31 December 2014	<u>29,955</u>	<u>133</u>	<u>3,097</u>	<u>55</u>	<u>(38,856)</u>	<u>(5,616)</u>
At 1 January 2013	29,955	133	3,097	55	(49,164)	(15,924)
Total comprehensive income for the year	–	–	–	–	7,036	7,036
At 31 December 2013	<u>29,955</u>	<u>133</u>	<u>3,097</u>	<u>55</u>	<u>(42,128)</u>	<u>(8,888)</u>

CONSOLIDATED BALANCE SHEET
as at 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
ASSETS			
Non-current assets			
Investment properties	8	47,363	45,855
Investment properties – held for sale	8	4,778	6,506
Financial assets – equity release plans	9	28,715	26,741
Financial assets – equity release plans held for sale	9	537	733
Plant and equipment	11	–	2
		81,393	79,837
Current assets			
Trade and other receivables	12	53	47
Cash and cash equivalents		924	707
		977	754
Total assets		82,370	80,591
LIABILITIES			
Current liabilities			
Trade and other payables	13	408	481
Interest-bearing loans and borrowings	14	71	80
		479	561
Non-current liabilities			
Interest-bearing loans and borrowings	14	87,507	88,918
		87,507	88,918
Total liabilities		87,986	89,479
Total net liabilities		(5,616)	(8,888)
EQUITY			
Share capital	16	29,955	29,955
Share premium reserve	17	133	133
Capital reserve	17	7,750	7,750
Other reserves	17	(4,782)	(4,782)
Accumulated losses	17	(38,672)	(41,944)
Total deficit		(5,616)	(8,888)

These financial statements were approved by the Board of Directors and authorised for issue on 30 April 2015.

Signed on behalf of the Board of Directors

DJW Young
Director

CR Rumsey
Director

COMPANY BALANCE SHEET
as at 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	10	63,503	56,261
		63,503	56,261
Current assets			
Trade and other receivables	12	70	65
Cash and cash equivalents		32	25
		102	90
Total assets		63,605	56,351
LIABILITIES			
Current liabilities			
Trade and other payables	13	7,736	5,899
Interest-bearing loans and borrowings	14	36,088	34,596
		43,824	40,495
Non-current liabilities			
Interest-bearing loans and borrowings	14	25,397	24,744
		25,397	24,744
Total liabilities		69,221	65,239
Total net liabilities		(5,616)	(8,888)
EQUITY			
Share capital	16	29,955	29,955
Share premium reserve	17	133	133
Capital reserve	17	3,097	3,097
Other reserve	17	55	55
Accumulated losses	17	(38,856)	(42,128)
Total deficit		(5,616)	(8,888)

These financial statements were approved by the Board of Directors and authorised for issue on 30 April 2015.

Signed on behalf of the Board of Directors

DJW Young
Director

CR Rumsey
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2014

		Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Operating activities			
Profit for the year		3,272	1,822
Increase in fair value of investment properties	8	(6,862)	(7,128)
Realised gain on disposal of investment properties		(811)	(1,187)
(Increase)/decrease in fair value of equity release plan financial assets	9	(1,552)	401
Realised gains from cancellation of equity release plans		(247)	(269)
Equity Transfer Rate income	3	(2,406)	(2,587)
Finance expense	6	7,035	7,186
Depreciation of plant and equipment	11	2	11
Early repayment charge on Partnership borrowings		–	96
Net cash outflow before changes in working capital		(1,569)	(1,655)
(Increase)/Decrease in trade and other receivables		(6)	36
Decrease in trade and other payables		(40)	(2)
Net cash outflow from operating activities		(1,615)	(1,621)
Investing activities			
Proceeds from sale of investment properties		7,958	11,108
Purchase of investment properties		(91)	(165)
Proceeds from cancellation of equity release assets		2,480	2,309
Purchase of equity release assets		(60)	(198)
Net cash inflow from investing activities		10,287	13,054
Financing activities			
Repayment to parent company DV3 Limited		(1,800)	(3,500)
Interest paid		(22)	(26)
Repayment of Partnership loan		(6,335)	(7,662)
Early repayment charge		(217)	(96)
Repayment of deferred purchase consideration		(81)	(94)
Net cash outflow from financing activities		(8,455)	(11,378)
Increase in cash and cash equivalents		217	55
Cash and cash equivalents at the beginning of the year		707	652
Cash and cash equivalents at the end of the year		924	707

COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2014

		Year 31 December 2014 £'000	Year 31 December 2013 £'000
Operating activities			
Profit for the year	17	3,272	7,036
Provision for diminution in value of investment in subsidiary undertakings	10	(7,242)	(11,078)
Finance income		(115)	(403)
Finance expense		4,081	4,391
Net cash outflow before changes in working capital		(4)	(54)
Decrease in trade and other receivables		–	3
(Decrease)/increase in trade and other payables		(18)	7
Net cash outflow from operating activities		(22)	(44)
Financing activities			
Repayment to ultimate parent company		(1,800)	(1,500)
Repayments to subsidiary undertakings		(21)	(11)
New debt drawn down from subsidiary undertakings		1,850	1,560
Net cash inflow from financing activities		29	49
Net increase in cash and cash equivalents		7	5
Cash and cash equivalents at beginning of the year		25	20
Cash and cash equivalents at end of the year		32	25

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. Accounting policies

Milton Homes Limited (the "Company") is a company registered in England and Wales under the Companies Act 2006. The consolidated financial statements of the Company for the year ended 31 December 2014 comprise the Company and its subsidiaries (together the "Group").

The Group and Company's financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (together "IFRS") as adopted by the European Union, and comply with the Companies Act 2006.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes.

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared in Sterling and all values are rounded to the nearest pounds thousands except where otherwise indicated.

Changes in accounting policy

There are no new accounting policies or amendments to IFRS, effective as of 1 January 2014, that are relevant to the Group.

Standards and interpretations issued but not yet applied

There are no standards issued but not yet effective up to the date of issuance of the Group's financial statements that are relevant to the Group.

Basis of consolidation

The financial statements comprise the financial statements of Milton Homes Limited and its subsidiary undertakings.

Subsidiaries are consolidated from the date control passes, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company balances and transactions are eliminated.

Going concern

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property. In addition, the deep discounted bonds are not repayable until December 2020, at which time the Group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets. As part of the arrangement regarding DV4 Limited's acquisition of Milton Homes Limited on 11 February 2015, £12,137,708 of the deep discounted bonds payable to DV3 Limited, at 31 December 2014, were waived by DV3 Limited in consideration for £12,137,708 £1 A ordinary shares of Milton Homes Limited. Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least 13 months from the date the financial statements are approved. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less any provision for impairment in value.

The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investment property

Freehold property that is held for capital appreciation and that is not occupied by the Group is classified as investment property. Leasehold property held for capital appreciation and that is not occupied by the Group is treated as a finance lease and included within investment property.

Investment property is measured initially at cost, including commissions paid to independent financial advisors and directly attributable property acquisition transaction costs, and is thereafter reported at fair value, which reflects market conditions at the period end date.

Gains or losses arising from a change in the fair values of the investment properties are recognised in the statement of comprehensive income in the year in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Financial assets – equity release plans

Through the Property Plan agreements of the subsidiary companies, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, the Group owns rights to increasing beneficial interests in residential properties in the United Kingdom. The values of these interests are, subsequent to initial recognition at cost, measured at fair value with changes recognised in the statement of comprehensive income. Directly attributable transaction costs are excluded from the initial cost of financial assets which are fair valued through profit or loss.

Gains or losses arising from a change in the fair values of the financial assets are recognised in the statement of comprehensive income in the year in which they arise.

A financial asset is derecognised on disposal or when the financial asset is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of financial assets is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Office and IT equipment – 33 per cent.

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstance indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are renewed annually and where adjustments are required, these are made prospectively.

An item of plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are

classified as operating leases. Properties leased out to tenants under operating leases are included in investment properties in the consolidated balance sheet and accounted for in accordance with the accounting policy on investment property.

Trade and other receivables

Trade receivables are carried at the lower of their invoiced value and recoverable amount.

Impairment of other receivables

The Group assesses at each balance sheet date whether other receivables are impaired.

If there is objective evidence that an impairment loss on other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits, and are subjected to insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are stated at cost.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit, as reported in the statement of comprehensive income, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities against current tax assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses on the repurchase, settlement or cancellation of liabilities are recognised in the statement of comprehensive income as finance income and finance expense, respectively.

Pension costs

Pension costs in respect of contributions to the Self-Invested Personal Pension plan arrangements of certain employees, together with employer contributions to the Group's stakeholder pension arrangements, are charged to the statement of comprehensive income as incurred.

Deferred purchase consideration on acquisition of reversionary interests in investment property

The Group has entered into loan agreements with certain tenants which are repaid by way of monthly instalments over the term of the agreement ("Deferred purchase consideration"). The loans are recognised when the Group becomes party to the related contract and are measured initially at fair value less directly attributable transaction costs. After initial recognition, deferred purchase consideration is measured at amortised cost using the effective interest method.

The loans are repaid in the event of death, vacation from the property or at the Group's request, but generally in response to receipt of a request for repayment from the tenant.

Derecognition of financial liabilities

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or otherwise expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, so that the difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the statement of comprehensive income.

Revenue recognition

Profits or losses on the sale of financial assets and reverted properties are recognised on completion of the sale and are included in operating profit. Profits or losses on disposal are calculated as net sales proceeds less the carrying value of the Group's beneficial interest in the properties determined with reference to the most recent valuation.

Equity Transfer Rate ("ETR") income represents the recognition in the statement of comprehensive income of the increase in the Group's beneficial interest in the properties underlying the equity release plan financial asset portfolio in accordance with the contractual terms of the Retirement Plus Property Plan. ETR income is recognised on a monthly basis over the term of the plan until the Group's beneficial interest reaches the maximum set out in each individual Property Plan. This increase in value is recognised as part of other income in the statement of comprehensive income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. Critical accounting judgements and key sources of estimation and uncertainty

In the process of applying the Group's accounting policies as described in note 1, management have made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

Fair value of investment properties

The fair value of the Group's investment properties and equity release plan assets is determined by independent real estate valuation experts Allsops LLP, using recognised valuation techniques. See note 8.

Fair value of financial assets – equity release plans

The fair value of the Group's equity release plans is determined by independent real estate valuation experts Allsops LLP using recognised valuation techniques. See note 9

3. Other income

	2014 £'000	2013 £'000
Equity Transfer Rate income	<u>2,406</u>	<u>2,587</u>

4. Operating profit

The operating profit is stated after charging:

	2014 £'000	2013 £'000
Depreciation of plant and equipment	2	11
Auditors' remuneration: – audit fees	<u>5</u>	<u>5</u>

5. Information regarding directors and employees

	2014 £	2013 £
Directors' emoluments:		
Directors' remuneration	434,992	388,994
Pension contributions	<u>27,000</u>	<u>27,000</u>
	<u>461,992</u>	<u>415,994</u>
Highest paid Director, excluding pension contributions	209,992	208,994
Pension contributions for highest paid Director	<u>–</u>	<u>–</u>

	2014 £	2013 £
Employment costs including Directors' emoluments, are as follows:		
Wages and salaries	746,426	686,453
Social security costs	95,318	87,369
Other pension costs	<u>41,927</u>	<u>41,373</u>
	<u>883,671</u>	<u>815,195</u>

At 31 December 2014, the unpaid accrued pension costs amounted to £1,503 (2013: £1,308).

	2014 No.	2013 No.
The average number of persons, including executive Directors, employed by the Group is analysed below:		
Sales	3	3
Administration	<u>6</u>	<u>6</u>
	<u>9</u>	<u>9</u>

6. Finance expense

	2014 £'000	2013 £'000
Interest payable on Partnership loan	4,343	4,569
Early repayment charge on Partnership loan	217	–
Interest payable on other loans	22	26
Shareholders' loan interest on DDBs	<u>2,453</u>	<u>2,591</u>
	<u>7,035</u>	<u>7,186</u>

7. Taxation

Group

	2014 £'000	2013 £'000
Analysis of tax charge for the year		
Deferred tax credit	<u>–</u>	<u>–</u>
Tax charge for the year	<u>–</u>	<u>–</u>

The effective rate of corporation tax for the year varies from the standard rate in the United Kingdom (21.49 per cent.) as applied to the Group's pre-tax profit for the reasons analysed below:

	2014 £'000	2013 £'000
Reconciliation of total tax charge		
Profit on ordinary activities before tax	<u>3,272</u>	<u>1,822</u>
Profit for the year multiplied by the standard rate of corporation tax in the United Kingdom ((21.49%) (2013: 23.25%))	703	424
Factors affecting the tax charge for the year:		
Expenses not deductible for tax purposes	1	3
Temporary differences deductible when paid	552	696
Income not taxable	(174)	(276)
Gain on revaluation of assets non taxable	(1,475)	(1,657)
Other	(3)	(3)
Chargeable gains	245	484
Taxation losses utilised in year	(193)	(240)
Taxation losses carried forward	<u>344</u>	<u>569</u>
	<u>–</u>	<u>–</u>

Deferred tax

The deferred tax liabilities are analysed below:

Deferred tax liability	2014	2013
	£	£
Gains arising from the revaluation of the investment properties	1,130,920	658,628
Losses	<u>(1,130,920)</u>	<u>(658,628)</u>
Deferred tax liabilities	<u><u>-</u></u>	<u><u>-</u></u>

The group has an unrecognised deferred tax asset of £10,109,507 (2013: £8,732,391) in respect of tax losses together with capital allowances not yet claimed and other temporary differences calculated using the applicable standard rate of UK corporation tax of 20 per cent.(2013: 20 per cent.).

The Finance Act 2014 was enacted on 17 July 2014 and introduced a reduction in the headline rate of corporation tax to 21 per cent. from 1 April 2014 and to 20 per cent. from 1 April 2015.

At the balance sheet date the reductions in the tax rate had been substantively enacted. Deferred tax is calculated at 20 per cent. as the temporary differences are expected to unwind after April 2015. The rate changes will impact the amount of future tax payments to be made by the Company.

8. Investment properties

	2014		2013	
	No.	£'000	No.	£'000
Valuation at beginning of year	465	52,361	528	54,989
Additions	-	91	1	165
Disposals	(48)	(7,173)	(64)	(9,921)
Revaluations	<u>-</u>	<u>6,862</u>	<u>-</u>	<u>7,128</u>
Valuation at end of year	<u><u>417</u></u>	<u><u>52,141</u></u>	<u><u>465</u></u>	<u><u>52,361</u></u>

Fair value hierarchy

The valuation of the investment properties is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The board of directors is responsible for determining the company's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where the Group has taken vacant possession of property an allowance has been made against the full market value to take account of necessary refurbishment costs. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.
- Investment rate – also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Cost saving rate – the potential cost saving of acquiring already existing life tenancy investments.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2011 – 13 (2013: for the period 2010 – 12). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a “speed up” rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant’s life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10 per cent. for younger tenants to 2.5 per cent. for older tenants. This remains unchanged from the prior year.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75 per cent. to 8 per cent. This remains unchanged from the prior year.

Cost saving rate – In determining the discount percentage, an adjustment is made for each property to take into account the potential cost saving of acquiring already existing life tenancy investments. It is estimated that the initial set up cost per property of acquiring life tenancy investments is approximately 5 per cent. of the value of the vacant possession equity being acquired.

A 1.25 per cent. uplift has been applied to account for the potential cost savings of acquiring already existing life tenancy investments. This remains unchanged from the prior year.

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value.

Decreases in estimated investment terms and rates would result in a higher fair value.

9. Financial assets – equity release plans

	2014		2013	
	No.	£'000	No.	£'000
Valuation at beginning of year	316	27,474	340	27,130
Additions	–	60	–	198
Equity transfer	–	2,406	–	2,587
Cancellation of plans	(18)	(2,240)	(24)	(2,040)
Revaluations	–	1,552	–	(401)
Valuation at end of year	<u>298</u>	<u>29,252</u>	<u>316</u>	<u>27,474</u>

Fair value hierarchy

The valuation of the financial assets is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the estimated equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The board of directors is responsible for determining the Group's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term – the length of time until vacant possession becomes due.
- Investment rate – also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession.

The resultant valuations are capped at the estimated value of the Group's interest in the vacant possession value of the property should it have been obtained at the balance sheet date.

There were no changes in valuation techniques during the year.

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2011 – 13 (2013: for the period 2010 – 12). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10 per cent. for younger tenants to 2.5 per cent. for older tenants. This remains unchanged from the prior year.

Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession is calculated with reference to the expected investment term, the equity interest owned by the Group at the balance sheet date and the additional slices of equity in each property that will accrue under the terms of the equity release plans.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.75 per cent. to 8 per cent. This remains unchanged from the prior year.

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value.

Decreases in estimated investment terms and rates would result in a higher fair value.

10. Investment in subsidiary undertakings

	<i>£'000</i>
Cost	
At 1 January 2014 and 31 December 2014	<u>80,227</u>
Provision	
At 1 January 2014	(23,966)
Impairment write back	<u>7,242</u>
At 31 December 2014	<u>(16,724)</u>
Carrying amount	
At 31 December 2014	<u>63,503</u>
At 31 December 2013	<u>56,261</u>

11. Plant and equipment

	<i>Office and IT equipment £'000</i>
Cost	
At 1 January 2014 and 31 December 2014	<u>232</u>
Accumulated depreciation	
At 1 January 2014	(230)
Charge for the year	<u>(2)</u>
At 31 December 2014	<u>(232)</u>
Carrying amount	
At 31 December 2014	<u>–</u>
At 31 December 2013	<u>2</u>

12. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	2	2	–	–
Amounts due from group companies	–	–	70	65
Prepayments	42	30	–	–
Other debtors	<u>9</u>	<u>15</u>	<u>–</u>	<u>–</u>
	<u>53</u>	<u>47</u>	<u>70</u>	<u>65</u>

13. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	24	46	–	8
Other tax and social security	27	35	–	–
Amounts due to group companies	–	–	7,462	5,629
Accrued interest on loans from group companies	–	–	263	241
Accruals and deferred income	357	400	11	21
	<u>408</u>	<u>481</u>	<u>7,736</u>	<u>5,899</u>

14. Interest-bearing loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current				
Group company borrowings	–	–	36,088	34,596
Deferred purchase consideration	71	80	–	–
	<u>71</u>	<u>80</u>	<u>36,088</u>	<u>34,596</u>

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current				
Partnership loan	61,866	63,858	–	–
Shareholder loans	25,397	24,744	25,397	24,744
Deferred purchase consideration	244	316	–	–
	<u>87,507</u>	<u>88,918</u>	<u>25,397</u>	<u>24,744</u>

Partnership loan

Partnership Life Assurance Company Limited has provided a £62,633,796 facility. The facility bears interest at 7.15 per cent. per annum and is secured on the Borrowers' rights to beneficial interests in residential properties acquired through equity release plans. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of. As at 31 December 2014, £61,865,968 was due to Partnership Life Assurance Company Limited (2013: £63,858,116).

Shareholder loans – Deep Discounted Bonds

DV3 Limited and DV4 Limited provided to Milton Homes Limited deep discounted bonds of £23,657,608 under a subordinated loan agreement effective from 1 January 2011. The deep discounted bonds have an interest element of 10 per cent. accruing to reach the maturity value upon the repayment date of 31 December 2020, albeit repayments are made via an offset loan arrangement with DV3 Limited.

Group company borrowings

The Company has various subordinated loan facilities provided by subsidiary companies.

The loans are unsecured and bear interest at LIBOR plus 1 per cent. per annum and at a fixed rate of 10 per cent. per annum. At 31 December 2014 the loans outstanding were £36,087,762 (2013: £34,596,432).

Undrawn committed borrowings

As at 31 December 2014, the Group had approximately £50 million (2013: £100 million) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fourth year commitment of £50 million has now expired.

Deferred purchase consideration

Deferred purchase consideration represents annuities payable to tenants where consideration for a property has taken the form, in some part, of a commitment by the Group to pay monthly cash instalments over a set period. The last of these instalments is payable in 2025. The effective interest rate is 5.95 per cent.

15. Financial instruments

Apart from the property plans, the group's principal financial instruments comprise cash, the Partnership loan, shareholder loans, deferred purchase consideration trade and other receivables, and trade and other payables. Cash and cash equivalents are considered to be cash at bank and cash in hand. The main purpose of these instruments is to finance the acquisition of investment property and to meet operating, administrative and finance costs. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are liquidity risk, credit risk and capital management. There is no currency risk as all financial instruments are held in Sterling. The Financial and Risk Review includes an explanation of the Group's objectives and policies with regard to financial instruments and the management of risk.

Group

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2013 and 2014 based on contractual undiscounted payments:

	<i>Interest rate (%)</i>	<i>Within 1 year £'000</i>	<i>1-5 years £'000</i>	<i>More than 5 years £'000</i>	<i>Total £'000</i>
<i>31 December 2013</i>					
Partnership loan	7.15	–	–	63,858	63,858
Shareholder DDBs loans	10	–	–	56,491	56,491
Deferred purchase consideration	5.95	98	248	118	464
				<u>118</u>	<u>464</u>
	<i>Interest rate (%)</i>	<i>Within 1 year £'000</i>	<i>1-5 years £'000</i>	<i>More than 5 years £'000</i>	<i>Total £'000</i>
<i>31 December 2014</i>					
Partnership loan	7.15	–	–	61,866	61,866
Shareholder DDB loans	10	–	–	45,960	45,960
Deferred purchase consideration	5.95	86	208	72	366
				<u>72</u>	<u>366</u>

In regards to the Partnership loan, the above table shows the outstanding loan balance and accrued interest as at 31 December 2014. In addition, the Partnership loan bears interest at 7.15 per cent. per annum. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of.

Liquidity risk

In order to ensure that sufficient funds are available to fund the purchase of Investment Properties and Equity Release Plan assets the Company has access to a funding facility from Partnership Life Assurance Company Limited. As at 31 December 2014, the Group had approximately £50 million (2013: £100 million) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fourth year commitment of £50 million has now expired.

Credit risk

The Group's exposure to credit risk on cash and cash equivalents and loans, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

Through efficient capital management, the Group aims to maximise corporate value whilst reducing the financial risks to which it is exposed. Investment property and equity release plan asset acquisitions are individually reviewed for consistency with the Group's eligible investment property criteria.

The Group funds investment activity and operations through proceeds from reverted properties, shareholder equity and debt. The mix of financing between equity and bank debt is generally reviewed when debt facilities are renegotiated or when significant investment activity is forecast.

Fair values of financial assets and liabilities

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments, other than those carrying amounts that are reasonable approximations of fair values.

<i>Financial liabilities</i>	<i>Book Value</i>	<i>Fair Value</i>	<i>Book Value</i>	<i>Fair Value</i>
	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Shareholder DDB loans	<u>25,397</u>	<u>19,500</u>	<u>24,744</u>	<u>16,000</u>

16. Share capital **Group and Company**

	2014 £'000	2013 £'000
<i>Authorised</i> 100,000,000 (2013: 100,000,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	2014 £'000	2013 £'000
<i>Allotted, Issued & fully paid</i> 29,954,615 'A' Shares at £1 926,431 'B' Shares at £0.0001	29,955 —	29,955 —
At 31 December	<u>29,955</u>	<u>29,955</u>

17. Reserves **Group**

	<i>Share premium reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Other reserves</i> £'000	<i>Accumulated losses</i> £'000
At 1 January 2014	133	7,750	(4,782)	(41,944)
Profit for the year	—	—	—	3,272
At 31 December 2014	<u>133</u>	<u>7,750</u>	<u>(4,782)</u>	<u>(38,672)</u>

Company

	Share premium reserve £'000	Capital reserve £'000	Other reserves £'000	Accumulated losses £'000
At 1 January 2014	133	3,097	55	(42,128)
Profit for the year	–	–	–	3,272
At 31 December 2014	133	3,097	55	(38,856)

Reserves are defined as follows:

Share premium reserve represents amounts subscribed for issued share capital in excess of nominal value. The capital reserve comprises the difference between the fair value and nominal amount of non-interest bearing loans made available by the ultimate parent company.

Other reserves is a non-distributable reserve created as part of a group reorganisation.

The additional £55k relates to the Royal Bank of Scotland Share Warrants for the issuance of 926,431 Ordinary 'B' Shares in Milton Homes Limited in November 2010.

Retained earnings are the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

18. Related party transactions

DV3 Limited and DV4 Limited provided to Milton Homes Limited deep discounted bonds of £23,657,608 under a subordinated loan agreement effective from 1 January 2011. The loans have an interest element of 10 per cent. accruing to reach the maturity value upon the repayment date of 31 December 2020, albeit repayments are made via an offset loan arrangement with DV3 Limited. At 31 December 2014 the loan was recorded at £25,396,769 (2013: £24,743,364).

Transactions with key management personnel (comprising the Directors) are disclosed below:

	31 December 2014 £'000	31 December 2013 £'000
Short-term employee benefits	<u>462</u>	<u>416</u>

19. Post balance sheet events

On 11 February 2015, DV4 Limited acquired the remaining 90.39 per cent. share capital of Milton Homes Limited. As part of this arrangement £12,137,708 of the deep discounted bonds payable to DV3 Limited, at 31 December 2014, were waived by DV3 Limited in consideration for £12,137,708 £1 A ordinary shares of Milton Homes Limited.

20. Ultimate parent undertaking and controlling party

At 31 December 2014, the ultimate parent undertaking and controlling party was DV3 Limited, a company registered in the British Virgin Islands.

However, on 11 February 2015, DV4 Limited acquired the remaining 90.39 per cent. share capital of Milton Homes Limited, and therefore from this date the ultimate parent undertaking and controlling party is DV4 Limited, a company registered in the British Virgin Islands.

PART VII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

Set out on the following page is an unaudited pro forma statement of net assets based on the consolidated net assets of the Company as at 31 March 2017 and Milton Homes as at 31 December 2016. This unaudited pro forma statement of net assets is provided for illustrative purposes only to show the effect of the Open Offer, Acquisition and Subscription as if they had occurred on 31 March 2017.

Because of the nature of pro forma information, this information addresses a hypothetical situation and does not therefore represent the actual financial position or results of the Company or the Enlarged Group.

The statement of pro forma net assets set out on the following page is based on the audited consolidated balance sheet of the Company as at 31 March 2017 (as extracted without material adjustment from the Company's financial statements) and the audited consolidated balance sheet of Milton Homes as at 31 December 2016 (as extracted without material adjustment from Milton Homes' financial statements) and other adjustments on the basis described in the notes below.

The pro forma statement of net assets is stated on the basis of the accounting policies set out in the financial statements of the Company as at 31 March 2017 and Milton Homes as at 31 December 2016.

	COMPANY (CONSOLIDATED) AS AT 31 MARCH NOTE 1 £'000	MILTON HOMES AS AT 31 DECEMBER 2016 NOTE 2 £'000	NET PROCEEDS OF THE OPEN OFFER NOTE 3 £'000	ELIMINATION ON ACQUISITION NOTE 4 £'000	PROFORMA BALANCE SHEET AS AT 31 MARCH 2017 £'000
NON CURRENT ASSETS					
INVESTMENT					
PROPERTY/PLAN ASSETS	-	80,095	-	-	80,095
PLANT & EQUIPMENT	16	20	-	-	36
LOANS, FINANCE LEASES	7,581	-	-	-	7,581
OTHER ASSETS	364	-	-	-	364
	<u>7,961</u>	<u>80,115</u>	<u>-</u>	<u>-</u>	<u>88,076</u>
CURRENT ASSETS					
LOANS, FINANCE LEASES	7,265	-	-	-	7,265
TRADE & OTHER RECEIVABLES	1,225	53	-	-	1,278
CASH & CASH EQUIVALENTS	1,763	349	2,500	-	4,612
TOTAL CURRENT ASSETS	<u>10,253</u>	<u>402</u>	<u>2,500</u>	<u>-</u>	<u>13,155</u>
TOTAL ASSETS	<u>18,214</u>	<u>80,517</u>	<u>2,500</u>	<u>-</u>	<u>101,231</u>
CURRENT LIABILITIES					
BORROWINGS	5,160	42	-	-	5,202
TRADE AND OTHER PAYABLES	1,685	423	-	-	2,108
TOTAL CURRENT LIABILITIES	<u>6,845</u>	<u>465</u>	<u>-</u>	<u>-</u>	<u>7,310</u>
NON CURRENT LIABILITIES					
BORROWINGS	10,371	72,210	-	(11,317)	71,264
OTHER CREDITORS	-	148	-	-	148
TOTAL NON CURRENT LIABILITIES	<u>10,371</u>	<u>72,358</u>	<u>-</u>	<u>(11,317)</u>	<u>71,412</u>
TOTAL LIABILITIES	<u>17,216</u>	<u>72,823</u>	<u>-</u>	<u>(11,317)</u>	<u>78,722</u>
NET ASSETS	<u>998</u>	<u>7,694</u>	<u>2,500</u>	<u>11,317</u>	<u>22,509</u>

Notes to the unaudited pro forma statement of net assets:

1. The consolidated net assets of the Company at 31 March 2017 have been extracted without material adjustment from the financial statements ended on that date.
2. The consolidated net assets of Milton Homes at 31 December 2016 have been extracted without material adjustment from the financial statements ended on that date.
3. The net proceeds of the Open Offer are expected to be £2.5 million, comprising 4,444,433 New Ordinary Shares at 90 pence each less estimated expenses of £1.5 million. The net proceeds of the Subscription of 7,777,778 Subscription Shares of 90 pence each will be utilised in full to part finance the purchase of Milton Homes.
4. The elimination of the Deep Discount Bonds on the Acquisition.
5. No account has been taken of the financial performance of the Company's Group since 31 March 2017, or the Milton Homes Group since 31 December 2016, or of any other event save as disclosed above.

PART VIII

INFORMATION ON MAX BARNEY INVESTMENTS LIMITED, THE BARD FAMILY CONCERT PARTY, THE VENDOR AND ADDITIONAL DISCLOSURES REQUIRED UNDER THE TAKEOVER CODE

1. MAX BARNEY INVESTMENTS LIMITED

Max Barney Investments Limited (“MBIL”) was incorporated and registered in England and Wales on 31 July 2017 under the Act as a private limited company with registered number 10890765. Its registered office is 32-38 Scrutton Street, Bishopsgate, London EC2A 4RQ.

1.1 *Directors and employees*

The current directors of MBIL are Paul Milner and Michael Goldstein. Please see paragraph 4.2 of this Part VIII for further information about Mr Milner and Mr Goldstein respectively.

MBIL has no existing employees and there is no current intention for MBIL to engage any employees in the future. The transaction will have no repercussion on the location of MBIL’s place of business.

1.2 *Shareholders*

There are two shareholders of MBIL: Alexander Bard and Tania Bard (the children of Harvey Bard). Each holds 50 per cent. of the issued ordinary share capital of MBIL.

1.3 *Max Barney Loan*

Max Barney Limited, a private company owned equally by Alexander Bard and Tania Bard (the children of Harvey Bard), has granted an unsecured loan of £11 million to MBIL for the purposes of its participation in the Subscription and Open Offer. The Max Barney Loan is repayable on demand and is subject to an arm’s length rate of interest. Any failure to repay the Max Barney Loan on demand will cause MBIL to be in breach of the loan agreement and Max Barney Limited would have a contractual claim against MBIL, the remedies for which would include damages.

1.4 *Financial and Contractual History*

MBIL is a privately owned investment vehicle. It is a newly incorporated company, with no audited financial records and no assets or liabilities other than the Max Barney Loan. MBIL has been formed for the purpose of financing the Open Offer and Subscription and there is no current intention for it to carry on any other business in the future. Save for the acquisition of the relevant Offer Shares and Subscription Shares, the transaction will not have a material effect on the earnings, assets or liabilities of MBIL.

MBIL has not entered into any material contracts since its incorporation, other than the Max Barney Loan.

2. DV4 LIMITED

The Vendor is a British Virgin Island incorporated private limited company structured as an evergreen fund. It is a real estate investment vehicle with a wide portfolio of assets across offices, retail, residential and other real estate sectors in the UK. A number of its investments are set up as joint ventures with JV partners who either possess specialist expertise in particular disciplines or provide the benefits of additional investment capital opportunities.

The Vendor’s company number is 664587 and its registered office is Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands.

2.1 *Directors and employees*

The current directors of the Vendor are DV4 Directors 1 Limited and DV4 Directors 2 Limited.

The completion of the Acquisition will not affect the continued employment (including any material changes to the conditions of employment) of any employees of the Vendor, nor will it affect the location of the Vendor's place of business.

2.2 Shareholders

The Vendor has fully paid up issued share capital of approximately £1.067 billion Sterling. It is an unlisted company with a broad group of shareholders that comprises endowments, pension funds, financial institutions, fund of fund investors, investment institutions, family offices and private individuals and with no one shareholder owning 10 per cent. or more of its share capital.

2.3 Financial and Contractual History

The Vendor's gross assets as at 31 March 2017 amounted to £1.9 billion. Completion of the proposed disposal of the Milton Homes Group as described in this document will not have a material effect upon its earnings and assets and liabilities.

The Vendor is not required to publish its accounts nor make publically available any results statements.

The Vendor has not entered into any material contracts (being a contract entered into not in the ordinary course of business) during the period of two years prior to the date of this document.

2.4 Background on Delancey

The Vendor is a fund advised by Delancey Real Estate Asset Management Limited. Delancey is a London-based, UK-focussed property investment, development and asset management advisory firm. Founded in 1995, Delancey advises a select group of institutional and private investors on their UK real estate investment activity through discretionary funds, joint ventures and segregated accounts. Since inception, Delancey has acquired, developed, managed and sold over £20 billion of real estate and real estate related investments across all sectors and disciplines on behalf of its clients. Delancey's skill set enables it to evaluate and execute across office, retail, residential and logistics assets as well as real estate-backed operating businesses, such as those involving education.

3. INTERESTS OF THE VENDOR IN THE COMPANY

3.1 The Vendor is not currently interested in any voting rights of the Company.

3.2 During the twelve month period prior to the date of this document, the Vendor has not had, nor have any of its directors or connected persons or any persons acting in concert with any of them had an interest in or a right to subscribe for, or had any short position in relation to, any Relevant Securities of the Company, nor had any such person dealt in such securities.

3.3 During the twelve month period prior to the date of this document, the Vendor has not, nor has any person acting in concert with it borrowed or lent any Relevant Securities of the Company.

3.4 No agreement, arrangement or understanding (including any compensation arrangement) exists between the Vendor or anyone acting in concert with it and any of the Existing Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, or any person interested or recently interested in Ordinary Shares, having any connection with or dependence upon the Proposals.

3.5 There is no arrangement in place by which Ordinary Shares proposed to be acquired by the Vendor pursuant to the Acquisition will be transferred to any other persons.

4. BARD FAMILY CONCERT PARTY

4.1 Information on the Bard Family Concert Party

The members of the Bard Family Concert Party are made up of Harvey Bard; his wife, Sonia Bard; his two children, Alexander Bard and Tania Bard; his nieces, Sarah Bard and Rebecca Bard; his brother, Roy Michael Bard; his sister-in-law, Rosi Bard; Savoylane, a nominee company holding

shares on behalf of Alexander Bard, Tania Bard, Sarah Bard and Rebecca Bard; the HPB Pension Trust, of which Harvey Bard is a beneficiary; Paul Milner, a director of the Company currently nominated by Harvey Bard (who will become MBIL's nominated director of the Company following Second Admission pursuant to a Relationship Agreement entered into by Harvey Bard and MBIL) and a director of MBIL; MBIL, an investment vehicle owned equally by Harvey Bard's children; and Michael Goldstein, an Incoming Director and a director of MBIL. Full details of the members of the Bard Family Concert Party are shown below.

Members of the Bard Family Concert Party are interested in 8,363,892 Existing Ordinary Shares in the Company at present representing approximately 22.8 per cent. of the Existing Ordinary Share Capital.

Set out below is a table showing the potential interests of the members of the Bard Family Concert Party in the Enlarged Ordinary Capital and Further Enlarged Ordinary Share Capital:

Name	Current interest in the Company		Proposed interests in the Enlarged Group following First Admission ²			Proposed interests in the Enlarged Group following Second Admission ²		
	No. of Existing Ordinary Shares	% of the Existing Ordinary Share Capital	No. of Offer Shares	Total holding of New Ordinary Shares at First Admission	% of issued Enlarged Ordinary Share Capital	No. of Subscription Shares	Total holding of New Ordinary Shares following Second Admission	% of issued Further Enlarged ordinary share capital
Harvey Bard	48,000	0.1%	–	2,400	0.04%	–	2,400	0.01%
Sonia Bard	58,000	0.2%	–	2,900	0.04%	–	2,900	0.01%
Alexander Bard ¹	2,134,014	5.8%	–	106,700	1.7%	–	106,700	0.4%
Tania Bard ¹	2,190,514	5.9%	–	109,525	1.7%	–	109,525	0.4%
Sarah Bard ¹	1,704,356	4.6%	–	85,217	1.4%	–	85,217	0.3%
Rebecca Bard ¹	1,684,356	4.6%	–	84,217	1.3%	–	84,217	0.3%
Roy Michael Bard	101,000	0.3%	–	5,050	0.08%	–	5,050	0.02%
Rosi Bard	107,500	0.3%	–	5,375	0.09%	–	5,375	0.02%
HPB Pension Trust	240,964	0.7%	–	12,048	0.19%	–	12,048	0.04%
Paul Milner ³	95,188	0.3%	–	4,759	0.08%	–	4,759	0.02%
MBIL	–	–	4,444,433	4,444,433	70.7%	6,444,444	10,888,877	37.9%
Michael Goldstein ³	–	–	–	–	–	–	–	–
Total	8,363,892	22.8%	4,444,433	4,862,624	77.3%	6,444,444	11,307,079	39.42%

Proposed interests in the Enlarged Group assuming the maximum number of Concert Party Option Shares (2,762,040) are granted and exercised following Second Admission

Paul Milner ³	–	–	–	–	–	–	1,269,908	4.0%
Michael Goldstein	–	–	–	–	–	–	1,492,132	4.7%
Grand total	8,363,892	22.8%	4,444,433	4,862,624	77.3%	6,444,444	14,069,119	44.7%

- 1 Savoylane holds Existing Ordinary Shares as nominee for Alexander Bard, Tania Bard, Rebecca Bard and Sarah Bard.
- 2 Assuming that no Open Offer Entitlements are taken up and that no Ordinary Shares are issued prior to Second Admission other than the Offer Shares, the Subscription Shares and the Consideration Shares.
- 3 Options with respect to 333,333 Concert Party Option Shares granted to Paul Milner and with respect to 555,556 Concert Party Option Shares granted to Michael Goldstein will become unconditional at Second Admission. The maximum number of Concert Party Option Shares is 2,762,040.

In aggregate, on Second Admission the Bard Family Concert Party will be interested in a) up to 11,307,079 New Ordinary Shares, representing approximately 39.4 per cent. of the Further Enlarged Ordinary Share Capital, assuming that no Open Offer Entitlements are taken up, and no Ordinary Shares are issued prior to Second Admission other than the Offer Shares, the Subscription Shares and the Consideration Shares and b) an aggregate of 888,889 Option Shares in respect of which options granted to Paul Milner and Michael Goldstein will become unconditional at Second Admission.

4.2 Information on members of the Bard Family Concert Party and the relationships between them

Harvey Bard: an investor in real estate located in the UK (principally London).

Sonia Bard: the wife of Harvey Bard.

Alexander Bard and Tania Bard: the children of Harvey Bard.

Sarah Bard and Rebecca Bard: the nieces of Harvey Bard and children of Roy and Rosi Bard.

Roy Michael Bard: the brother of Harvey Bard.

Rosi Bard: the wife of Roy Bard.

Savoylane: a company registered in England and Wales with registered number 03843376 and with its registered address at 43 Mornington Road, Chingford, London E4 7DT. Its current directors are Gary Burns, Anthony Thorne and Creative Accounting Services Ltd. Savoylane is a nominee company holding shares on behalf of Alexander Bard, Tania Bard, Sarah Bard and Rebecca Bard. Anthony Thorne holds the entire issued share capital of Savoylane on trust for Alexander and Tania Bard in equal shares.

MBIL: a newly incorporated investment vehicle owned by Alexander and Tania Bard in equal shares. Please refer to paragraph 1 of this Part VIII for further information on MBIL.

HPB Pension Trust: a pension trust of which Harvey Bard is a beneficiary.

Paul Milner: Paul was nominated as a director of the Company by Harvey Bard and appointed to the board on 29 November 2013. He became Non-Executive Chairman on 19 October 2015. On Second Admission, Mr Milner will swap roles to become an executive Director and become the nominated director of MBIL pursuant to the Relationship Agreement entered into by Harvey Bard and MBIL.

Michael Goldstein: an Incoming Director and a director of MBIL.

4.3 Interests of the Bard Family Concert Party in the Company

Save as set out in the table above in paragraph 4.1, no member of the Bard Family Concert Party is currently interested in any voting rights of the Company.

Save as set out in the table above in paragraph 4.1, during the twelve month period prior to the date of this document, no member of the Bard Family Concert Party nor any of their connected persons nor any member of Harvey Bard's immediate family, related trusts or connected persons, nor any directors of MBIL, nor any persons acting in concert with any of them had an interest in or a right to subscribe for, or had any short position in relation to any Relevant Securities of the Company, nor had any such person dealt in such securities.

During the twelve month period prior to the date of this document, no member of the Bard Family Concert Party nor any person acting in concert with them had borrowed or lent any Relevant Securities of the Company.

Save as otherwise disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between any member of the Bard Family Concert Party and any of the Existing Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, or any person interested or recently interested in Ordinary Shares, having any connection with or dependence upon the Proposals.

There is no arrangement in place by which Ordinary Shares proposed to be acquired by members of the Bard Family Concert Party pursuant to the Open Offer and Subscription will be transferred to any other persons.

5. INTERESTS OF THE COMPANY IN THE VENDOR

During the twelve month period prior to the date of this document, the Company has not had, nor have any of its directors or connected persons or any persons acting in concert with them had an interest in or a right to subscribe for, or had any short position in relation to, any Relevant Securities of the Vendor, nor had any such person dealt in such securities.

6. INTERESTS OF THE COMPANY IN MBIL

During the twelve month period prior to the date of this document, the Company has not had, nor have any of its directors or connected persons or any persons acting in concert with them had an interest in or a right to subscribe for, or had any short position in relation to, any Relevant Securities of MBIL, nor had any such person dealt in such securities.

7. DEFINITIONS

For the purposes of this Part VIII:

7.1.1 references to persons “acting in concert” comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. A person and each of its affiliated persons will be deemed to be acting in concert with each other. Without prejudice to the general application of this definition, the following persons will be presumed to be persons acting in concert with other persons in the same category unless the contrary is established:

- 7.1.1.1 a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (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);
- 7.1.1.2 a company with any of its directors (together with their close relatives and related trusts);
- 7.1.1.3 a company with any of its pension funds and the pension funds of any company covered in (i);
- 7.1.1.4 a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts;
- 7.1.1.5 a person, the person’s close relatives, and the related trusts of any of them, all with each other;
- 7.1.1.6 the close relatives of the founder of a company to which the Code applies, their close relatives, and the related trusts of any of them, all with each other;
- 7.1.1.7 a connected adviser with its client and, if its client is acting in concert with an offeror or with the offeree company, with that offeror or with that offeree company respectively, in each case in respect of the interests in shares of that adviser and persons controlling, controlled by or under the same control as that adviser (except in the capacity of an exempt fund manager or an exempt principal trader); and
- 7.1.1.8 directors of a company which is subject to an offer or where the directors have reason to believe a *bona fide* offer for their company may be imminent; and
- 7.1.1.9 shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Code applies.
- 7.1.1.10 an “arrangement” includes any indemnity or option arrangement 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;
- 7.1.1.11 a “connected adviser” means an organisation which is advising the offeror or the offeree company;

- 7.1.1.12 “connected person” means in relation to any person a person whose interest in shares is one in which the first mentioned person is also taken to be interested pursuant to Part 32 of the Act;
- 7.1.1.13 “control” means a holding, or aggregate holdings, of shares in the capital of a company carrying 30 per cent. or more of the voting rights of such company, irrespective of whether the holding or holdings give de facto control;
- 7.1.1.14 “dealing or dealt” include:
- (a) acquiring or disposing of Relevant Securities, the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights allocated to Relevant Securities or general control of Relevant securities;
 - (b) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (by either party) or varying an option in respect of any Relevant Securities;
 - (c) subscribing or agreeing to subscribe for Relevant Securities (whether in respect of new or existing securities);
 - (d) exercising or converting any Relevant Securities carrying conversion or subscription rights;
 - (e) acquiring, disposing of, entering into, closing out, exercising (by either party) of any rights under, or varying of, a derivative referenced directly or indirectly, to Relevant Securities;
 - (f) entering into, terminating or varying the terms of any agreement to purchase or sell Relevant Securities; and
 - (g) 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;
- 7.1.1.15 “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 but which does not include the possibility of delivery of such underlying securities;
- 7.1.1.16 an “exempt fund manager” means a person who manages investment accounts on a discretionary basis and is recognised by the Panel as an exempt fund manager for the purposes of the Code;
- 7.1.1.17 an “exempt principal trader” means a person who is recognised by the Panel as an exempt principal trader for the purposes of the Code;
- 7.1.1.18 being “interested” in Relevant Securities includes where a person (otherwise than through a short position):
- (a) owns Relevant Securities; or
 - (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to Relevant Securities or has general control over them; or
 - (c) by virtue of an agreement to purchase, option or derivative, has the right or option to acquire Relevant Securities or to 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
 - (d) is party to any derivative whose value is determined by reference to their price and which results, or may result, in their having a long position in them;
- 7.1.1.19 “Relevant Securities” means securities which comprise equity share capital (or derivatives referenced thereto) and securities convertible into rights to subscribe for and options (including traded options) in respect of any such securities; and
- 7.1.1.20 “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

8. MIDDLE MARKET QUOTATIONS

The following table sets out the middle market quotations for an Ordinary Share, as derived from the AIM Appendix to the Daily Official List of London Stock Exchange, for the first Business Day of each of the six months immediately preceding the date of this document and for 14 September 2017 (being the latest practicable date prior to the publication of this document):

2017	Price per Existing Ordinary Share (p)
3 April	3.625
2 May	4.500
1 June	4.500
3 July	4.125
1 August	5.000
1 September	suspended – no quote
14 September	suspended – no quote

9. ADDITIONAL DISCLOSURES REQUIRED BY THE CODE

At the close of business on 14 September 2017, save as disclosed in paragraph 4 of this Part VIII and paragraph 14.1 of Part IX of this document:

- 9.1.1 none of the Company nor the Existing Directors (including any members of such Existing Directors' respective immediate families, related trusts or connected persons) had any interest in or a right to subscribe for, or had any short position in relation to, any Relevant Securities of the Company;
- 9.1.2 no person acting in concert with the Company had any interest in, or right to subscribe for, or had any short position in relation to any Relevant Securities of the Company;
- 9.1.3 other than as set out in paragraph 14 of Part IX of this document, neither the Company nor any of the Existing Directors (including any members of such Existing 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 Securities of the Company, nor has any such person dealt in any such securities during the twelve month period prior to the date of this document;
- 9.1.4 the Company has not redeemed or purchased any of its Relevant Securities during the twelve month period prior to the date of this document;
- 9.1.5 there were no arrangements which existed between the Company or any person acting in concert with of the Company or any other person;
- 9.1.6 neither the Company nor any person acting in concert with the Company had borrowed or lent any Relevant Securities of the Company;
- 9.1.7 no member of the Bard Family Concert Party nor the Vendor, nor any person acting in concert with them has entered into an agreement, arrangement or understanding (including any compensation arrangement) with any of the Existing Directors, recent directors, Shareholders, recent shareholders or any other person interested or recently interested in Existing Ordinary Shares which are connected with or dependent upon the outcome of any of the Proposals; and
- 9.1.8 no member of the Bard Family Concert Party nor the Vendor has entered into an agreement, arrangement or understanding to transfer any interest acquired in the Company, pursuant to or following the completion of the Proposals.

PART IX

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Existing Directors and the Incoming Directors, whose names appear on page 6 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document (other than the information concerning the Bard Family Concert Party and the Vendor and their respective intentions, for which the Bard Family Concert Party and the Vendor take sole responsibility and the recommendations set out in the second and third paragraphs of the “Recommendation” section in Part I, for which the Independent Directors take sole responsibility). To the best of the knowledge and belief of the Existing Directors, the Incoming Directors and the Company (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 that information. All of the Existing Directors and the Incoming Directors accept individual and collective responsibility for compliance with the AIM Rules. The Independent Directors accept responsibility for the recommendations set out on in the second and third paragraphs of the “Recommendation” section set out in Part I.
- 1.2 Each member of the Bard Family Concert Party, whose names are set out in paragraph 4.2 of Part VIII of this document, accepts responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of each member of the Bard Family Concert Party (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.
- 1.3 The directors of the Vendor, whose names are set out in paragraph 2.1 of Part VIII of this document and the Vendor accept responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of each director of the Vendor (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.

2. THE EXISTING DIRECTORS AND INCOMING DIRECTORS

The Existing Directors and Incoming Directors and their respective functions are as follows:

Existing Directors

Paul Milner (*Non-Executive Chairman*), appointed on 29 November 2013

Andrew Crossley (*Non-Executive Director*), appointed on 19 October 2015, resigned on 17 August 2016 and re-appointed on 23 August 2016

Lorraine Young (*Non-Executive Director*), appointed on 10 August 2017

Incoming Directors

Colin Wagman (*Chairman*)

Michael Goldstein (*Chief Executive Officer*)

Christopher Rumsey (*Managing Director*)

3. THE COMPANY

- 3.1 The Company was incorporated and registered in England and Wales on 16 January 1981 under the Act as a private limited company with the name of City of London Public Relations Limited and with the registered number 01539241. The Company was re-registered as a public company on 6 November 1986 and became City of London Public Relations plc. On 10 June 1988, the Company

changed its name to City of London PR Group Plc. On 4 January 2001, the Company changed its name to City of London Group Plc.

- 3.2 The Company's Existing Ordinary Share Capital was admitted to trading on AIM on 19 October 2015. Admission to AIM followed the removal of the Company's Ordinary Shares from trading on the Main Market for listed securities of the London Stock Exchange and the cancellation of their listing on the Official List.
- 3.3 The liability of the Company's members is limited to the amount, if any, unpaid on the Ordinary Shares.
- 3.4 The Company is governed by, and its securities were created under, the Act and the regulations made under it.
- 3.5 The Company's registered office is located at 6th Floor, 60 Gracechurch Street, London EC3V 0HR. The telephone number of the Company's registered office is 020 7264 4456. The Company is domiciled in the UK.
- 3.6 The service address of the Existing Directors and, from Second Admission, the Incoming Directors, is 6th Floor, 60 Gracechurch Street, London EC3V 0HR, save for Paul Milner whose service address is the Roma Building, 32-38 Scrutton Street, London EC2A 4RQ.
- 3.7 The Company has no administrative, management or supervisory bodies other than the Board and the Audit and Risk Committee, the Remuneration Committee and a nominations committee, and from Second Admission will have only the Board, the Audit and Risk Committee and the Remuneration Committee.
- 3.8 The Company's principal activity following the Acquisition and Second Admission will be to act as the holding company of the Enlarged Group.

4. THE ENLARGED GROUP

4.1 As at the date of this document, the Company has the following subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>Registered office</i>	<i>Activity</i>	<i>Ownership interest</i>
<i>City of London Financial Services Limited</i>	<i>England and Wales</i>	<i>6th Floor, 60 Gracechurch Street, London, EC3V 0HR</i>	<i>Financial intermediation</i>	<i>100%</i>
<i>Credit Asset Management Limited</i>	<i>England and Wales</i>	<i>6th Floor, 60 Gracechurch Street, London, EC3V 0HR</i>	<i>Financial leasing and commercial loans</i>	<i>100%</i>
<i>Professions Funding Limited</i>	<i>England and Wales</i>	<i>6th Floor, 60 Gracechurch Street, London, EC3V 0HR</i>	<i>Professions funding</i>	<i>100%</i>
<i>City of London SME Leasing Limited</i>	<i>England and Wales</i>	<i>6th Floor, 60 Gracechurch Street, London, EC3V 0HR</i>	<i>Financial leasing</i>	<i>100%</i>
<i>City of London Confirming House Limited</i>	<i>England and Wales</i>	<i>6th Floor, 60 Gracechurch Street, London, EC3V 0HR</i>	<i>Holding company</i>	<i>100%</i>
<i>COLG SME (GP) Limited</i>	<i>England and Wales</i>	<i>6th Floor, 60 Gracechurch Street, London, EC3V 0HR</i>	<i>Holding company</i>	<i>100%</i>

4.2 On Second Admission, the Company will also be the holding company of the following subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>Registered office</i>	<i>Activity</i>	<i>Ownership interest</i>
<i>Milton Homes Limited</i>	<i>England and Wales</i>	<i>c/o Bryan Cave, 88 Wood Street, London EC2V 7AJ</i>	<i>Holding company</i>	<i>100%</i>
<i>Retirement Plus Limited</i>	<i>England and Wales</i>	<i>c/o Bryan Cave, 88 Wood Street, London EC2V 7AJ</i>	<i>Administers real estate</i>	<i>100%</i>
<i>Living Plus Limited</i>	<i>England and Wales</i>	<i>c/o Bryan Cave, 88 Wood Street, London EC2V 7AJ</i>	<i>Buying and selling real estate</i>	<i>100%</i>
<i>Milton Homes Properties Limited</i>	<i>England and Wales</i>	<i>c/o Bryan Cave, 88 Wood Street, London EC2V 7AJ</i>	<i>Buying and selling real estate</i>	<i>100%</i>
<i>Living Plus Assets Limited</i>	<i>England and Wales</i>	<i>c/o Bryan Cave, 88 Wood Street, London EC2V 7AJ</i>	<i>Buying and selling real estate</i>	<i>100%</i>
<i>Retirement Plus Property Plans Limited</i>	<i>England and Wales</i>	<i>c/o Bryan Cave, 88 Wood Street, London EC2V 7AJ</i>	<i>Buying and selling real estate</i>	<i>100%</i>

5. SHARE CAPITAL

5.1 As at 14 September 2017, the share capital comprised 36,852,681 ordinary shares of 10 pence each. The only change to the issued share capital of the Company which occurred between 31 March 2014 and 14 September 2017 was on 19 October 2015, when 16,646,064 ordinary shares of 10 pence each were issued at a price of 30 pence per share in a subscription.

5.2 The Proposals will result in the allotment and issue of up to 26,888,878 New Ordinary Shares in aggregate, comprising the Offer Shares, Subscription Shares and Consideration Shares, diluting holders of New Ordinary Shares who do not take up their allocation under the Open Offer by approximately 93.6 per cent as at Second Admission.

5.3 The issued, fully paid, share capital of the Company as at 14 September 2017 (being the latest practicable date before publication of this document) was, and, immediately following the Capital Reorganisation as at First Admission and as at Second Admission, will be as follows:

	<i>As at the date of this Document</i>		<i>As at First Admission¹</i>		<i>As at Second Admission¹</i>	
	<i>Number</i>	<i>Nominal Value</i>	<i>Number</i>	<i>Nominal Value</i>	<i>Number</i>	<i>Nominal Value</i>
<i>Ordinary Shares</i>	36,852,681	£3,685,268.10	6,287,067	£125,741.34	28,731,512	£574,630.24
<i>Deferred Shares</i>	–	–	3,648,415,419	£3,648,415.42	3,648,415,419	£3,648,415.42

¹ Assumes that the Offer Shares and Subscription Shares are subscribed for in full. The exact number of New Ordinary Shares resulting from the Capital Reorganisation will only be determined immediately prior to First Admission due to the treatment of fractional entitlements of Shareholders on the Company's register of members at that time.

- 5.4 Save for the proposed issue of the Offer Shares, Subscription Shares, grant of options in respect of the Option Shares and Consideration Shares as disclosed in this document:
- 5.4.1 no share or loan capital of the Company has been issued or is proposed to be issued;
- 5.4.2 there are no shares in the Company not representing capital;
- 5.4.3 there are no shares in the Company held by or on behalf of the Company itself, other than 426,996 Ordinary Shares held on behalf of the Company in an employment benefit trust by Heritage Corporate Trustees Limited;
- 5.4.4 there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
- 5.4.5 there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital; and
- 5.4.6 no share or loan capital of the Company is under option and the Company has not agreed conditionally or unconditionally to put any share or loan capital of the Company under option.

6. SIGNIFICANT SHAREHOLDERS

- 6.1 Save as disclosed in paragraph 4.1 of Part VIII in respect of the current and expected interests of the Bard Family Concert Party, and the anticipated interest of the Vendor in respect of the Consideration Shares, the Company is not aware of any interest in the Company's Existing Ordinary Share Capital which amounts or would, immediately following First Admission or Second Admission, amount to 3 per cent. or more of the Company's issued ordinary share capital other than the following:

Name	Current interest in the Company		Proposed interests in the Enlarged Group following First Admission ²		Proposed interests in the Enlarged Group following Second Admission ²	
	No. of Existing Ordinary Shares	% of the Existing Ordinary Share Capital	Total holding of New Ordinary Shares at First Admission	% of issued Enlarged Ordinary Share Capital	Total holding of New Ordinary Shares at Second Admission	% of issued Further Enlarged Ordinary Share Capital
Cain Hoy	2,933,473	7.96%	146,673	2.33%	146,673	0.51%
McCourt Shoreditch COLG LLC	2,933,473	7.96%	146,673	2.33%	146,673	0.51%
Helium Special Situations Fund	5,779,428	15.68%	288,971	4.60%	288,971	1.01%
Andrew Crowe ¹	1,905,143	5.17%	95,257	1.52%	95,257	0.33%
Galliard Holdings Limited	1,466,737	3.98%	73,336	1.17%	73,336	0.26%
The BL & RB Foundation	1,325,000	3.60%	66,250	1.05%	66,250	0.23%
DV4	–	–	–	–	14,666,667	51%

1 Includes 1,534,000 Existing Ordinary Shares held by the Loire Trust of which Andrew Crowe is the sole beneficiary.

2 Assuming that no Open Offer Entitlements are taken up by Shareholders and that no Ordinary Shares are issued prior to Second Admission other than the Offer Shares, the Subscription Shares and the Consideration Shares.

- 6.2 The voting rights of the persons listed in the table above do not differ from the voting rights of any other holder of Ordinary Shares.

7. SHARE OPTION SCHEME

- 7.1 The Share Option Scheme provides for the grant of options over Ordinary Shares to selected employees of the Company and its subsidiaries.

7.2 Administration

The Share Option Scheme will be administered by the Remuneration Committee.

The Remuneration Committee will oversee the Share Option Scheme having regard to market practice and the need to incentivise key management to deliver superior equity returns to Shareholders.

7.3 Eligibility

All employees (including executive directors) of the Company or any subsidiary will be eligible, but not entitled, to participate in the Share Option Scheme. Those who are invited to participate and the extent of their participation will be determined on an annual basis by the Remuneration Committee at its absolute discretion and it is currently envisaged that participation will only be offered to executive directors and other senior executives.

7.4 Individual limits

Options may not generally be granted to an employee in any financial year over Ordinary Shares with an aggregate market value of more than 200 per cent. of their gross annual basic salary (excluding bonuses and benefits). However, the individual limit for options granted in the first 42 days of the life of the Share Option Scheme ("Initial Options") shall be 300 per cent. of gross annual basic salary.

7.5 Grant of options

Options may be granted:

7.5.1 within the 42 days following the adoption of the Share Option Scheme;

7.5.2 during the period of 42 days immediately following the end of a period under which dealings in Ordinary Shares by directors are prohibited under the Market Abuse Regulation;

7.5.3 where the Remuneration Committee decides that exceptional circumstances have arisen which justify the grant of options outside the above periods.

Options may not be granted more than ten years after the adoption of the Share Option Scheme nor at any time when dealings in Ordinary Shares by directors are prohibited under the Market Abuse Regulation.

Options will lapse on the tenth anniversary of grant to the extent unexercised.

7.6 Exercise price of options

The price per Ordinary Share payable on exercise of an option granted under the Share Option Scheme will be set by the Remuneration Committee prior to grant and will not be less than the average middle market quotations of an Ordinary Share on AIM for the five dealing days immediately preceding the date of grant or the middle market quotation for the dealing day immediately preceding the date of grant, except that the price per Ordinary Share payable on the exercise of an Initial Option shall be 90 pence.

7.7 **Performance conditions**

Options will only become exercisable to the extent that a performance condition relating to the Company's Total Shareholder Return ("TSR") has been met. TSR is the increase over the performance period of the relevant option (as determined by the Remuneration Committee, being a period of not less than three years) in the price of an Ordinary Share plus the value of any dividends declared during the performance period re-invested in Ordinary Shares.

The relationship between TSR and exercisability of Options is as set out in the following table:

<i>TSR</i>	<i>Percentage of Option becoming exercisable</i>
At least 15 per cent. per annum	100 per cent.
5 per cent. per annum	25 per cent.
Less than 5 per cent. per annum	0 per cent.

For TSR between 5 per cent. and 15 per cent. exercisability will be on a straight-line basis between 25 per cent and 100 per cent.

The Remuneration Committee will have discretion to allow Options to be exercised more or less than would be indicated by the table above if it considers that the tabular result is not a genuine reflection of underlying financial performance.

Where events occur which cause the Remuneration Committee to consider that the performance condition has become unfair or impractical, it may amend, relax or waive such condition as it deems appropriate.

7.8 **Cessation of employment**

If a participant's employment ceases due to injury, redundancy, ill-health or disability before their option has become exercisable, their option will still become exercisable at the end of the relevant performance period to the extent that the performance condition is satisfied. However, the number of Ordinary Shares which may be acquired on exercise will be reduced to reflect the reduced service period. Options will lapse if not exercised within six months following the later of cessation of employment and the end of the performance period.

If a participant dies, their option will become immediately exercisable to the extent that the performance condition has been or would likely to have been satisfied or otherwise, as the Remuneration Committee, at its discretion, shall determine. However, the number of Ordinary Shares which may be acquired will generally be reduced to reflect the reduced service period. Options will lapse if not exercised within 12 months following death.

If a participant's employment ceases for any reason other than those mentioned above, their option will immediately lapse unless otherwise determined by the Remuneration Committee at its discretion.

7.9 **Takeover**

If the Company is taken over, options will generally become exercisable to the extent that the Remuneration Committee determines that the performance conditions have been or would likely have been satisfied and the number of Ordinary Shares which may be acquired in such circumstances may also be reduced *pro rata* if an option has been held for less than three years. However, the Remuneration Committee will have discretion in such circumstances to increase the number of Ordinary Shares in respect of which an option may be exercised.

7.10 **Overall limit**

In any ten year period, not more than 10 per cent. of the Ordinary Shares from time to time may be issued or remain issuable for the purposes of the Share Option Scheme or of any other employee share scheme operated by the Company.

For the purposes of the above limit, options which are only capable of being satisfied by the transfer of already issued Ordinary Shares and Ordinary Shares which are the subject of lapsed options will be excluded.

7.11 Variation of share capital

In the event of a capitalisation or rights issue or any sub-division, consolidation, reduction or other variation in the Company's ordinary share capital, the number of Ordinary Shares subject to an option, the exercise price and the performance condition may be adjusted as the Remuneration Committee considers appropriate.

7.12 Voting, dividend and other rights

Any Ordinary Shares allotted under the Share Option Scheme will rank equally with the Ordinary Shares then existing, with the exception of rights attaching by reference to a record date prior to the allotment date.

Options are non-transferable and benefits obtained under the Share Option Scheme shall not form part of a participant's pensionable remuneration.

7.13 Reduction or cancellation of options and clawback

The Remuneration Committee (acting fairly and reasonably) may, in circumstances in which it considers such action is appropriate, decide

7.13.1 before an option is exercised:

7.13.1.1 to cancel the option;

7.13.1.2 to reduce the number of Ordinary Shares to which the option relates; or

7.13.1.3 to impose further conditions on the option, or

7.13.2 after an option has been exercised: to claw back an amount from the participant.

Circumstances in which the actions listed above may be appropriate include, but are not limited to, the discovery of:

7.13.3 a material misstatement of the Company's audited financial results;

7.13.4 a material failure of risk management by the Company or any subsidiary;

7.13.5 information which, had it been known, would have affected a decision relating to the grant or exercisability of the option; or

7.13.6 the option holder's gross misconduct.

7.14 Amendments

The Share Option Scheme may be amended in any respect by the Remuneration Committee, provided that amendments to the material detriment of participants will require the prior approval of a majority of the participants affected unless they are amendments to benefit the administration of the Share Option Scheme, to take account of changes in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for participants or for the Company or any of its subsidiaries.

8. SECURITIES BEING ADMITTED

8.1 The New Ordinary Shares will be ordinary shares of 2 pence each in the capital of the Company, issued in Sterling.

- 8.2 The International Security Identification Number (ISIN) of the New Ordinary Shares is GB00BD9GS058 and the Stock Exchange Daily Official List (SEDOL) number will be BD9GS05. The ISIN of the Open Offer Entitlement will be GB00BD9GV847, and for the Excess Shares will be GB00BD9GVB71.
- 8.3 The New Ordinary Shares will be in registered form. They will be capable of being held in certificated form or in uncertificated form in CREST. The Company's register of members will be kept by the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 8.4 The dividend and voting rights attaching to the New Ordinary Shares are set out in paragraphs 12.7 and 12.8 of this Part IX.
- 8.5 Section 561 of the Act gives Shareholders rights of pre-emption in respect of allotments of securities which are or are able to be paid up in cash (other than by way of allotments to employees under an employee share scheme as defined under section 1166 of the Act). Subject to limited exceptions and to the extent authorised by the Resolutions, unless Shareholders' approval is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing shareholders *pro-rata* to their shareholdings.
- 8.6 The New Ordinary Shares will have no right to share in the profits of the Company other than through a dividend, distribution or return of capital (further details of which are set out in paragraph 12.8 of this Part IX).
- 8.7 Each New Ordinary Share will be entitled on an equal basis with all other issued New Ordinary Shares to share in any surplus on a liquidation of the Company.
- 8.8 The New Ordinary Shares will have no redemption or conversion rights.
- 8.9 The Resolutions proposed at the General Meeting will, if passed:
- 8.9.1 authorise the Directors, for the purposes of section 551 of the Act to allot relevant securities or rights in respect of relevant securities of the Company, such authority being limited to:
- 8.9.1.1 conditional on First Admission, the allotment of the Offer Shares; and
- 8.9.1.2 conditional on Second Admission, the allotment of the Subscription Shares, the Consideration Shares, up to 9,577,170 New Ordinary Shares and the grant of options in respect of the Option Shares;
- 8.9.1.3 that authorisation expiring on the earlier of the date falling 15 months after the date of the passing of such resolution and the conclusion of the 2018 annual general meeting of the Company (unless previously renewed, varied or revoked by the Company in a general meeting); and
- 8.9.2 authorise the Directors, subject to the passing of the Resolutions summarised in paragraph 8.9.1 above, to allot up to 26,317,600 New Ordinary Shares in the Company (including the Subscription Shares, the Consideration Shares and the grant of options in respect of Option Shares) as if section 561(1) of the Act did not apply to those allotments, that authorisation expiring on the earlier of the date falling 15 months after the date of the passing of such resolution and the conclusion of the 2018 annual general meeting of the Company (unless previously renewed, varied or revoked by the Company in a general meeting).

9. IRREVOCABLE UNDERTAKINGS

The table below sets out the beneficial shareholdings and corresponding percentages in respect of which Irrevocable Undertakings to vote in favour of the Resolutions (excluding the Whitewash Resolutions, in the case of members of the Bard Family Concert Party) have been entered into:

<i>Name of beneficial owner of Existing Ordinary Shares</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>
Harvey Bard	48,000	0.1%
Sonia Bard	58,000	0.2%
Alexander Bard	2,134,014	5.8%
Tania Bard	2,190,514	5.9%
Sarah Bard	1,704,356	4.6%
Rebecca Bard	1,684,356	4.6%
Roy Michael Bard	101,000	0.3%
Rosi Bard	107,500	0.3%
HPB Pension Trust	240,964	0.7%
Paul Milner	95,188	0.3%
CH Capital A Holdings LLC	2,933,473	8.0%
McCourt Shoreditch CoLG LLC	2,933,473	8.0%
Andrew Crowe	1,905,143	5.2%
Galliard Homes Limited	1,466,737	4.0%
John Kent and Yvonne Kent	47,543	0.1%
MW Trustees Limited	214,232	0.6%
Eric Anstee	104,620	0.3%
Total	17,969,113	48.8%

10. TAKEOVERS

- 10.1 The Takeover Code applies to the Company. Rule 9 of the Takeover Code ("Rule 9") therefore applies to any person, or group of persons, acting in concert, who acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which persons acting in concert with them are interested, carry 30 per cent. or more of the voting rights of the Company. It would also apply to any person who, together with persons acting in concert with them, is already interested in shares which in aggregate carry not less than 30 per cent. (but not more than 50 per cent.) of the voting rights of the Company if that person, or any person acting in concert with them, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which they are interested. Where Rule 9 applies, the person or concert party group is normally required by the Panel to make a general offer in cash to acquire from the other shareholders the remaining shares in the company at not less than the highest price paid by them within the preceding twelve months. Rule 9 is subject to a number of dispensations.
- 10.2 In the event a bidder for shares in the Company acquires at least nine-tenths in value of the issued share capital of the Company to which an offer relates the bidder may in accordance with the procedure set out in section 979 of the Act require the holders of any shares they have not acquired to sell them subject to the terms of the offer. Those Shareholders may in turn require the bidder to purchase their shares on the same terms.
- 10.3 No person has made a public takeover bid for the Company's issued share capital in the financial period to 31 March 2017 or in the current financial year.
- 10.4 As the Acquisition is being effected to a significant extent by a share for share exchange the effect on the assets and liabilities of the Enlarged Group is as set out in Part VII of this document.

11. CONTROL

- 11.1 To the best of the knowledge of the Company, there are no persons who at the date of this document directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company.
- 11.2 On completion of the Acquisition the Vendor will own approximately 51 per cent. of the Further Enlarged Ordinary Share Capital and will be able to exercise control over the Company. The Vendor therefore has entered into a Relationship Agreement with the Company. Further details of the Relationship Agreement with the Vendor (DV4) are set out in paragraph 18 of this Part IX.
- 11.3 Following the Open Offer and Subscription, entities connected to or controlled by Harvey Bard will collectively own approximately 39.4 per cent. of the Further Enlarged Ordinary Share Capital and therefore MBIL and Harvey Bard have entered into the Relationship Agreement with the Company. Further details of the Relationship Agreement with MBIL and Harvey Bard are set out in paragraph 18 of this Part IX. If the Acquisition does not complete and the Subscription does not proceed, immediately following First Admission, the Bard Family Concert Party will own approximately 77.3 per cent. of the issued share capital of the Company and will be able to exercise control over the Company (assuming that no Shareholders take up their Open Offer Entitlements other than members of the Bard Family Concert Party).
- 11.4 Other than under the Proposals, the Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.

12. ARTICLES OF ASSOCIATION

The provisions of the Company's existing Articles of Association are summarised as set out below:

12.1 Adoption

The current Articles of Association were adopted by special resolution on 17 September 2012 and amended by special resolution on 2 December 2013. They contain the provisions (among others) set out below.

12.2 Objects

The Articles of Association contain no specific restrictions on the Company's objects and therefore by virtue of section 31(1) of the 2006 Act the Company's objects are unrestricted.

12.3 Voting rights

On a show of hands every member who is present in person shall have one vote, and every person present who has been duly appointed as a proxy shall have one vote, provided that the proxy shall have one vote for the resolution in question and one vote against it if (a) the proxy has been duly appointed by more than one member entitled to vote on the resolution and (b) the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it; and every member (being a corporation) which is present by a duly authorised representative, not being themselves a member entitled to vote, shall have one vote. On a poll every member present in person or by duly appointed proxy or corporate representative shall have one vote for every share of which they are the holder. A proxy need not be a member of the Company.

12.4 Variation of rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of the placing of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either in such manner (if any) as may be provided by such rights or with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the affected class, or with the sanction of a special resolution passed at a separate general meeting of such holders (but not otherwise).

12.5 **Alteration of capital**

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value or subdivide all or any of its shares into shares of a smaller nominal value. Wherever as a result of a consolidation, division or subdivision of shares any members would become entitled to fractions of a share the Board may deal with the fractions as it thinks fit, and in particular it may, on behalf of those members, consolidate such fractions into a single share and sell such share representing the fractions at the best price reasonably obtained and distribute the net proceeds in due proportion to those members (except that any amount otherwise due to a holder, being less than £3 or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company).

The Company may, subject to the 2006 Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account or any undistributable reserve in any manner.

Subject to and in accordance with the provisions of the 2006 Act, the Company may purchase all or any of its own shares (including any redeemable shares), provided that a special resolution of the Company is passed to authorise such a purchase of the Company's own shares. In addition, if there are holders of any class of shares convertible into equity share capital of the Company, a special resolution shall first be passed at a separate class meeting by the holders of such shares.

12.6 **Transfer of shares**

The instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve. The instrument of transfer of such share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. Uncertificated shares may be transferred without a written instrument in accordance with the CREST Regulations

The Directors may in their absolute discretion (and without giving any reason) refuse to register any transfer of certificated shares unless (i) the instrument of transfer is lodged at the office or at such other place as the Board may appoint, accompanied by the certificate for those shares to which it relates and such other evidence (if any) as the Board may reasonably require to show the title of the transferor to make the transfer and if the instrument of transfer is executed by some other person on their behalf, the authority of that person to do so; (ii) the instrument of transfer is in respect of only one class of shares; (iii) in the case of a transfer of joint holders, they do not exceed four in number; (iv) it is in respect of a share which is fully paid up; (v) it is in respect of a share on which the Company has no lien; and (vi) it is duly stamped (if so required) provided that the refusal does not prevent dealings in the shares from taking place on an open and proper basis).

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to the 2006 Act) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

No transfer of any share shall be made:

- (1) to a minor, or
- (2) to a bankrupt, or
- (3) to any person who is, or may be, suffering from mental disorder and either:
 - (i) has been admitted to hospital following an application for admission for treatment under the Mental Health Act 1983 or any similar statute relating to mental health (whether in the United Kingdom or elsewhere); or
 - (ii) an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for their detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to their property or affairs,

and the Directors shall refuse to register the purported transfer of a share to any such person.

If the Board refuses to register a transfer of a share it shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. All instruments of transfer which are registered may be retained by the Company.

Subject to the above, the Articles of Association contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles of Association relating to the deposit of instruments for transfer have been complied with.

12.7 **Ordinary Shares**

Ordinary Shares carry the right to vote at general meetings of the Company. All distributions payable to the Shareholders (including on redemption of such Ordinary Shares) will be paid in Sterling, however, the Board may at its discretion from time to time make provisions to enable a Shareholder to receive dividends duly declared in a currency other than Sterling.

12.8 **Dividends**

- (i) The Company may by ordinary resolution in general meeting declare that out of profits available for distribution dividends may be paid to members in accordance with their respective rights and priorities. No dividend shall exceed the amount recommended by the Board.
- (ii) Except as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid.
- (iii) All dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date, such share shall rank for or be entitled to receive a dividend accordingly.
- (iv) Any general meeting declaring a dividend may, upon the recommendation of the Board, direct payment of such dividend wholly or partly by the distribution of assets and in particular of fully paid up shares or debentures of any other company, and the Board shall give effect to such direction. When any difficulty arises in regard to such distribution the Board may settle it as it thinks fit.
- (v) The Board may from time to time declare and pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company available for distribution and the position of the Company. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights unless at the time of payment any preferential dividend is in arrears.
- (vi) The Board may deduct from any dividend or other money payable to any member on or in respect of a share all sums owed to the Company on account of calls, or otherwise, in relation to shares in the Company.
- (vii) Dividends and interest are paid to those members whose names shall be on the register at the date on which such dividend shall be declared or on the date at which such interest shall be payable or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.
- (viii) All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company. All dividends, interest or other sum payable and unclaimed for 12 months may be invested or otherwise made use of by

the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect of them.

12.9 **Suspension of rights**

If a member, or any person appearing to be interested in shares held by a member, has been given notice under section 793 of the 2006 Act and is in default in supplying to the Company within 14 days the information required by such notice, then the Directors may by notice to the member direct that, in relation to the shares in respect of which the default has occurred (the "Default Shares"), the member is not entitled to vote, either personally or by proxy, at a general meeting or a class meeting or to exercise any other right conferred by membership in relation to general meetings or meetings of the holders of any class of shares. Where the holding represents at least 0.25 per cent. of the issued shares of a class the payment of dividends may be withheld and the transfer of any Default Shares (or of shares which include or might include Default Shares) which is not an approved transfer shall not be registered unless (i) the member is not in default as regards the supplying of the information required; and (ii) the transfer relates to part only of the member's holding and, when presented for registration, is accompanied by a certificate by a member in a form satisfactory to the Directors to the effect that, after due and careful enquiry, the member is satisfied that none of the shares to which the transfer relates are Default Shares.

12.10 **Return of capital**

On the winding up of the Company, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members.

12.11 **Pre-emption rights**

There are no rights of pre-emption set out in the Articles of Association in respect of transfers of Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

12.12 **Shareholder meetings**

Annual general meetings should be held within the time periods specified by the 2006 Act. Twenty-one clear days' notice in writing must be given of an annual general meeting (exclusive of the day on which notice is served or deemed to be served and of the day on which the meeting is to be held). Other general meetings may be called whenever the Directors think fit or when one has been requisitioned in accordance with the 2006 Act, and at least fourteen clear days' notice in writing must be given (exclusive of the day on which notice is served or deemed to be served and of the day on which the meeting is to be held). Two members present in person or by proxy and entitled to vote shall be a quorum when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting.

At any general meeting a resolution put to the vote at the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands (or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by (i) the chairman of the meeting; (ii) not less than five members present in person or by proxy and entitled to vote at the meeting; (iii) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) a member or members present in person or by proxy representing shares conferring a right to vote

at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

12.13 **Directors**

The number of Directors, unless otherwise determined by ordinary resolution of the Company, shall not be less than two and there is no maximum number.

The Directors are entitled to be paid out of the funds of the Company all of their reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as a Director, including any expenses incurred in attending board meetings, committee meetings, general meetings, or separate meetings of the holders of any class of shares or of debentures of the Company. The Directors shall be paid such remuneration (by way of fee) for their services as the Board may from time to time determine (not exceeding £500,000 per annum or such other sum as the Company in general meeting may approve by ordinary resolution from time to time).

Subject to the provisions of the 2006 Act, the Directors may appoint any one or more of their number to any office or employment within the Company (including, but without limitation that of chief executive, managing director or joint managing director, but not including that of auditor), and may enter into an agreement or arrangement with any Director for their employment by the Company or for the provision by them of any services outside the scope of the ordinary duties of a Director and may also permit any person appointed to be a Director to continue in any office or employment held by them before they were so appointed.

Save as provided in the Articles of Association, a Director shall not vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning a matter in which they have, directly or indirectly, an interest or duty which is material unless their interest or duty arises only if one of the following sub-paragraphs applies (in which case they may vote and be counted in the quorum):

- (i) the resolution relates to the giving to them of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by them for the benefit of, the Company or any of its subsidiaries;
- (ii) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiaries for which the director has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) their interest arises by virtue of them becoming or being entitled to become a participant in the offer of or in the underwriting or sub-underwriting of an offer (of which they are to participate) of any securities by the Company or any of its subsidiaries;
- (iv) the resolution relates to another company in which they and any persons connected with them do not to their knowledge hold an interest in shares (as that term is used in the Disclosure and Transparency Rules) representing one per cent or more of either any class of the equity share capital, or the voting rights, in such company;
- (v) the resolution concerns insurance with the Company and proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors;
- (vi) the resolution concerns any arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award to any director any privilege or benefit not generally awarded to the employees to which such arrangement relates.

A director's conflict of interest, subject to the 2006 Act and any other applicable laws, that would otherwise involve the director concerned breaching their duty under the 2006 Act and other applicable laws, to avoid conflicts of interest, may be authorised by the Board.

Subject to the provisions of the 2006 Act and other applicable legislation, and provided they have disclosed to the Board the nature and extent of any material interest, a director:

- (i) may be party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company, or in which the Company is otherwise interested;
- (ii) shall not, by reason of their office, be liable to account to the Company for any benefit which they derive from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided as a result any such interest or benefit;
- (iii) may become a director, officer or employee or a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is interested; and
- (iv) may act by themselves or their firm in a professional capacity for the Company (otherwise than as auditor) and be remunerated for such services on such terms as the Board or a duly authorised committee may arrange.

13. PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

The Amended Articles of Association include the following material amendments to the existing Articles of Association:

13.1 the deletion of the reference to warrants issuable to bearers in respect of shares; and

13.2 the insertion of rights with respect to Deferred Shares which include:

13.2.1 Return of Capital – on the return of assets on a winding up of the Company, an amount equal to the nominal value of the Deferred Shares shall be returned to the holders of the Deferred Shares, after the holders of the Ordinary Shares have received the total amount paid up on the Ordinary Shares plus £10,000,000 for each such share held by them. The holders of the Deferred Shares shall have no other interest or right to participate in the assets of the Company;

13.2.2 Dividends – the Deferred Shares shall not carry any entitlement to dividends or to participate in any way in the income or profits of the Company;

13.2.3 Acquisition by the Company – the Company may acquire all or any of the Deferred Shares in issue at any time for the payment of not more than £1 in aggregate without further reference to holders of the Deferred Shares.

13.2.4 Dealing with Deferred Shares – other than as specified above, the Deferred Shares shall not be capable of transfer at any time other than with the prior consent of each of the Directors, nor shall the holders of them be entitled to mortgage, pledge, charge or otherwise encumber them or create or dispose of or agree to create or dispose of any interest (within the meaning of section 820 of the Act) whatsoever in any Deferred Shares;

13.2.5 Voting – the Deferred Shares shall not confer on the their holders any entitlement to receive notice of or to attend or speak at or vote at any general meeting of the Company; and

13.2.6 Further Participation – the rights attaching to the Deferred Shares shall not be deemed to be varied or abrogated by the creation and/or allotment and/or issue of any further shares, the passing of any resolution of the Company reducing its share capital or cancelling the Deferred Shares and none of the rights or restrictions attached to the Deferred Shares shall be or shall be deemed to be varied or abrogated in any way by the passing or coming into effect of any special resolution of the Company to reduce its share capital and/or reduce or cancel (as the case may be) its share premium account (including a special resolution to reduce the capital paid up or to cancel such Deferred Shares).

14. INTERESTS OF THE EXISTING DIRECTORS AND INCOMING DIRECTORS

14.1 As at the date of this document and as expected to be immediately following completion of the Proposals, the only interest in or right to subscribe for share capital of the Company held by an Existing Director or Incoming Director or any persons connected to them (within the meaning of section 252 of the Act), the existence of which is known to or could with reasonable diligence be ascertained by the Existing Directors and Incoming Directors, is the interest in 95,188 Existing Ordinary Shares held by Paul Milner (an Existing Director and a director of MBIL) and the interests in New Ordinary Shares pursuant to the grant of options under the Share Option Scheme on Second Admission as set out in the table below.

<i>Name</i>	<i>Number of Option Shares in respect of which option grants will become unconditional on Second Admission</i>
Michael Goldstein	555,556
Paul Milner	333,333
Chris Rumsey	111,111

14.2 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Existing Directors or Incoming Directors. There are no outstanding loans or guarantees provided by the Existing Directors or Incoming Directors to or for the benefit of the Company.

14.3 Save as disclosed in this paragraph 14, no Existing Director nor any Incoming Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

14.4 None of the Existing Directors, Incoming Directors, nor any member of their respective families is dealing in any related financial product (as defined in the AIM Rules) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for differences or a fixed odds bet.

14.5 In respect of the Existing Directors and Incoming Directors, save as set out in this document there are no conflicts of interest between any duties they have to the Enlarged Group and their private interests and/or other duties they may have.

14.6 Save as set out in this document, there are no arrangements or undertakings between the Existing Directors or Incoming Directors and any major shareholder, customer or supplier of the Enlarged Group under which any Existing Director or Incoming Director was selected or will be selected as a member of the administrative, management or supervisory body or member of senior management of any member of the Enlarged Group.

15. DIRECTORS' SERVICE AGREEMENTS/LETTERS OF APPOINTMENT

15.1 The Company has entered into letters of appointment with the Existing Directors as follows:

- Andy Crossley entered into a letter of appointment with the Company on 18 September 2015 appointing him as a director of the Company with effect from 19 October 2015 for an initial period of two years. The appointment may be terminated by either party on one month's written notice without compensation for termination. Mr Crossley receives an annual fee of £27,500 which is paid at his direction to Stockdale Securities Ltd.
- Lorraine Young entered into a letter of appointment with the Company on 10 August 2017 appointing her as a director of the Company with effect from 10 August 2017 for an initial period of three years. The appointment may be terminated by either party on one month's written notice without compensation for termination. Ms Young receives an annual fee of £27,500.

15.2 With effect from Second Admission, Paul Milner's non-executive appointment shall terminate and he will become an executive director. Details of his existing letter of appointment and the service contract which will become effective on Second Admission are set out below:

- Paul Milner entered into a letter of appointment as a non-executive director with the Company with effect from 29 November 2013, under which he received an annual fee of £27,500.
- Paul Milner entered into a service agreement with the Company on 14 September 2017 appointing him as an executive director of the Company. The appointment may be terminated by either party on six months' written notice following an initial one year period without compensation for termination. He is expected to typically work 5 days of each month. It contains standard provisions for a senior executive, including garden leave and non-competition and non-solicitation restrictive covenants applicable during the term of his employment. Mr Milner will receive an annual salary of £100,000.

15.3 With effect from Second Admission, the Incoming Directors will be appointed to the Board of the Company. The details of their service contracts and letters of appointment are as follows:

- Colin Wagman entered into a letter of appointment with the Company on 14 September 2017 appointing him as a director of the Company with effect from Second Admission for an initial period of three years. The appointment may be terminated by either party on one month's written notice without compensation for termination. Mr Wagman receives an annual fee of £30,000.
- Michael Goldstein entered into a service agreement with the Company on 14 September 2017 appointing him as an executive director of the Company. The appointment may be terminated by either party on six months' written notice following an initial one year period without compensation for termination. He is expected to typically work 5 days of each month. The service agreement contains provisions regarding garden leave and non-competition and non-solicitation restrictive covenants applicable during the term of his employment. Mr Goldstein will receive an annual salary of £175,000.
- Christopher Rumsey entered into a service agreement with Milton Homes on 8 January 2008 which will remain in place unaltered following Second Admission. The service agreement is terminable on 12 months' notice without compensation for termination. It contains standard provisions for a senior executive, including garden leave and post-termination non-competition and non-solicitation restrictive covenants. Mr Rumsey receives an annual salary of £200,000.

15.4 Save as set out in this paragraph 15 none of the above service contracts or letters of appointment have been entered into or amended within six months of the date of this document.

16. ADDITIONAL INFORMATION ON THE EXISTING DIRECTORS AND INCOMING DIRECTORS

16.1 In addition to directorships of the Company, the Directors and Incoming Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Company)</i>	<i>Past Directorships and Partnerships</i>
Paul George Milner	55	<p>UK</p> <p>City of London Financial Services Limited Credit Asset Management Limited Evenlode Investments Limited Max Barney Development Limited Max Barney Limited New Haven Developments NewCo Limited Thurleigh Developments Limited Max Barney Investments Limited</p> <p>Jersey</p> <p>H Company 1 Ltd H Company 2 Ltd H Company 3 Ltd H Company 4 Ltd H Company 5 Ltd H Company 6 Ltd H Company A Ltd H Company B Ltd H Holdings Ltd Kingsland Road 1 Limited Kingsland Road 2 Limited New Sonia Trading Ltd S Trading Company 1 Ltd The Max Barney Pub Limited Treaty Centre Ltd</p>	<p>UK</p> <p>Stormcliff Residential Limited Stormcliff (KR) Limited Facebarn Properties Limited Acton Street Limited Tigerwater Limited Britannia Central Limited Arch Properties Investments Limited S Prop Newco UK Limited Brunswick Newco Limited S Residential Newco Limited Atb Newco Limited S Residential Prop Company UK Limited S Prop Company UK Limited Brunswick Estates Prop Company Limited A&TB Limited M Barney Company UK Limited Max Barney (EC2) Limited Plough Yard Developments Ltd Britannia East Limited Globecastle Limited Atkinson Real Estate No. 2 Limited Crown Place (EC2) Limited Worship House Estates Limited Stovedale Limited Breanstar Limited Britannia City Developments Ltd East Two Developments Ltd Gurney House Securities Limited MB Newco UK Limited The Max Barney Foundation Tigerwater Residential Limited G&B Prop Company UK Limited Max Barney (Misc) Limited Shoreditch Stage Ltd Citymain Investments Ltd</p>
Andrew John Crossley	54	<p>UK</p> <p>Stockdale Securities Ltd</p>	<p>UK</p> <p>Baronsmead VCT plc</p>
Lorraine Elizabeth Young (Maiden name: Sams)	54	<p>UK</p> <p>PHSC plc Lorraine Young Company Secretaries Limited Lorraine Young Limited Shakespeare Martineau LLP</p>	<p>UK</p> <p>Lorraine Young Directors Limited Again Productions Limited</p>

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Company)</i>	<i>Past Directorships and Partnerships</i>
Colin Barry Wagman	71	<p>UK</p> <p>Alpha Plus Holdings Plc Battbridge Limited Brencorp Limited Creditincome Estates UK (No. 2) Limited Creditincome Estates UK Limited Creditincome Investments Limited Creditincome Investments No 2 Limited Creditincome Limited Croydon Plaza Limited Croydon Retail Limited Delancey Asset Management Limited Delancey Limited Delancey Properties (Manchester) Limited Delancey Real Estate Asset Management Group Limited Delancey Real Estate Asset Management Limited Delancey Real Estate Partners Limited DV4 Administration 1 UK Limited DV4 Dartford Gateway Homes Limited DV4 Eadon Development UK Limited DV4 Investments Beckenham Co. Limited DV4 Investments Beckenham No. 2 Co. Limited DV4 Investments Dartford Gateway Co. Limited DV4 Investments Dartford Gateway No. 2 Co. Limited DV4 Trustee No. 1 UK Limited DV4 Trustee No. 2 UK Limited East Village Management Limited Elephant Construction Limited Farmcote Wood Estates Limited Farmcote Wood Farm Limited Farmcote Wood Farms And Estates Limited Farmcote Wood House Estates Limited Farmcote Wood House Farms And Estates Limited Futurestate Limited Get Living London EV Holdco Limited Get Living London EV N01 Limited Get Living London EV N02 Limited Get Living London EV N03 Limited Get Living London EV N04 Limited Get Living London EV N07 Limited Get Living London EV N09 Limited Get Living London EV N10 Limited Get Living London EV N13 Limited Get Living London EV N14 Limited Get Living London EV N15 Limited Get Living London EV N26 Limited Get Living London EV1 Holdco Limited Get Living London EV2 Holdco Limited Get Living London Limited Here East Management Limited Hostlight Limited Inestar Limited Innovation City (London) Limited Jack Cade Limited Jupiter Properties 2011 UK Limited L.E.F. Limited Larchfield Investments Limited Lineobtain Limited</p>	<p>UK</p> <p>Antares Properties Limited (Members Voluntary Liquidation – Liquidator appointed 12/05/17) BL (SP) Properties Plc (Members Voluntary Liquidation – Liquidator appointed 18/02/99) Brooklands Hotel Ltd (Creditors Voluntary Liquidation – Colin resigned 27/06/13, Administrator appointed 27/03/14, Liquidator appointed 05/01/15) Brooklands Hotel (Developments) Limited (Creditors Voluntary Liquidation – Colin resigned 27/06/13, Administrator appointed 27/03/14, Liquidator appointed 05/01/15) Brooklands Hotel (Properties) Limited (Creditors Voluntary Liquidation – Administrator appointed 26/06/13, Liquidator appointed 05/01/15) Bushcharm Limited Cavernlodge Limited Cherrybase Properties Limited Colliers International UK Plc (Creditors Voluntary Liquidation – Colin resigned 28/03/12, Administrator appointed 28/03/12, Liquidator appointed 09/04/13) Delancey Arnold UK Limited (Members Voluntary Liquidation) Delancey Rolls UK Limited (Members Voluntary Liquidation – Liquidator appointed 16/03/2016) DV3 Administration UK 1 Limited DV3 Administration UK 2 Limited Freehold Portfolios GR Limited Jimtrack Limited (Members Voluntary Liquidation – Dissolved on 21/02/17) Leon (Holdings) Plc (Voluntary Strike-off – Dissolved 03/03/15) M1 Limited (Members Voluntary Liquidation – Liquidator appointed 12/05/17) Mark Wagman Consulting Limited (Voluntary Strike-off – Dissolved 07/10/14) Mark Wagman Management Limited (Voluntary Strike-off – Dissolved 07/10/14) Mb2005 No 1 Limited Merchant Inns Limited (Creditors Voluntary Liquidation – Liquidator appointed 31/12/14) Merchant Inns Group Limited (Creditors Voluntary Liquidation – Liquidator appointed 31/12/14) Miltenglade Limited Minerva (Abingdons) Limited (Members Voluntary Liquidation – Liquidator appointed 12/05/2017) Minerva (City) Limited (Members Voluntary Liquidation – Dissolved 21/02/2017) Minerva Investment Holdings Limited (Members Voluntary Liquidation – Dissolved 07/03/17) Minerva (Kensington) Limited (Members Voluntary Liquidation – Dissolved 07/03/17)</p>

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Company)</i>	<i>Past Directorships and Partnerships</i>
Colin Barry Wagman (cont.)	71	<p>UK</p> <p>Living Plus Assets Limited Living Plus Limited LX-JFK Limited Mapquest Limited Metro Shopping Fund Management Limited Milton Homes Limited Minerva (Croydon) Limited Minerva Corporation Limited Minerva Dowgate Limited Minerva (Finance) Limited Minerva (Holland Park) Limited Minerva (Kensington Developments) Limited Minerva Limited Minerva (Stores) Limited Minerva (Wandsworth) Limited Mount Kendal Limited Newincco 1076 Limited Newincco 1234 Limited Newincco 1312 Limited Portman Administration 1 Limited Portman Administration 2 Limited Portman Supermarkets Limited Qbar Limited QDD East Village UK Limited QDD EV Holdco Limited QDD EV N01 Limited QDD EV N02 Limited QDD EV N03 Limited QDD EV N04 Limited QDD EV N05 Holdco 1 Limited QDD EV N05 Holdco 2 Limited QDD EV N05 Limited QDD EV N06 Limited QDD EV N06/N08 Holdco 1 Limited QDD EV N06/N08 Holdco 2 Limited QDD EV N06/N08 Holdco 3 Limited QDD EV N06/N08 Holdco 4 Limited QDD EV N07 Limited QDD EV N08 Limited QDD EV N09 Limited QDD EV N10 Limited QDD EV N13 Limited QDD EV N14 Limited QDD EV N15 Limited QDD EV N26 Limited QDD EV1 Investment UK Limited QDD EV2 Investment UK Limited Samarate Limited Skymile Construction Limited Stratford Village Development (GP) Limited Stratford Village Development LP1 Limited Stratford Village Development LP2 Limited Stratford Village Property Holdings 1 Limited Stratford Village Property Holdings 2 Limited SVDP Limited The Gold Standard Charitable Trust Vitruvian Construction Limited Wagman Adair LLP Wagman Associates</p>	<p>UK</p> <p>Minerva (Lancaster Gate) Limited (Members Voluntary Liquidation – Dissolved 21/02/17) Minerva Properties Limited (Members Voluntary Liquidation – Dissolved 21/02/17) Minerva Property Holdings Limited (Members Voluntary Liquidation – Liquidator appointed 12/05/17) Minerva Property Services Limited (Members Voluntary Liquidation – Liquidator appointed 17/11/15) Minerva (Ventures) Limited (Members Voluntary Liquidation – Dissolved 21/02/17) OMD Holborn Limited (Members Voluntary Liquidation – Dissolved 21/02/17) OMD Holdings Limited (Members Voluntary Liquidation – Dissolved 07/03/17) OMD Property (Holborn) Limited (Members Voluntary Liquidation – Dissolved 07/03/17) Owl Adviceco UK Limited (Voluntary Strike- off – Dissolved 02/04/13) Owl General Partner UK Limited (Voluntary Strike-off – Dissolved 16/05/17) Park Place (General Partner) Limited (Members Voluntary Liquidation – Liquidator appointed 16/12/15) Portman Administration 3 Limited (Voluntary Strike-off – Dissolved 25/04/17) Portman Supermarkets (Chiswell Green) Limited (Voluntary Strike-off – Dissolved 16/05/17) Ringwood Investments Limited Rolls Development UK Limited (Members Voluntary Liquidation – Liquidator appointed 16/03/16) Simarc Property Management Limited The Silver Line Helpline Unovilla Limited (Colin resigned 20/04/15 - Compulsory strike-off 30/08/16) Wallace Estates Limited Wallace Partnership Group Limited Wallace Partnership Reversionary Group Holdings Limited Wel (No 1) Ltd Wel (No 2) Ltd Wel (No 3) Ltd Wel (No 4) Ltd Willowwind Limited</p> <p>British Virgin Islands</p> <p>BHH DV Limited Brooklands Hotel Limited (Compulsory Strike-off - Colin resigned 27/06/13, struck-off 01/05/16) Brooklands Hotel (Properties) Ltd (Placed in Administration on 05/07/13) DV3 Holdings Hotel Limited DV3 Holdings Hotel Parent Limited DV3 Properties Bh Limited DV3 Properties Bovey Castle Limited DV3 Properties Hotel Limited Freehold Portfolios GR No.1 Limited</p>

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Company)</i>	<i>Past Directorships and Partnerships</i>
Colin Barry Wagman (cont.)	71	<p>British Virgin Islands</p> <p>Delancey Partners Co. Limited Delancey Real Estate Partners Limited DV4 Investments Beckenham Co. Limited DV4 Investments Beckenham No. 2 Co. Limited DV4 Investments Dartford Gateway Co. Limited DV4 Investments Dartford Gateway No. 2 Co. Limited</p> <p>Jersey</p> <p>Metro Shopping Fund GP Limited</p>	
Michael Howard Goldstein	54	<p>UK</p> <p>Citymain Investments Ltd JW3 Trading Limited JW3 Trust Limited Max Barney Development Limited Max Barney Ltd Newhaven Developments NewCo Limited Rosemark Securities Limited Shoreditch Investments Ltd Tabernacle 71 Limited Tabernacle 72 Limited The Covenant & Conversation Trust The Max Barney Foundation The Vail Foundation Thurleigh Developments Limited Max Barney Investments Limited United Synagogue United Synagogue Bequests & Trusts United Synagogue Youth Charity United Synagogue Design & Build United Synagogue Trusts US Advertising London Board of Jewish Religious Education Scopus Jewish Educational Trust London Board Trustee Ltd</p> <p>Jersey</p> <p>H Company 1 Ltd H Company 2 Ltd H Company 3 Ltd H Company 4 Ltd H Company 5 Ltd H Company 6 Ltd H Company A Ltd H Company B Ltd H Holdings Ltd Kingsland Road 1 Limited Kingsland Road 2 Limited New Sonia Trading Ltd S Trading Company 1 Ltd The Max Barney Pub Limited Treaty Centre Ltd</p>	<p>UK</p> <p>21st Century Villas Limited Acton Street Limited All Day Advertising Ltd Arch Properties Investments Limited Association For Jewish Youth Incorporated (The) ATB Newco Limited Atkinson Real Estate No. 1 Limited Atkinson Real Estate No. 2 Limited Atkinson Real Estate No. 3 Limited Atkinson Real Estate No. 4 Limited BDO LLP BDO UK Limited Boltbridge Ltd Breanstar Limited Britannia Central Limited Britannia City Developments Ltd Brunswick Newco Limited Camberwell Road Limited Citymain Investments Ltd Crown Place (EC2) Limited East Two Developments Ltd Facebarn Properties Limited G&B Prop Company UK Limited Globecastle Limited Gurney House Securities Limited Jewish Community Centre UK Lawnpond Limited Max Barney (EC2) Limited Mb Newco UK Limited Pear Place Properties Ltd Residential Newco Limited Rossington Ltd S Prop Newco UK Limited Solhurst Limited Stanvale Properties Limited Stormcliff (KR) Limited Stormcliff Ltd Stormcliff Residential Limited Stovedale Limited Tigerwater Limited Valestan Properties Limited Worship House Estates Limited</p>

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Company)</i>	<i>Past Directorships and Partnerships</i>
Christopher Robin Rumsey	61	UK Milton Homes Ltd Retirement Plus Ltd Retirement Plus Property Plans Ltd Living Plus Ltd Living Plus Assets Ltd Milton Homes Properties Ltd The Fairbanking Foundation Ltd	UK –

16.2 Save as disclosed above, none of the Existing Directors or Incoming Directors has:

- 16.2.1 any unspent convictions in relation to indictable offences;
- 16.2.2 had any bankruptcy order made against them or entered into any voluntary arrangements;
- 16.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors while they were a director of that company or within the 12 months after they ceased to be a director of that company;
- 16.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement while they were a partner in that partnership or within the 12 months after they ceased to be a partner in that partnership;
- 16.2.5 been the owner of any assets or a partner in any partnership which has been placed in receivership while they were a partner in that partnership or within the 12 months after they ceased to be a partner in that partnership;
- 16.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 16.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

17. EMPLOYEES

17.1 During each of the accounting reference periods ending on the dates set out below the Company had the following employees (including directors):

	<i>31 March 2015</i>	<i>31 March 2016</i>	<i>31 March 2017</i>
Management	6	4	2

17.2 During each of the accounting reference periods ending on the dates set out below Milton Homes had the following employees (including directors):

	<i>31 December 2014</i>	<i>31 December 2015</i>	<i>31 December 2016</i>
Management	2	2	2
Operations	7	7	7

18. MATERIAL CONTRACTS

The only material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Company or a member of its Group during the 2 years preceding the date of this document and which are or may be material or, whenever entered into contain any provision under which any member of the Company's Group has an obligation or entitlement which is material to the Company's Group, as at the date of this document and which is information which Shareholders would reasonably require to make a properly informed assessment of how to vote at the General Meeting are summarised below:

18.1 **Subscription Agreements dated 10 August 2017**

MBIL and Harvey Bard have entered into a Subscription Agreement with the Company, which is conditional on, among other things, the completion of the Acquisition and Second Admission, under which, MBIL has committed to subscribe for 6,444,444 New Ordinary Shares in the Company for £5.8 million. The funds payable are guaranteed by Harvey Bard. Immediately following Second Admission, MBIL will hold up to approximately 38 per cent. of the Further Enlarged Ordinary Share Capital of the Company (assuming no take-up by Shareholders in the Open Offer).

Certain other investors have entered into Subscription Agreements with the Company on substantially the same terms as MBIL and Harvey Bard, save they do not include a guarantee. In aggregate, these new investors have agreed to subscribe for 1,333,333 million New Ordinary Shares for £1.2 million. The number of shares for which each investor has agreed to subscribe is set out below:

<i>Investor Name</i>	<i>Number of Subscription Shares to be subscribed for</i>	<i>Percentage of Further Enlarged Ordinary Share Capital at Second Admission³</i>
MBIL	6,444,444	22.4% ¹
Prime Investments (London) Ltd	333,333	1.2% ²
Morston Investments Ltd	333,333	1.2% ²
Lee Reuben	22,222	0.1% ²
Martin Reuben	222,222	0.8% ²
P.P. Pension Scheme	55,556	0.2% ²
James Reuben	222,222	0.8% ²
Dobell Finance Limited	22,222	0.1% ²
David Litwack	333,333	1.2% ²
Total	<u>7,777,778</u>	<u>27.1%</u>

1 Assuming that Open Offer Entitlements are taken up by Shareholders in full and therefore no Offer Shares are issued to MBIL. In the event that MBIL is required to subscribe for all of the Offer Shares under the Underwriting Agreement then MBIL's holding of New Ordinary Shares at Second Admission will be 10,888,877 representing approximately 38 per cent. of the Further Enlarged Ordinary Share Capital.

2 Assuming that no Open Offer Entitlements are taken up by Shareholders.

3 Assuming that no Ordinary Shares are issued prior to Second Admission other than the Offer Shares, the Subscription Shares and the Consideration Shares.

18.2 **Acquisition Agreement dated 10 August 2017 between (1) the Company and (2) the Vendor**

Under the Acquisition Agreement, the Company has conditionally agreed to acquire from the Vendor the entire issued share capital of Milton Homes Limited and the Deep Discount Bonds for £20.2 million, to be satisfied by the issue of 14,666,667 New Ordinary Shares at an agreed issue price of 90 pence per New Ordinary Share and cash of £7 million (subject to any adjustments that may be made under the terms of the Acquisition Agreement).

The Vendor and the Company have agreed for each of them to have their respective recourse under the warranties and tax indemnities given in the Acquisition Agreement limited to £1, but with recourse in certain circumstances to warranty and indemnity insurance.

The Acquisition Agreement is conditional upon, among other things, the passing of the Resolutions at the General Meeting, Regulatory Consent being granted (which has now occurred) and Second Admission becoming effective. The conditions to the Acquisition Agreement must be satisfied or waived on or before 31 December 2017 or the agreement will terminate.

18.3 Underwriting Agreement dated 10 August 2017 between (1) the Company (2) MBIL and (3) Harvey Bard

Pursuant to the Underwriting Agreement, MBIL has agreed to fully underwrite the Open Offer. It has agreed to subscribe for, at the Issue Price, all of the Offer Shares not taken up by Shareholders under the Open Offer. The funds payable upon subscription for the Offer Shares are guaranteed by Harvey Bard under the Underwriting Agreement.

MBIL is not being paid an underwriting fee for its underwriting commitment.

The obligations of MBIL and Harvey Bard under the Underwriting Agreement are conditional upon First Admission becoming effective on or before 14 November 2017.

18.4 Lock-in Agreements dated 10 August 2017

MBIL and Harvey Bard have entered into a Lock-in Agreement with the Company, under which they have undertaken to the Company that they will not (or, in the case of Harvey Bard, procure that certain other members of the Bard Family Concert Party do not) dispose of any Ordinary Shares in which the Bard Family Concert Party are currently interested or in which they come to be interested as a result of the Open Offer and the Subscription for a period of 12 months following completion of the Acquisition and Second Admission, subject to certain typical exceptions, and that, for a further period of 6 months afterwards, they shall only dispose of such shares on an orderly market basis through the Company's then broker, unless the Company's broker is unable to arrange for such disposal within 10 business days of the relevant shareholder's request. This agreement will terminate if Second Admission does not occur on or before 31 December 2017.

The Vendor has also entered into a Lock-in Agreement with the Company on substantially the same terms as MBIL and Harvey Bard in respect of the Consideration Shares to be allotted and issued to it in connection with the Acquisition together with any Ordinary Shares in which the Vendor comes to be interested as a result of such issue.

Paul Milner has entered into a lock-in agreement with the Company on substantially the same terms as MBIL and Harvey Bard in respect of his beneficial interest in 95,188 Existing Ordinary Shares together with any Ordinary Shares in which he comes to be interested as a result of such interest.

18.5 Relationship Agreements dated 10 August 2017

MBIL and Harvey Bard (in respect of themselves and certain other members of the Bard Family Concert Party) have entered into a Relationship Agreement with the Company which is conditional upon completion of the Acquisition and admission to trading on AIM of the New Ordinary Shares issued pursuant to the Subscription. Under the terms of this agreement, MBIL and Harvey Bard have undertaken to the Company, subject to certain exceptions, that, for so long as they (and certain other members of the Bard Family Concert Party) are entitled to (a) exercise 25 per cent. or more of the total voting rights in the Company's shares capable of being voted at general meetings of the Company or (b) control the appointment of a majority of directors to the board of the Company, they shall conduct all business with the Company on arm's length terms and on a normal commercial basis. Under this Relationship Agreement, for so long as MBIL, Harvey Bard and certain other members of the Bard Family Concert Party are interested in 25 per cent. or more of the voting rights exercisable at general meetings of the Company, MBIL, subject to certain exceptions, will be entitled to nominate a suitable director to the Company's Board.

The Vendor has entered into a Relationship Agreement with the Company on substantially the same terms as MBIL and Harvey Bard, save that, for so long as the Vendor (and its concert parties) are interested in more than 45 per cent. of the voting rights exercisable at general meetings of the Company, the Company shall, at the request of the director nominated by the Vendor, convene a general meeting at which certain reserved matters shall be proposed for consideration and, if thought fit, approved by Shareholders.

18.6 *Costs sharing agreement dated 10 August 2017 between (1) the Company (2) Peel Hunt (3) the Vendor and (4) Max Barney Limited*

The Company has entered into a costs sharing agreement in respect of the professional costs incurred and to be incurred by the parties to it in respect of the Proposals. The agreement provides that, in the event that the Acquisition is aborted, the Vendor and Max Barney Limited will share the aggregate professional costs incurred equally, unless the Acquisition aborts as a result of the Vendor's or the Company's (or its directors') unreasonable behaviour or the failure to satisfy certain conditions to the Acquisition, in which instance the Vendor or Max Barney Limited (depending on which party caused the default) will bear all of the costs incurred.

18.7 *Admission Agreement dated 15 September 2017 between (1) the Company (2) the Directors (3) the Vendor (4) MBIL and (5) Peel Hunt*

The Company has entered into an admission agreement, under which the Company has appointed Peel Hunt to act as nominated adviser for the Company in connection with First Admission and Second Admission.

The Company and the Directors have given certain customary warranties as to, among other things, matters relating to the Company, the Acquisition, Open Offer and certain limited warranties in respect of the Enlarged Group (including warranties in relation to the Milton Homes Group given in certain circumstances so far as the Company is aware).

The Company has agreed to indemnify Peel Hunt against any claims made against it and certain related parties in connection with the Proposals and the provision by Peel Hunt of its services in connection with the Proposals, unless the claim, among other things, results from the judicially determined gross negligence, wilful default or fraud of Peel Hunt or a material breach of the admission agreement by it or the indemnity would have the effect of excluding or restricting any duty or liability which Peel Hunt has to the Company under certain applicable regulations.

The Company has given undertakings to Peel Hunt under the admission agreement as regards the Acquisition Agreement and certain other matters. The Company has also agreed to pay Peel Hunt certain fees under an engagement letter.

The admission agreement is terminable on or before Second Admission, in circumstances in which Peel Hunt determines, having regard to its duties as a nominated adviser under the AIM Rules, that the Company is not suitable or appropriate to have its Ordinary Shares admitted to trading on AIM.

18.8 *COLG SME L.P and COLG SME Loans L.P and Credit Asset Management Limited*

City of London SME Leasing Limited ("COLG SME Ltd") entered into two agreements with The Secretary of State for Business, Innovation and Skills ("BIS") on 20 March 2013. Pursuant to the two agreements, two limited partnerships, COLG SME LP and COLG SME Loans LP, were established. The conduct of the business of the two limited partnerships is regulated by two limited partnership agreements which, among other things, set out the funding arrangements and allocation of profits for the limited partnerships.

COLG SME LP was established to carry on the business of providing or acquiring interests in asset financing to small and medium sized enterprises within the UK. COLG SME Loans LP was established to carry on the business of providing or acquiring interests in loan financing to small and medium sized enterprises within the UK. The two LPs have been set up to deploy funds under the Business Finance Partnership Initiative announced by the UK Government to increase the flow of credit from "non-traditional" sources.

The aggregate amount made available to the two LPs is £10,000,000, £5,000,000 of which is provided by BIS and £5,000,000 is provided by COLG SME Ltd. Under the terms of the two limited partnership agreements all of the funds were required to be deployed by 20 March 2016. Subject to the performance fees under the master sale agreements, the profits of the two LPs are to be shared equally by COLG SME Ltd and BIS.

Under a management and master sale and purchase agreement, Credit Asset Management Limited is responsible for managing and originating lease agreements on behalf of COLG SME LP. Under a further master sale agreement, Professions Funding Limited (“PFL”) is responsible for managing and originating loan agreements on behalf of COLG SME Loans LP.

These agreements set out a number of matters including (i) the arrangements for managing the portfolios of the limited partnerships, (ii) restrictions on the type and level of financing which both CAML and PFL can originate, (iii) the management and performance fees to be paid to CAML and PFL respectively and (iv) the warranties and indemnities given by CAML and PFL in relation to each lease or loan which is financed.

The general partner under both of the two limited partnerships is COLG SME (GP) Limited.

18.9 Loan agreement between (1) City of London SME Leasing Limited (2) The Trustees of the IPS Pensions Builder – HP Bard and (3) the Company and related debenture

An agreement dated 4 March 2013 was entered into between (1) City of London SME Leasing Limited (as borrower) (“the borrower”), (2) The trustees of the IPS Pension Builder – HP Bard (as lender) (an associate of Harvey Bard) (“the lender”) and (3) the Company pursuant to which a loan of up to £6,000,000 (or such other amount as may be expressly agreed between the parties from time to time) has been provided by the lender to the borrower. The loan is provided by the lender on its receipt of a written drawdown notice from the borrower and the satisfaction of certain conditions precedents. The loan can be drawn in tranches.

The loan is to be used by the borrower solely for the purpose of making asset backed loans to small to medium size enterprise companies and professional firms. The loan funds can be applied to funding leases and loans to small to medium size enterprises or funding trade finance arrangements.

The borrower must repay the loan (plus accrued interest and any other amounts it owes to the lender or under the loan agreement) by 31 December 2018, the term of the loan having been extended by letter signed by all parties dated 12 June 2017. The borrower may prepay the loan or any tranche of it (plus accrued interest) by giving one month’s notice in writing to the lender. Interest will be charged at 7 per cent. per annum for the first 24 months of the agreement, 8 per cent. for the following 36 months of the loan agreement.

The loan (plus accrued interest) will be immediately payable on written demand by the lender on the unremedied occurrence of an Event of Default (as defined in the loan agreement).

The loan is secured by a debenture and guarantee. Under the related debenture, entered into on 7 June 2013 between the borrower and the lender, the borrower:

- (i) covenants to pay, discharge and perform all liabilities and past, present and future obligations owing or incurred by it to the lender on demand on or at any time after the due date for payment under the loan agreement;
- (ii) as security for its payment of all liabilities and past, present and future obligations owing or incurred by it to the lender:
 - (A) grants a first fixed charge and a first floating charge in favour of the lender over the whole of its right, title and interest in its present and future assets, property, rights and undertakings; and
 - (B) assigns all its right, title and interest in its present and future assets, property, rights and undertakings to the lender; and
- (iii) agrees not to create or permit to subsist any further security over, or to dispose of any of the property secured under the debenture.

Pursuant to a letter, signed by all parties on 21 May 2013, the loan was increased by an additional £1,000,000, and a further £2,000,000 pursuant to a letter signed by all parties on 17 July 2013.

The loan, debenture and guarantee referred to above were novated by The Trustees of the IPS Pension Builder – HP Bard, as assignor, to The Trustees of the HPB Pension Trust, as assignee,

pursuant to a deed of novation and priority entered into on 1 December 2014 by (1) the borrower, (2) the lender (3) The Trustees of the HPB Pension Trust (as “the new lender”) and (4) the Company. Under the deed of novation and priority, the new lender assumed the rights and obligations of the lender under the loan and debenture described above.

18.10 *Loan agreement between (1) City of London Group plc and (2) Harvey Philip Bard and related debenture*

An agreement dated 28 November 2013 was entered into between (1) City of London Group plc (as borrower) (“the borrower”) and (2) Harvey Philip Bard (“the lender”) pursuant to which a facility of up to £4,800,000 (or such other sum as the parties may expressly agree from time to time) has been provided by the lender to the borrower. The loan is provided by the lender on its receipt of a written drawdown notice from the borrower and the satisfaction of certain conditions precedents. The loan can be drawn in tranches.

The loan is to be used by the borrower for general corporate purposes or for the repayment of amounts falling due under the terms of the Existing Loans of the Company’s Group (as defined in the loan agreement).

The borrower must repay the loan (plus accrued interest and any other amounts it owes to the lender or under the loan agreement) by 31 December 2018, the term of the loan having been extended by letter signed by all parties dated 12 June 2017. The borrower may prepay the loan or any tranche of it (plus accrued interest) by giving one month’s notice in writing to the lender. Interest will be charged at 7 per cent. per annum.

The loan (plus accrued interest) will be immediately payable on written demand by the lender on the unremedied occurrence of an Event of Default (as defined in the loan agreement).

The loan is secured by a debenture. Under the related debenture, entered into on 28 November 2013 between the borrower and the lender, the borrower:

- (i) covenants to pay, discharge and perform all liabilities and past, present and future obligations owing or incurred by it to the lender on demand on or at any time after the due date for payment under the loan agreement;
- (ii) as security for its payment of all liabilities and past, present and future obligations owing or incurred by it to the lender:
 - (A) grants a first fixed charge and a first floating charge in favour of the lender over the whole of its right, title and interest in its present and future assets, property, rights and undertakings; and
 - (B) assigns all its right, title and interest in its present and future assets, property, rights and undertakings to the lender; and
- (iii) agrees not to create or permit to subsist any further security over, or to dispose of any of the property secured under the debenture.

18.11 *Hire Purchase Facility and Guarantee dated 27 November 2015 between (1) CAML (2) the Company and (3) Bank of London and the Middle East Plc (BLME)*

BLME has agreed to offer a hire purchase facility of £2,600,000 to CAML. The purpose of the master hire purchase arrangement with BLME is for CAML to purchase equipment as BLME’s agent, then for CAML to hire the equipment from BLME and then in turn sub-hire it to customers.

The master hire purchase agreement stipulates that CAML will indemnify BLME and Indemnified Parties (being BLME’s directors/employees/officers/agents) at all times against any liability, loss, damage, costs and expenses which may be suffered or incurred by BLME and any of the Indemnified Parties and any penalties, actions, claims, fines and other sanctions relating to the hire, sub-hire or the equipment. The indemnity shall survive any termination or ending of any hire period (excluding any losses arising from an act or omission by a third party either before the commencement date or following redelivery of the relevant equipment to BLME).

The Company has guaranteed CAML's present and future obligations in respect of the facility to BLME. The liability of the Company is limited to 10 per cent of the value of the facility (i.e. £260,000) together with all costs, expenses, interest and other amounts payable by the Company under the guarantee.

18.12 Block Discounting Facility dated 9 November 2015 between (1) CAML/Professions Funding Limited (2) the Company and (3) Aldermore Bank plc (Aldermore)

Aldermore has agreed to provide a block discounting facility of £1,000,000 to CAML and Professions Funding Limited (PFL).

The facility offered under the letter dated 9 November 2015 was automatically withdrawn by Aldermore with effect from 30 October 2016 and CAML/PFL were not able to make any further drawdowns under the facility from this date.

The Company gave a guarantee dated 5 December 2011 to Aldermore in connection with the block discounting master agreements entered into by CAML and PFL. The guarantee stipulates that where CAML and PFL do not discharge their obligations under the block discounting agreements, the Company will immediately on demand pay the amount due to Aldermore as though it were primary obligor and if such sums are not recoverable on the basis of a guarantee, the Company will indemnify Aldermore against any costs, losses or liabilities incurred as a result of any default by CAML or PFL to fulfil their obligations. COLG's liability under the guarantee is limited to 10 per cent of CAML's and PFL's liabilities to Aldermore.

18.13 Sale of Therium Capital Management Limited

Under a sale and purchase agreement entered into on 7 April 2015 between, among others, the Company and Therium Group Holdings Limited (as purchaser), the Company completed the sale of its 50 per cent interest in Therium Capital Management Limited ("TCML") on 29 April 2015 for a total consideration of approximately £1.7 million, which was received in cash on completion. In addition, TCML agreed to pay to the Company outstanding loan amounts totaling approximately £1.6 million after two years or earlier in certain circumstances. The loan was repaid in full in April 2017. The sale agreement provides that the Company may receive a further consideration of £600,000 in the event that TCML earns more than £7 million of performance fees from the portfolio of cases it has been managing while it was an associate of COLG. The Company does not expect the threshold to be reached to trigger payment of such further consideration.

18.14 2015 COLG Group Restructure

As the first step in a restructuring, COLG converted its holding of £1,250,000 of preference shares in CAML into 1,218,638 ordinary shares on 13 July 2015 with CAML accepting the obligation to pay £512,000 of accrued preference share dividends. On 14 July 2015, CAML entered into an agreement to acquire COLG's 100 per cent ordinary shareholding in PFL, together with COLG's £950,000 of preference shares in return for the issue of 1,048,029 new ordinary shares in CAML and an intercompany balance owing to COLG equal to the amount of the accrued preference dividends; CAML also effected a share capital reduction to cancel its share premium account.

As the final step in its restructuring, on 15 July 2015, CAML issued £5 million of new redeemable 7 per cent preference shares to Citymain, in return for £5 million of lease and loan assets which CAML had originated and managed on behalf of Citymain and other associates of Harvey Bard. The preference shares' coupon increases to 8 per cent after 5 years and they are to be redeemed after 7 years. COLG has entered into a separate put and call agreement with Citymain under which it may repurchase the preference shares at any time at face value and accrued but unpaid dividend while Citymain may put the preference shares onto COLG on the same terms if they are not redeemed after 7 years or in the event of a change of control in either COLG or CAML. In November 2015, COLG purchased £2m CAML new redeemable 7 per cent. preference shares from Citymain.

On 10 August 2017 the Company entered into a deed of waiver with Citymain in respect of the put and call option agreement referred to above. Under this deed of waiver, Citymain has agreed to waive its right to exercise its put option upon a change of control in either COLG or CAML. Citymain retains its right to exercise the put option in respect of the preference shares at any time after the initial 7 year period.

18.15 **2015 Company Fundraising and Admission to AIM**

On 16 July 2015, the Company entered into subscription letters with Savoylane, the JG Estate and Cain Hoy. On 27 July 2015 the Company entered into a further subscription letter agreement with Helium Special Situations Fund on substantially the same terms. On 26 August 2015, the Company entered into a further Subscription Agreement with Galliard Holdings Limited on substantially the same terms, under which Galliard Holdings Limited agreed to take up some of the subscription commitment originally agreed to be taken up by Cain Hoy. In each Subscription Agreement, the Company gave limited warranties to the subscriber.

19. RELATED PARTY TRANSACTIONS

19.1 During the period from 31 March 2015 to 31 March 2017 the Company entered into the related party transactions referred to in:

19.1.1 Note 29 to the Company's financial statements as at 31 March 2015;

19.1.2 Note 29 to the Company's financial statements as at 31 March 2016; and

19.1.3 Note 29 to the Company's financial statements at 31 March 2017.

19.2 During the period from 31 March 2017 to 14 September 2017 the Company entered into the related party transactions referred to in paragraph 15 of Part I of this document.

19.3 Save as disclosed in this paragraph 19, the Company has not entered into any related party transactions during the period from 31 March 2015 to the date of this document.

20. LITIGATION

No member of the Enlarged Group is or has been involved in any governmental, legal or arbitration proceedings, and the Company is not aware of any such proceedings pending or threatened by or against any member of the Enlarged Group, which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position or profitability of the Enlarged Group.

21. NO SIGNIFICANT CHANGE

21.1 Save for matters disclosed in this document, there has been no significant change in the financial or trading position of the Company since 31 March 2017, being the end of the last financial period included in the most recently published Historical Financial Information on the Company as set out in Part V of this document.

21.2 Save for matters disclosed in this document, there has been no significant change in the financial or trading position of Milton Homes Limited since 31 December 2016, being the end of the last financial period included in the Historical Financial Information on Milton Homes published in Part VI of this document.

22. WORKING CAPITAL

The Existing Directors and the Incoming Directors are of the opinion, having made due and careful enquiry, that the Enlarged Group will have sufficient working capital for its present requirements, that is for at least 12 months from the date of Second Admission.

23. TAXATION

23.1 Introduction

The following paragraphs are intended as a general guide only to the United Kingdom tax position of Shareholders who are the beneficial owners of Ordinary Shares in the Company who are United Kingdom tax resident and, in the case of individuals, domiciled in the United Kingdom for tax purposes and who hold their shares as investments (otherwise than under an individual savings account (ISA)) only and not as securities to be realised in the course of a trade.

Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Ordinary Shares in connection with their employment or as an office holder may be taxed differently and are not considered. Furthermore, the following paragraphs do not apply to:

- potential investors who intend to acquire Ordinary Shares as part of a tax avoidance arrangement; or
- persons with special tax treatment such as pension funds or charities.

Any prospective purchaser of Ordinary Shares in the Company who is in any doubt about their tax position or who is subject to taxation or domiciled in a jurisdiction other than the United Kingdom, should consult their own professional adviser immediately.

Unless otherwise stated the information in these paragraphs is based on current United Kingdom tax law and published HMRC practice as at the date of this document. Shareholders should note that tax law and interpretation can change (potentially with retrospective effect) and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

It should be noted that the Finance (No. 2) Bill 2017 has not yet been enacted, and therefore some of the tax rules set out below may be subject to change before the Bill receives Royal Assent and becomes law.

23.2 **Income Tax – taxation of dividends**

The taxation of dividends paid by the Company and received by a Shareholder resident for tax purposes in the United Kingdom is summarised below and for United Kingdom resident individuals and trustees in particular, the guide below may be subject to change when the Finance (No. 2) Bill 2017 becomes law.

United Kingdom resident individuals

With effect from 6 April 2016 a new system of taxation for dividends applied to United Kingdom resident individual shareholders. From this date dividends received are no longer grossed up to include a 10 per cent notional tax credit. Instead individuals will pay tax on the amount received.

Dividend income is subject to income tax as the top slice of the individual's income. Each individual has an annual Dividend Allowance of £5,000 (expected to fall to £2,000 from 6 April 2018) which means that they do not have to pay tax on the first £5,000 of all dividend income they receive.

Dividends in excess of the Dividend Allowance are taxed at the individual's marginal rate of tax, with dividends falling within the basic rate band taxable at 7.5 per cent (the "dividend ordinary rate"), those within the higher rate band taxable at 32.5 per cent (the "dividend upper rate") and those within the additional rate band taxable at 38.1 per cent (the "dividend additional rate").

United Kingdom discretionary trustees

The annual Dividend Allowance available to individuals will not be available to United Kingdom resident trustees of a discretionary trust. United Kingdom resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 38.1 per cent, which mirrors the dividend additional rate.

United Kingdom resident companies

Shareholders that are bodies corporate resident in the United Kingdom for tax purposes, may (subject to anti-avoidance rules) be able to rely on Part 9A of the Corporation Tax Act 2009 to exempt dividends paid by the Company from being chargeable to United Kingdom corporation tax. Such shareholders should seek independent advice with respect to their tax position.

United Kingdom pension funds and charities are generally exempt from tax on dividends that they receive.

Non-United Kingdom residents

Generally, non-United Kingdom residents will not be subject to any United Kingdom taxation in respect of United Kingdom dividend income. Non-United Kingdom resident shareholders may be subject to tax on United Kingdom dividend income under any law to which that person is subject outside the United Kingdom. Non-United Kingdom resident shareholders should consult their own tax advisers with regard to their liability to taxation in respect of the cash dividend.

Withholding tax

Under current United Kingdom tax legislation no tax is withheld from dividends or redemption proceeds paid by the Company to Shareholders.

23.3 United Kingdom Taxation of capital gains

To the extent that a Shareholder acquires Ordinary Shares allotted to them, the amount paid for the Ordinary Shares will generally constitute the base cost of the Shareholder's holding.

A disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for United Kingdom tax purposes or who is not so resident but carries on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

For individual Shareholders who are United Kingdom tax resident or only temporarily non-United Kingdom tax resident, capital gains tax at the rate of 10 per cent. for basic rate taxpayers (previously 18 per cent.) or 20 per cent. for higher or additional rate taxpayers (previously 28 per cent.) may be payable on any gain (after any available exemptions, reliefs or losses). For Shareholders that are bodies corporate any gain may be within the charge to corporation tax. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance) depending on their circumstances. Shareholders that are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index, but will not create or increase an allowable loss.

Individual Shareholders who continuously hold their Ordinary Shares for no less than three years from their issue date may, on a subsequent disposal of those Ordinary Shares, qualify for "Investors' Relief". Investors' Relief is a new relief introduced in the Finance Act 2016 which provides for a reduced rate of capital gains tax of 10 per cent on gains realised on the disposal of certain ordinary shares, up to a lifetime limit of £10 million of gains, subject to various conditions being met by both the investor and investee company.

The relevant qualifying conditions of Investors' Relief are considered likely to be met by the Company and/or the Milton Homes Group. However neither the Company, its Directors or advisors can guarantee that those conditions will be or will continue to be met throughout the required shareholding period.

For trustee Shareholders of a discretionary trust who are United Kingdom tax resident, capital gains tax at the rate of tax of 20 per cent. (previously 28 per cent.) may be payable on any gain (after any available exemptions, reliefs or losses).

Non-United Kingdom resident Shareholders will not normally be liable to United Kingdom taxation on gains unless the Shareholder is trading in the United Kingdom through a branch, agency or permanent establishment and the Ordinary Shares are used or held for the purposes of the branch, agency or permanent establishment.

23.4 Stamp duty and stamp duty reserve tax (SDRT)

No UK stamp duty or SDRT will be payable on the issue or allotment of Ordinary Shares under the Subscription, nor on subsequent transfers or agreements to transfer Ordinary Shares by virtue of the exemption from 28 April 2014 from stamp duty and SDRT on shares traded on AIM.

The statement in this paragraph 23.4 applies to any holders of Ordinary Shares irrespective of their residence, and is a summary of the current position and is intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate than that referred to above or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities should not give rise to a liability to stamp duty or SDRT.

23.5 Inheritance Tax

Shares in AIM listed trading companies or holding company of a trading group may after a two year holding period qualify for Business Property Relief for United Kingdom inheritance tax purposes, subject to the detailed conditions for the relief.

24. GENERAL

24.1 The net proceeds of the Open Offer and Subscription are expected to be approximately £9.5 million. The total costs and expenses relating to First Admission and Second Admission are payable by the Company and are estimated to amount to approximately £1.5 million (excluding VAT).

24.2 The Ordinary Shares have been admitted to trading on AIM since 19 October 2015. Apart from the applications for First Admission and Second Admission no other application will be made for dealings in the New Ordinary Shares on any recognised investment exchange.

24.3 Peel Hunt has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

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

24.5 No agreement, arrangement or understanding exists whereby the New Ordinary Shares issued pursuant to the Acquisition, Subscription or Open Offer will be transferred to any other person.

24.6 No agreement, arrangement or understanding (including any compensation agreement) exists between the Company, any person acting in concert with Company and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the matters referred to in this document.

24.7 There are no external financing arrangements being sourced by the Company in connection with the proposals in this document. There are therefore no arrangements in place nor any required for the payment of interest on, repayment of or security for any external liability (contingent or otherwise) by the Company as a result of the proposals in this document.

24.8 The accounting reference date of the Company is 31 March. The current accounting period will end on 31 March 2018.

24.9 The Issue Price of 90 pence per share represents a premium of 88 pence over the nominal value of 2 pence per New Ordinary Share.

24.10 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after First Admission or Second Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more, other than:

24.10.1 BBG Real Estate Advisers LLP who are advising the Company in respect of their leasehold property arrangements for a fee of approximately £18,500 (plus VAT); and

24.10.2 the release of Michael Hughes from his obligation to repay a debt of £100,000 to the Company, a significant proportion of which was set off against a liability for bonus payments due to Michael Hughes from CAML, as part of the compensation arrangements for the termination of his appointment as a director of CAML.

24.11 The Company's auditors during the period covered by the Historical Financial Information on the Company were BDO LLP, who are members of the Institute of Chartered Accountants in England and Wales.

25. DOCUMENTS PUBLISHED ON THE COMPANY'S WEBSITE

Copies of the following documents will be made available at the website address www.cityoflondongroup.com from the date of posting of this document up until the time of the General Meeting:

25.1 the Memorandum and Articles of Association of the Company;

25.2 the Amended Articles of Association proposed to be adopted following the General Meeting referred to in paragraph 13 of this Part IX;

25.3 the audited consolidated accounts of the Company for the years ended 31 March 2015, 31 March 2016 and 31 March 2017;

25.4 the Acquisition Agreement;

25.5 the Irrevocable Undertakings;

25.6 the Relationship Agreements;

25.7 the Underwriting Agreement;

25.8 the Subscription Agreements;

25.9 the Lock-in Agreements;

25.10 the Admission Agreement;

25.11 the preference share deed of waiver between the Company and Citymain;

25.12 the costs sharing agreement between the Company, Peel Hunt, Max Barney Limited and DV4;

25.13 the loan agreement relating to the Max Barney Loan;

25.14 a letter from Peel Hunt confirming the consent referred to in paragraph 24.3 of Part IX.

26. AVAILABILITY OF ADMISSION DOCUMENT

Copies of this document are available for download from the Company's website at www.cityoflondongroup.com and are available free of charge at the offices of Peel Hunt at Moor House, 120 London Wall, London EC2Y 5ET or by calling 020 7418 8900 and at the Company's registered office during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Second Admission.

Dated: 15 September 2017

DEFINITIONS

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

“Acquisition”	the proposed conditional acquisition by the Company of the entire issued share capital of Milton Homes together with the Deep Discount Bonds for an aggregate consideration of £20.2 million, under the terms of the Acquisition Agreement;
“Acquisition Agreement”	the conditional acquisition agreement dated 10 August 2017 between the Company and the Vendor in relation to the sale and purchase of the issued share capital of Milton Homes, further details of which are set out in paragraph 18 of Part IX of this document;
“Act”	the UK Companies Act 2006, as amended;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the rules which set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time;
“AIM Rules for Nominated Advisers”	the rules which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by the London Stock Exchange from time to time;
“Application Form”	the application form for use in the Open Offer;
“Amended Articles of Association”	the articles of association proposed to be adopted by the Company to reflect the Capital Reorganisation and displayed on the Company’s website;
“Articles of Association”	the articles of association of the Company as at the date of this document;
“Bard Family Concert Party”	together Harvey Bard; his wife, Sonia Bard; his two children, Alexander Bard and Tania Bard; his nieces, Sarah Bard and Rebecca Bard; his sister-in-law, Rosi Bard; his brother, Roy Michael Bard; Savoylane, a nominee company holding shares on behalf of Alexander Bard, Tania Bard, Sarah Bard and Rebecca Bard; MBIL, an investment vehicle owned equally by Harvey Bard’s children; the HPB Pension Trust, of which Harvey Bard is a beneficiary; Paul Milner, a director of the Company nominated by Harvey Bard and a director of MBIL; and Michael Goldstein, an Incoming Director and a director of MBIL, details of all of whom are more fully described in paragraph 4.2 of Part VIII of this document;
“Bard Family Rule 9 Waiver”	the waiver of the obligations of the Bard Family Concert Party to make a general offer for the Enlarged Group under Rule 9 of the Takeover Code which may otherwise arise as a consequence of the issue of Offer Shares and Subscription Shares (or any of them) to members of the Bard Family Concert Party or which may arise as a result of the grant of options to, or exercise of options by, Paul Milner and/or Michael Goldstein in respect of any of the Concert Party Option Shares, granted by the Panel conditional upon approval of the Independent Shareholders voting on a poll, further details of which are set out in paragraph 8 of Part I of this document;

“Board”	the board of directors of the Company for the time being;
“Business Day”	a day other than a Saturday, Sunday or public holiday on which banks are open for commercial business in the City of London;
“Cain Hoy”	Cain Hoy Enterprises, LLC, acting through CH Capital A Holdings LLC;
“CAML”	Credit Asset Management Limited, a wholly owned subsidiary of the Company;
“Capita Asset Services”	a trading name of Capita Registrars Limited;
“Capital Reorganisation”	the proposed subdivision and redesignation of each Existing Ordinary Share into 1 Subdivided Ordinary Share and 99 Deferred Shares, and the subsequent consolidation of 20 Subdivided Ordinary Shares into 1 New Ordinary Share;
“Certificated” or “in Certificated Form”	a share or other security recorded on the relevant register of the relevant company as being held in certificated form and title to which may be transferred by means of a stock transfer form;
“Change of Status”	the change of status of the Company from an investing company to a trading company under the AIM Rules;
“Citymain”	Citymain Investments Ltd, a company registered in England and Wales with registered number 03727215;
“Company” or “COLG”	City of London Group plc, a company registered in England and Wales with registered number 01539241;
“Concert Party Option Shares”	up to 2,762,040 New Ordinary Shares, being the maximum aggregate number of New Ordinary Shares (including any Option Shares) in respect of which options may be granted to Michael Goldstein (to whom options in respect of a maximum number of 1,492,132 New Ordinary Shares may be granted) and to Paul Milner (to whom options in respect of a maximum number of 1,269,908 New Ordinary Shares may be granted) under the terms of the Share Option Scheme;
“Consideration Shares”	the 14,666,667 New Ordinary Shares to be issued to the Vendor at the Issue Price as part of the consideration for the Acquisition;
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time;
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form operated by Euroclear;
“CREST Manual”	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterparty Service Manual, the CREST Rules, the CCSS Operations Manual, the Daily Timetable, the CREST Application Procedures and the CREST Glossary of Terms (as updated in November 2001);
“CREST Member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual);

“CREST Member ID Account”	the identification code or number attached to a member account in CREST;
“CREST Participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST regulations);
“CREST Participant ID”	shall have the meaning given in the CREST Manual;
“CREST payment”	shall have the meaning given in the CREST Manual;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended;
“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;
“Deep Discount Bonds”	all the deep discounted bonds issued by Milton Homes pursuant to the deep discounted bond instrument dated 27 February 2012 and held by the Vendor;
“Deferred Shares”	deferred shares of 0.1 pence each in the capital of the Company which will be in issue immediately following the completion of the Capital Reorganisation;
“Delancey”	Delancey Real Estate Asset Management Limited, incorporated in England and Wales with company number 04517621, whose registered office is at 6th Floor, Lansdowne House, Berkeley Square, London W1J 6ER;
“Directors”	the Existing Directors and/or the Incoming Directors, as the context requires;
“DV Rule 9 Waiver”	the waiver of the obligations of the Vendor to make a general offer for the Enlarged Group under Rule 9 of the Takeover Code which may otherwise arise as a consequence of the issue of the Consideration Shares to the Vendor, granted by the Panel conditional upon approval of the Independent Shareholders voting on a poll, further details of which are set out in paragraph 8 of Part I of this document;
“Enlarged Group”	the Company and its Group including the Milton Homes Group upon completion of the Acquisition;
“Enlarged Ordinary Share Capital”	the issued ordinary share capital of the Company upon First Admission, comprising the New Ordinary Shares in issue immediately following the Capital Reorganisation becoming effective, together with the Offer Shares;
“Euroclear”	Euroclear UK & Ireland Limited;
“Excess Application Facility”	the arrangement under which Qualifying Shareholders may apply for Offer Shares in excess of their Open Offer Entitlement provided that they have agreed to take up their Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document;
“Excess CREST Open Offer Entitlement”	in respect of a Qualifying CREST Shareholder, the entitlement (in addition to their Open Offer Entitlement) to apply for Offer Shares, credited to their stock account in CREST, under the Excess

	Application Facility, which is conditional on such Qualifying CREST Shareholder agreeing to take up its Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document;
“Excess Shares”	the Offer Shares for which Qualifying Shareholders may apply under the Excess Application Facility;
“Existing Directors”	Paul Milner, Andrew Crossley and Lorraine Young;
“Existing Ordinary Shares”	the Ordinary Shares in issue as at the date of this document;
“Existing Ordinary Share Capital”	the ordinary share capital of the Company at the date of this document, comprising 36,852,681 Existing Ordinary Shares;
“FCA”	the United Kingdom Financial Conduct Authority;
“First Admission”	the admission of the Enlarged Ordinary Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the GM;
“FSMA”	the Financial Services and Markets Act 2000 of the United Kingdom, as amended;
“Further Enlarged Ordinary Share Capital”	the issued share capital of the Company upon Second Admission, comprising the Enlarged Ordinary Share Capital, the Subscription Shares and the Consideration Shares;
“General Meeting” or “GM”	the general meeting of the Company, convened for 9.00 a.m. on 2 October 2017, and any adjournment of that meeting, notice of which is set out at the end of this document;
“Group”	a company and its subsidiary undertakings as defined in section 1162 of the Act;
“Historical Financial Information on the Company”	the Company’s historical financial information for the financial periods ended 31 March 2015, 31 March 2016 and 31 March 2017;
“Historical Financial Information on Milton Homes”	Milton Homes’ historical financial information for the financial periods ended 31 December 2014, 31 December 2015 and 31 December 2016;
“HMRC”	Her Majesty’s Revenue & Customs;
“HPB Pension Trust”	a pension trust of which Harvey Bard is a beneficiary;
“Incoming Directors”	the persons appointed as directors of the Company with effect from Second Admission, whose names are set out on page 6 of this document;
“Independent Directors”	Andrew Crossley and Lorraine Young;
“Independent Shareholders”	Shareholders entitled to vote on the Whitewash Resolutions, being all Shareholders except for members of the Bard Family Concert Party;

“Irrevocable Undertaking”	the irrevocable undertakings dated 10 August 2017 given by certain Shareholders to vote (or procure that their concert parties vote) in favour of the Resolutions;
“Issue Price”	90 pence being the price at which the Offer Shares, Subscription Shares and Consideration Shares are to be issued;
“Lock-in Agreements”	the lock-in and orderly market agreements entered into between MBIL, Harvey Bard and the Company as described in paragraph 18 of Part IX of this document;
“London Stock Exchange”	London Stock Exchange plc;
“Max Barney Loan”	the loan granted by Max Barney Limited to MBIL as further described in paragraph 1.3 of Part VIII;
“MBIL”	Max Barney Investments Limited, a company registered in England and Wales with registered number 10890765;
“Milton Homes”	Milton Homes Limited, a company registered in England and Wales with registered number 06037454;
“Milton Homes Group”	Milton Homes and its Group;
“New Ordinary Shares”	the new ordinary shares of 2 pence each in the capital of the Company which will be in issue following the Capital Reorganisation becoming effective;
“Notice”	the notice of the General Meeting set out at the end of this document;
“Offer Shares”	4,444,433 New Ordinary Shares which are the subject of the Open Offer;
“Official List”	the official list of the UKLA;
“Open Offer”	the proposed offer for subscription (on the basis of 12.06 New Ordinary Shares for every 100 Existing Ordinary Shares) of Offer Shares to Qualifying Shareholders to raise approximately £4 million;
“Open Offer Entitlement”	with respect to each Qualifying Shareholder, the <i>pro rata</i> entitlements to subscribe for Offer Shares allocated to Qualifying Shareholders pursuant to the Open Offer which, for a Qualifying Shareholder with less than 100 Existing Ordinary Shares registered in their name on the Record Date, will be nil;
“Option Shares”	1,000,000 New Ordinary Shares proposed to be subject to the options granted with effect from Second Admission under the terms of the Share Option Scheme;
“Ordinary Shares”	ordinary shares of 10 pence each in the issued share capital of the Company or, as the case may be, ordinary shares of 2 pence each immediately following the Capital Reorganisation becoming effective;
“Overseas Shareholders”	Shareholders who are resident in, or who are citizens of, or who have registered addresses in, territories other than the United Kingdom;
“Panel”	the UK Panel on Takeovers and Mergers;

“Peel Hunt”	Peel Hunt LLP, the Company’s nominated adviser and broker;
“Proposals”	the Acquisition, the Rule 9 Waivers, the Change of Status, the appointment of the Incoming Directors, the Capital Reorganisation, the Subscription, the Open Offer, First Admission and Second Admission;
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in CREST;
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in certificated form;
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date for the Offer (other than certain Overseas Shareholders);
“Receiving Agent”	Capita Asset Services, Corporate Actions;
“Record Date”	13 September 2017, the date on which Qualifying Shareholders must be shown on the register of members of the Company to be eligible to participate in the Open Offer;
“Registrar”	Capita Asset Services;
“Regulatory Approval”	the granting of change in control approvals from the FCA in respect of Retirement Plus Limited, Living Plus Limited, Milton Homes Properties Limited, Retirement Plus Property Plans Limited, CAML and City of London Financial Services Limited;
“Relationship Agreements”	the agreements dated 10 August 2017 between a) the Company and the Vendor; and b) the Company, MBIL and Harvey Bard, details of which are set out in paragraph 18 of Part IX of this document;
“Resolutions”	the resolutions to be proposed at the General Meeting, details of which are set out in the Notice;
“Restricted Jurisdiction”	each and any of Australia, Canada, Japan, the United States and the Republic of South Africa;
“Retirement Plus”	Retirement Plus Limited, incorporated in England and Wales with company no. 05264031 and its Group;
“Retirement Plus Property Plan”	the property plan sold by Retirement Plus;
“Rule 9 Waivers”	the Bard Family Rule 9 Waiver and the DV Rule 9 Waiver;
“Savoylane”	Savoylane Ltd, a company registered in England and Wales with registered number 03843376;
“Second Admission”	the admission of the Further Enlarged Ordinary Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“Securities Act”	the United States Securities Act of 1933, as amended from time to time;
“Shareholders”	the persons who are registered as holders of the Ordinary Shares;

“Share Option Scheme”	the share option scheme approved by the Remuneration Committee and adopted by the Board on 13 September 2017, a summary of the terms of which are set out in paragraph 7 of Part IX;
“Sterling” or “£”	the legal currency of the UK;
“Subdivided Ordinary Share”	ordinary shares of 0.1 pence each in the capital of the Company, which will be subject to a subsequent consolidation on a 20 for 1 basis as part of the Capital Reorganisation;
“Subscription”	the proposed subscription for the Subscription Shares on the terms of the Subscription Agreements;
“Subscription Agreements”	the conditional agreements between the Company and each subscriber, including MBIL, of Subscription Shares relating to the Subscription, further details of which are set out in paragraph 18 of Part IX of this document;
“Subscription Shares”	the 7,777,778 New Ordinary Shares which are the subject of the Subscription;
“Takeover Code” or “Code”	the UK City Code on Takeovers and Mergers;
“TFPL”	Trade Finance Partners Limited (in administration), an associate of the Company;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	the United Kingdom Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VIII of FSMA;
“Uncertificated” or “in Uncertificated Form”	a share or other security recorded on the relevant register of the relevant company 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;
“Underwriting Agreement”	the conditional agreement dated 10 August 2017 between the Company and MBIL relating to the Open Offer, and First Admission, details of which are set out at paragraph 18 of Part IX of this document;
“US” or “United States”	the United States of America, its territories and possessions and any states of the United States of America;
“VAT”	value added tax;
“Vendor” or “DV4”	DV4 Limited; and
“Whitewash Resolutions”	the Resolutions numbered 1 and 2 in the Notice to approve the Rule 9 Waivers required to be passed on a poll at a General Meeting by the Independent Shareholders.

CITY OF LONDON GROUP PLC

(incorporated in England and Wales with registered number 01539241)

NOTICE OF GENERAL MEETING

Notice is given that a general meeting of the members of the Company will be held at the offices of Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR at 9.00 a.m. on 2 October 2017 for the purposes of considering and, if thought fit, passing the resolutions set out below. Words and expressions used or defined in the Admission Document dated 15 September 2017 and despatched to shareholders of the Company, of which this notice forms part, shall have the same meaning in this notice.

ORDINARY RESOLUTIONS

1. THAT the waiver by the Panel of the obligation on the Vendor to make a general offer under Rule 9 of the Code, as a result of the issue to it of the Consideration Shares pursuant to the Acquisition Agreement be and is hereby approved.
2. THAT the waiver by the Panel of the obligation on the Bard Family Concert Party to make a general offer under Rule 9 of the Code, as a result of the issue to them of Offer Shares and Subscription Shares (or any of them) or as a result of the issue to Paul Milner or Michael Goldstein of any Concert Party Option Shares in respect of options granted pursuant to the terms of the Share Option Scheme be and is hereby approved.
3. THAT, subject to and conditional upon the passing of Resolutions 1 and 2, the Acquisition, on the terms and subject to the conditions of the Acquisition Agreement, which comprises a reverse takeover pursuant to rule 14 of the AIM Rules, be and is hereby approved for all purposes (including, without limitation, for the purposes of the AIM Rules) and the Directors or any duly constituted committee of the Directors be authorised to: (i) take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and (ii) agree all such modifications, variations and amendments to the terms and conditions of the Acquisition, and to any documents relating to it, as they may in their absolute discretion see fit.
4. THAT, subject to and conditional upon the passing of Resolutions 1 to 3, the Company shall cease to be an investing company for the purposes of the AIM Rules for Companies with effect from Second Admission.
5. THAT, subject to, and conditional upon, the passing of Resolutions 2 and 8, the Directors be authorised to (i) subdivide each Existing Ordinary Share and re-designate it as 1 Subdivided Ordinary Share and 99 Deferred Shares and to consolidate the Subdivided Ordinary Shares so that 20 Subdivided Ordinary Shares be consolidated into 1 New Ordinary Share; and (ii) take all such steps as may be necessary or desirable in connection with, and to implement, the Capital Reorganisation.
6. THAT, subject to and conditional upon the passing of Resolutions 2, 5 and 8, in accordance with section 551 of the Companies Act 2006 ("the Act"), the Directors be generally and unconditionally authorised to exercise all of the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £88,889, comprising the Offer Shares, provided that the authority granted by this Resolution shall, unless renewed, varied or revoked by the Company, expire on the earlier of the date falling 15 months after the passing of this Resolution and the conclusion of the Company's 2018 annual general meeting, except that the Company may, before it expires make an offer or agreement which would or might require shares to be allotted and the Directors may allot shares under that offer or agreement. This authority is in addition to all previous authorities conferred on the directors in accordance with section 551 of the Act to the extent not utilised at the date it is passed.
7. THAT, subject to and conditional upon the passing of Resolutions 1 to 3, 5 and 8, in accordance with section 551 of the Companies Act 2006 ("the Act"), the Directors be generally and unconditionally authorised to exercise all of the powers of the Company to allot shares in the Company or grant rights to subscribe for shares in the Company up to an aggregate nominal amount of £660,433, including the

Subscription Shares, the Consideration Shares and the options in respect of the Option Shares, provided that the authority granted by this Resolution shall, unless renewed, varied or revoked by the Company, expire on the earlier of the date falling 15 months after the passing of this Resolution and the conclusion of the Company's 2018 annual general meeting, except that the Company may, before it expires make an offer or agreement which would or might require shares to be allotted or rights to subscribe for shares to be granted and the Directors may allot shares or grant rights to subscribe for shares under that offer or agreement. This authority is in addition to all previous authorities conferred on the directors in accordance with section 551 of the Act to the extent not used at the date it is passed.

SPECIAL RESOLUTIONS

8. THAT, subject to and conditional upon the passing of Resolutions 2 and 5, the articles of association contained in the document marked 'A' submitted to this meeting, and, for the purposes of identification, signed by the Chairman, be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of all the existing articles of the Company.
9. THAT, subject to and conditional upon the passing of Resolutions 2, 5, 6 and 8 in accordance with sections 570 and 571 of the Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred by Resolution 6, as if section 561(1) of the Act did not apply to such allotment provided that this power shall be limited to the allotment of the Offer Shares; and provided that this authority shall expire on the earlier of the date falling 15 months after the passing of this Resolution and the conclusion of the Company's 2018 annual general meeting. The Company may, before this authority expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the directors may allot equity securities under that offer or agreement.
10. THAT, subject to and conditional upon the passing of Resolutions 1 to 3, 5, 7 and 8 in accordance with sections 570 and 571 of the Act, the Directors be generally empowered to allot or grant rights in respect of equity securities (as defined in section 560 of the Act) pursuant to the authority conferred by Resolution 7, as if section 561(1) of the Act did not apply to such allotment provided that this power shall be limited to the allotment of shares in the Company up to an aggregate nominal amount of £526,352, including the Subscription Shares, the Consideration Shares and the grant of options in respect of the Option Shares; and provided that this authority shall expire on the earlier of the date falling 15 months after the passing of this Resolution and the conclusion of the Company's 2018 annual general meeting. The Company may, before this authority expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the directors may allot equity securities under that offer or agreement.

By order of the Board

Ben Harber
Company Secretary
15 September 2017

Registered office:
6th Floor
60 Gracechurch Street
London
EC3V 0HR

Notes

1. Resolutions 1 and 2 will be taken on a poll of Independent Shareholders.
2. If you are a Shareholder entitled to attend and vote at the meeting, you may appoint one or more proxies to attend, speak and vote on your behalf. A proxy need not be a member of the Company. A form of proxy is enclosed. If you appoint a proxy it will not prevent you from attending the meeting and voting in person. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy.
3. You must send the form of proxy and any power of attorney or other authority under which it is signed, (or a notarially certified copy of such power or authority), to the Company's registrars: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received by them not less than 48 hours (excluding non-working days) before the time of the meeting.
4. If your shares are held in joint names, the signature of only one of the joint holders is required. However, if more than one of the joint holders votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.
5. Any corporation which is a member may appoint one or more corporate representatives to exercise all of its powers as a member, on its behalf, provided that not more than one corporate representative may exercise powers over the same shares.

6. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights in relation to different shares. If you wish to appoint more than one proxy, please call Capita Asset Services Helpline on 0871 664 0300 (for callers within the UK) or +44 208 639 3399 (for callers outside the UK) between 9.00 a.m. and 5.30 p.m. on any Business Day, or photocopy the proxy form. Please ensure that all proxy forms for one registered holding are sent in the same envelope if possible.
7. If you appoint more than one proxy, you must state the number of shares over which each proxy is entitled to exercise rights. As long as the total number of shares covered by all of the forms of proxy is not more than your total holding, it will be assumed that the proxies are appointed in relation to different shares, rather than that you have made conflicting appointments over the same shares. If two or more forms of proxy are received in relation to the same share(s) and the same meeting, the form of proxy which is received last will be treated as replacing and revoking any other forms received.
8. If you have been sent a copy of this notice because you have been nominated to have information rights under the Act by a nominee shareholder who holds shares on your behalf (and therefore your shares are not held in your own name) then you do not have the right to appoint a proxy using a form of proxy issued by the Company. However, you may have a right under an agreement with the registered shareholder to appoint someone else or to be appointed yourself as a proxy for this meeting. If you do not have this right, or if you do not wish to exercise it, you may have a right under such agreement to give instructions to the shareholder as to how they should vote in respect of the shares they hold on your behalf. You should contact the registered shareholder to find out more about any such arrangements.
9. Under Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), you must be on the register of members by the close of business two days before the GM in order to have the right to attend or vote at the meeting. The number of shares you hold at that time is the number over which you may exercise voting rights at the meeting. Changes to entries on the register of members after that time will be disregarded in determining your right to attend or to vote (and the number of votes you may cast) at the GM or any adjournment of that meeting.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) of it by using the procedures described in the CREST Manual. If you are a CREST personal member or other CREST sponsored member, and/or a CREST member who has appointed a voting service provider(s), you should refer to your CREST sponsor or voting service provider(s), who will be able to take appropriate action on your behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specification and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of GM. 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 Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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 you are a CREST personal member or sponsored member or you have appointed a voting service provider(s), to ensure that your sponsor or voting service provider(s) take(s) such action as shall be 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.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.
12. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate for any purposes other than those expressly stated.
13. As at 14 September 2017 (being the last Business Day prior to the publication of this notice of meeting) the Company's issued share capital consisted of 36,852,681 Existing Ordinary Shares, carrying one vote each. There are no shares currently held in treasury. Therefore, the total voting rights in the Company as at that date were 36,852,681.

