Residential Secure Income plc – Pre-Investment Disclosures

This document contains information required by the Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) and Chapter 3.2 of the Investment Funds Sourcebook (**FUND**) forming part of the FCA Handbook (the **UK AIFM Regime**) to be made available to potential investors in Residential Secure Income plc (the **Company** or the **AIF**) before they invest in the Company or cross-refers to the relevant document available to investors that contains such information.

This document refers to, and should be read in conjunction with, the annual report relating to the Company for the year ended 30 September 2021 (the **Annual Report**). This document should also be read in conjunction with any RNS announcements published on the Company's website from time to time.

DISCLOSURE REQUIREMENT	**DISCLOSURE OR LOCATION OF RELEVANT DISCLOSURE**
Investment strategy and objective of the AIF	*Investment objective* The Company's investment objective is to provide Shareholders with an attractive level of income, together with the potential for capital growth, from acquiring portfolios of Homes across residential asset classes that comprise the stock of Statutory Registered Providers. Such asset classes are categorised as Shared Ownership Homes, Market Rental Homes, Functional Homes and Sub-Market Rental Homes and will provide secure long-term inflation-linked cash flows to the Group. *Investment policy* The Company's investment policy is to invest in portfolios of Homes throughout the United Kingdom. The freehold or long leasehold (typically 99 years and longer) interest of Homes will be acquired by the Company directly or indirectly (either through the acquisition of Home-owning vehicles or the entry into joint venture arrangements) with the benefit of long-term (typically 20 years and longer) inflation-linked cash flows. In each case, the Group will outsource the day-to-day management, rent collection and maintenance in respect of a Home. The Group will make use of leverage, put in place on or shortly after the acquisition of Homes, to enhance returns on equity. The Group will only invest in Homes, and forward funding of Homes, with sufficient cashflows, counterparty credit quality and property security that allow the Fund Manager to secure debt of a credit strength which is equivalent to investment grade based on published rating agency methodologies. This restriction to Homes that can be funded with investment grade equivalent debt is the fundamental limitation on asset quality of the Company. The Group will not undertake any direct development activity or assume direct development risk but may enter into forward funding arrangements without limit subject to the investment restrictions outlined below. These are arrangements with property developing entities (typically expected to be Statutory Registered Providers) whereby the Group forward funds the development of Homes by such developing entities, which will

	be structured so that the only risk to the Group is the credit risk of such developing entity. In such circumstances, the Group will typically seek to negotiate the receipt of immediate income from the asset, such that the developing entity is paying the Group a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of their lease. In addition, the Group may engage in renovating or customising existing Homes, as necessary. The Group aims to deliver capital growth by holding the Portfolio over the long term and therefore it is unlikely that the Group will dispose of any part of the Portfolio. In the unlikely event that a part of the Portfolio is disposed of, the Group intends to reinvest proceeds from such disposals in assets in accordance with the Investment Policy. *Investment restrictions* The Group will invest and manage the Portfolio with the objective of delivering a high quality Portfolio, which is fundamentally driven by the requirement that Homes have sufficient cashflows, counterparty credit quality and property security that allow the Fund Manager to secure debt of a credit strength which is equivalent to investment grade based on published rating agency methodologies and which is subject to the following investment restrictions: • the Group will only invest in Homes located in the United Kingdom; • the Homes will comprise Shared Ownership Homes, Market Rental Homes, Functional Homes and Sub-Market Rental Homes; • the Group will only invest in Market Rental Homes, Functional Homes and Sub-Market Rental Homes in respect of which the Counterparty is a Statutory Registered Provider, University, Reputable Private Landlord or Reputable Care Provider; • no Home, or group of Homes forming one contiguous, or largely contiguous, block of Homes (for example a building containing multiple flats), will represent more than 20 per cent. of Gross Asset Value calculated at the time of investment. However, during such time as Gross Asset Value remains below £900 million, the maximum limit for up to two Homes may exceed 20 per cent. but will not exceed 25 per cent. of Gross Asset Value (calculated at the time of investment) per Home in order to facilitate the ownership of certain larger Homes during the Company's initial deployment period; • the aggregate maximum credit exposure to any Counterparty or Shared Owner, will not exceed 20 per cent. of Gross Asset Value, calculated at the time of investment. However during such time as Gross Asset Value remains below £900 million, the maximum credit exposure to up to two Counterparties and/or Shared Owners may exceed 20 per cent. but will not exceed 25 per cent. of Gross Asset Value (calculated at the time of

	investment) per Counterparty and/or Shared Owner in order to facilitate the ownership of certain larger residential assets during the Company's initial deployment period; • with respect to forward funded Homes, the maximum exposure to an individual property developing entity will be limited to 20 per cent. of Gross Asset Value calculated at the time of investment. However, during such time as Gross Asset Value remains below £900 million, the maximum limit for up to two individual property developing entities may exceed 20 per cent. but will not exceed 25 per cent. of Gross Asset Value (calculated at the time of investment) per individual property developing entity in order to facilitate the forward funding of Homes during the Company's initial deployment period; and • the Group will not undertake any direct development or speculative development. The Group shall be permitted to acquire any property consisting of Homes and a commercial element, provided that the Fund Manager is satisfied that such commercial element is ancillary to the primary function of such Home as a Shared Ownership Home, Market Rental Home, Functional Home or Sub-Market Rental Home. The investment limits detailed above apply at the time of the acquisition of the relevant investment in the Portfolio. The Group will not be required to dispose of any investment or to rebalance its Portfolio as a result of a change in the respective valuations of its assets or merger of Counterparties. *Use of derivatives* The Fund Manager intends to match debt cashflows to those of the underlying assets and therefore does not expect to utilise derivatives. However, to the extent this is not possible, the Group may utilise derivatives for full or partial inflation or interest rate hedging or otherwise seek to mitigate the risk of inflation or interest rate movements. The Group will closely manage any derivatives, in particular with regard to liquidity and counterparty risks. The Group will only use derivatives for risk management and not for speculative purposes. *Cash management* Until the Group is fully invested, and pending re-investment or distribution of cash receipts, the Group will invest in cash, cash equivalents, near cash instruments and money market instruments. *REIT status* The Directors will at all times conduct the affairs of the Company so as to enable it to become and remain qualified as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder).

Master fund domicile, if relevant	Not applicable.
If the AIF is a fund of funds, the domicile of investee funds	Not applicable.
The type of assets in which the AIF may invest	The Company's investment policy is to invest in portfolios of Homes throughout the United Kingdom.
Investment techniques that may be employed by the AIF and all associated risks	Please see the investment policy and investment restrictions set out above. Please refer to Appendix 1 for the associated risks in investing in the Company.
Investment restrictions	Please see the investment policy and investment restrictions set out above.
Circumstances in which the AIF may use leverage, the types and sources of leverage permitted and the associated risks, any restrictions on the use of leverage and the maximum level of leverage which the alternative investment fund manager (the **AIFM**) is entitled to employ on behalf of the AIF	The Group will seek to use leverage to enhance equity returns of the Portfolio. The level of borrowing will be determined by the Fund Manager based on the characteristics of the relevant property and asset class and the Fund Manager will seek to achieve a low cost of funds, whilst maintaining the flexibility in the underlying security requirements and the structure of both the Portfolio and the Group. The Fund Manager intends to have indicative terms of any debt funding before completing an acquisition which will mitigate the risk of a funding mismatch arising. When considering any funding proposal, the Fund Manager will make use of its officers' experience, and those of TRL, in accessing long-term fixed rate and inflation-linked debt, which will most appropriately match debt against the cashflow profile of the investment opportunity. The Fund Manager intends to structure the debt by assessing the operational cashflows from the target asset and setting a Debt Service Coverage Ratio that, in combination with the counterparty credit quality and property security, gives efficient funding, which shall be of a credit strength equivalent to investment grade based on published rating agency methodologies. As such the gearing strategy for the Group is more akin to long term project finance debt than to traditional commercial property debt. Debt may be secured or unsecured. If secured, it will be secured at asset level, whether over a particular property or a holding entity for a particular property or series of properties (without recourse to the Company). The Fund Manager intends that all indebtedness will be incurred on a fully or partially amortising basis, to minimise the need to refinance on any final repayment date, with the exception of any working capital facilities raised at the level of the Company. The Group will target an asset level aggregate level of borrowings of 50 per cent of Gross Asset value over the medium term. Aggregate Group borrowings will always be subject to an absolute maximum, calculated at the time of drawdown, of 67 per cent of Gross Asset Value.
Any collateral and asset reuse arrangements	Not applicable.
Procedures by which the AIF may	Material changes to the Investment Policy may only be made in

change its investment strategy or investment policy or both	accordance with the Listing Rules and the approval of the Shareholders by way of ordinary resolution and (for so long as the Ordinary Shares are listed on the Official List) in accordance with the Listing Rules. Non-material changes to the Investment Policy must be approved by the Board, taking into account advice from the Fund Manager where appropriate.
The main implications of the contractual relationship entered into for the purpose of investment including information on jurisdiction, the applicable law and on the existence (or not) of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established	The Company is a company limited by shares, incorporated in England and Wales. While investors acquire an interest in the Company on subscribing for or purchasing shares, the Company is the sole legal and/or beneficial owner of its investments. Consequently, Shareholders have no direct legal or beneficial interest in those investments. The liability of Shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the Shares held by them. Shareholders' rights in respect of their investment in the Company are governed by the Articles and the CA 2006. Under English law, the following types of claims may in certain circumstances be brought against a company by its shareholders: contractual claims under its articles of association; claims in misrepresentation in respect of statements made in its marketing documents; unfair prejudice claims and derivative actions. In the event that a Shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such Shareholder should consult its own legal advisers. *Jurisdiction and applicable law* As noted above, Shareholders' rights are governed principally by the Articles and the CA 2006. By subscribing for the Ordinary Shares, investors agree to be bound by the Articles which are governed by, and construed in accordance with, the laws of England and Wales. *Recognition and enforcement of foreign judgments* Regulation (EC) 593/2008 (Rome I) must be applied in all member states of the European Union (other than Denmark). Following completion of the UK's decision to leave the European Union which completed on 31 December 2020 (**Brexit**), the rules in Rome I have been incorporated into domestic law. The UK has acceded to the Hague Convention on Choice of Courts Agreements 2005, which applies between the EU member states, Montenegro, Denmark, Mexico, Singapore and the UK. The UK has also applied to re-join the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (**2007 Lugano Convention**). However, the UK's accession to the 2007 Lugano Convention remains uncertain and consequently, foreign judgments obtained in EU member states relating to proceedings commenced on or after 1 January 2021 will only be enforceable under the default common law regime or (if applicable) the Hague Convention.
The identity of the alternative investment fund manager, the AIF's depositary, auditor and other service providers together with a description of their duties and the	*Alternative investment fund manager / Fund Manager* ReSI Capital Management Limited has been engaged as the Fund Manager to advise the Company and provide certain management services in respect of the Portfolio. The Fund Manager will act as the Company's alternative investment fund

investors' rights	manager under the UK AIFM Regime. *Depositary* Thompson Taraz Depositary Limited has been appointed as Depositary to provide cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the AIFMD. *Company Secretary* Computershare Company Secretarial Services Limited has been appointed as the Company Secretary of the Company and provides company secretarial services and a registered office to the Company. *Administrator* MGR Weston Kay LLP has been appointed as Administrator to the Company. The Administrator is responsible for calculating the Net Asset Value and the Net Asset Value per Share (in consultation with the Fund Manager and any relevant professional advisers) reporting this to the Board. *Registrar* Computershare Investor Services PLC has been appointed as the Registrar of the Company in relation to the transfer and settlement of Ordinary Shares held in certificated and uncertificated form. *Valuation Agent* A Valuation Agent will be engaged to provide valuation services in respect of the Homes. *Auditor* BDO LLP will provide audit services to the Company. The annual report and accounts will be prepared according to accounting standards in line with IFRS. Investors do not have any direct contractual rights against the Auditor as the Auditor's obligations are set out in Auditor engagement letter with the Company. Investors do not have any direct contractual rights against any of the third party service providers set out in this section because the obligations of each of the relevant service providers are set out in their respective agreements and/or engagement letters with the Company.
A description of how the AIFM is complying with the requirements of FCA's Interim Prudential sourcebook for Investment Businesses (IPRU-INV) 11.3.11G (Professional Negligence) relating to professional liability risk requirements	The AIFM covers potential professional liability risks arising from its activities as the Company's AIFM through additional own funds. As prescribed by the UK AIFM Regime, the AIFM retains additional own funds of 0.01% of the value of the Company's funds under management.
Any management functions delegated by the AIFM and any	Not applicable.

safekeeping functions delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations	
A description of the AIF's valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing any hard-to-value assets, in line with FUND 3.9 (Valuation)	Valuation of Homes will be calculated by a Valuation Agent on a quarterly basis in accordance with Market Value subject to existing Tenancies methodology (MV-T). The Net Asset Value and Net Asset Value per Share will be calculated quarterly by the Administrator in consultation with the Fund Manager and any relevant professional advisers, and will be presented to both the Fund Manager and the Board for its approval and adoption. Calculations are made in accordance with IFRS and, unless the Board determines otherwise, in accordance with EPRA's best practice recommendations. Details of each quarterly Net Asset Value and Net Asset Value per Share will be announced by the Company through a Regulatory Information Service and will be available on the Company's website as soon as practicable after their adoption. In addition, the calculations will be reported to Shareholders in the Company's annual report and interim financial statements. The Board may determine that the Company shall temporarily suspend the determination of the Net Asset Value and Net Asset Value per Share when the prices of any investments owned by the Company cannot be promptly or accurately ascertained. Any suspension in the calculation of the Net Asset Value and Net Asset Value per Share will be notified to Shareholders through a Regulatory Information Service as soon as practicable after such suspension occurs.
The AIF's liquidity risk management, including the redemption rights both in normal and in exceptional circumstances, and the existing redemption arrangements with investors	The Company is a closed-ended investment company incorporated in England and Wales on 21 March 2017 which carries on its business as the principal company of a REIT. Shareholders are entitled to participate in the assets of the Company attributable to their Shares in a winding-up of the Company or other return of capital, but they have no rights of redemption. Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company mitigates this risk by maintaining a balance between continuity of funding and flexibility through the use of bank deposits and loans.
Fees, charges and expenses, and the maximum amounts directly or indirectly borne by investors	The on-going annual expenses of the Company for the period ending 30 September 2021 relative to Net Asset Value was 0.6 per cent. (excluding the Fund Management Fee payable to the Fund Manager). Given that many of the fees are irregular in their nature, the maximum amount of fees, charges and expenses that Shareholders will bear in relation to their investment cannot be disclosed in advance.

Fair treatment of investors and, whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of that preferential treatment, the type of investors who obtain such preferential treatment and, where relevant, their legal or economic links with the AIF or AIFM	As the Company's Ordinary Shares are listed on the premium segment of the UK Listing Authority's Official List, the Company is required under the Premium Listing Principles to treat all Shareholders of a given class equally. In addition, as directors of a company incorporated in England and Wales, the Directors have certain statutory duties with which they must comply. These include a duty upon each Director to act in the way (s)he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors. The Shares rank pari passu with each other.
The latest Annual Report	Annual reports in respect of the Company are available www.resi-reit.com.
Procedure and conditions for the issue and sale of shares	The Ordinary Shares are admitted to trading on the London Stock Exchange's Main Market for listed securities. Accordingly, the Ordinary Shares may be purchased and sold on the Main Market. New Ordinary Shares may be issued at the Board's discretion and providing relevant Shareholder issuance authorities are in place. Shareholders do not have the right to redeem their Ordinary Shares. While the Company will typically have Shareholder authority to buy back Ordinary Shares, any such buy back is at the absolute discretion of the Board and no expectation or reliance should be placed on the Board exercising such discretion.
Latest Net Asset Value of the AIF	The latest published Net Asset Value and Net Asset Value per Share will be available at www.resi-reit.com.
The historical performance of the AIF	The Company's historical financial performance is set out in the Company's annual reports and accounts which are be available at www.resi-reit.com.
The identity of the prime broker and a description of any material arrangements with the prime brokers including transfer and reuse of assets and conflicts of interest	Not applicable.
A description of how and when the information required to be disclosed under FUND 3.2.5R and FUND 3.2.6R will be disclosed	The Fund Manager is required to make certain periodic disclosures to investors under the FUND. Under FUND 3.2.5R, the Fund Manager must disclose to investors periodically: • the percentage of the Company's assets that are subject to special arrangements arising from their illiquid nature; • any new arrangements for managing the liquidity of the Company; and

	• the current risk profile of the Company and the risk management systems employed by the Fund Manager to manage those risks. The information shall be disclosed as part of the Company's periodic reporting to investors, as required by the Articles or at the same time as any prospectus and offering document and at a minimum at the same time as the Company's annual report is made available. Under FUND 3.2.6R, the Fund Manager must disclose on a regular basis any changes to: • the maximum level of leverage that the Fund Manager may employ on behalf of the Company; • any right of reuse of collateral or any guarantee granted under the leveraging arrangement; and • the total amount of leverage employed by the Company. Information on changes to the maximum level of leverage and any right of re-use of collateral or any guarantee under the leveraging arrangements shall be provided without undue delay. Information on the total amount of leverage employed by the Company shall be disclosed as part of the Company's periodic reporting to investors, as required by the Articles, or at the same time as any prospectus and offering document and at least at the same time as the Company's annual report is made available. It may also be available at the Company’s website at: www.resi-reit.com. Without limitation to the generality of the foregoing, any information required under FUND 3.2.5R and FUND 3.2.6R, may be disclosed (a) in the Company's annual report or half-yearly report; (b) by the Company issuing an announcement via a Regulatory Information System; (c) a subsequent prospectus; and/or (d) by the Company publishing the relevant information on the Company's website.

Appendix 1: Risk Factors

Investment in the Company is subject to a number of risks, including but not limited to the risks in relation to the Company and the Ordinary Shares referred to below. If any of the risks referred to in this document were to occur, the financial position and prospects of the Company could be materially and adversely affected. If that were to occur, any of the trading price of the Ordinary Shares, the Net Asset Value, the Net Asset Value per Share or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly and investors could lose all or part of their investment.

The risks referred to below are the risks which are considered to be material but are not the only risks relating to the Company and the Ordinary Shares. There may be additional material risks that the Company does not currently consider to be material or of which the Company is not currently aware.

RISKS ASSOCIATED WITH THE COMPANY'S INVESTMENTS

Risk relating to the regulation of Counterparties

Neither the Company nor the Portfolio will be subject to regulation as a result of the Company's investment in Homes. The activities of the Counterparties may, however, be regulated by the Social Housing Regulator or, in the case of relevant Functional Homes, by the Care Regulator.

There is the risk that the current or future governments may take a different approach to the social housing regulatory regime. This may result in changes to the law (including the Housing and Regeneration Act 2008, Regulatory Standards, Rent Standard Guidance and the Care Act 2014) and other regulation or practices of the UK Government with regard to social housing. Any such changes may have an adverse effect on the ability of the Company to pursue its Investment Policy, and may (indirectly through its credit exposure) adversely affect the Company's business, financial condition, results of operations, ability to maintain its dividend policy, Net Asset Value and/or the market price of the Ordinary Shares.

In the case of certain Functional Homes, there is a risk that the Counterparty fails to comply with regulations of the relevant Care Regulator and that such Care Regulator takes enforcement measures that may impact the business, operations or financial condition of such Counterparty.

For example, the relevant Care Regulator may impose conditions or restrictions on such Counterparty limiting the residents at a care facility of the Counterparty. In this situation, the ability of such Counterparty to provide care could be restricted and hence its ability to meet its rental payment obligations may be affected. Operational or financial underperformance of any Counterparty may affect the income and/or market value of the relevant Home.

Moreover, any failure of a Counterparty to comply with regulations of the relevant Care Regulator could attract negative publicity, which could have an adverse impact on the Group's reputation, financial position and/or results of operations.

Risk relating to the potential forward funding of a Home

The Investment Policy permits, and does not limit the aggregate amount of, the forward funding of assets that require development or are under development.

Homes that are subject to a forward funding arrangement with the Group will be subject to a Rental Agreement with a Counterparty or Shared Ownership Lease with a Shared Owner, contingent on completion of construction.

The Group in a forward funding arrangement could be exposed to an element of risk where, for example, the relevant developing entity fails and is unable to complete the development in question and the Company has to appoint another developing entity. This could affect the Group's financial position and, as a result, may adversely affect the Company's business, financial condition, results of operations, ability to maintain its dividend policy, Net Asset Value and/or the market price of the Ordinary Shares.

Availability of investments

The growth of the Group depends upon the ability of the Fund Manager to acquire investments that offer the potential for satisfactory returns and manage such investments satisfactorily. The availability of investment opportunities will depend, in part, upon conditions in the relevant sector (including, in the case of new Shared Ownership Homes, such Homes continuing to be affordable for their target Shared Owners) and the level of competition for assets in the market. Returns from the Group's investments will be affected by the price at which they are acquired. In the case that the Group or Fund Manager is unable to acquire sufficient investments or is unable to acquire sufficient investments that offer the potential for satisfactory returns, there is a material risk that the Company may be unable to achieve its anticipated total Shareholder returns.

Liquidating investments

The value of the Company's investments will be (amongst other considerations) a function of the discounted value of their expected future cash flows and an assumed terminal value, and as such will vary with, among other things, inflation, the liquidity of the market for such assets and prevailing economic conditions in the United Kingdom. There is no guarantee that the Group's assets will be readily sellable and the Net Asset Value should not be assumed to represent the value at which the Portfolio could be sold. If the Group were required to undertake accelerated sales of its properties, it may not be able to realise the full potential value of its Homes.

Moreover, if an investment is disposed of, it may be a condition of its financing that any associated debt be repaid. If so, this repayment may be required contractually to be at a premium to the principal amount outstanding of such indebtedness, as recorded in the Group's accounts.

Any sale of a Home beneath its market value (with or without a mandatory prepayment of associated debt) may adversely affect the Company's business, financial condition, results of operations, ability to maintain its dividend policy, Net Asset Value and/or the market price of the Ordinary Shares.

Risks relating to valuation of the Company's properties

Property valuation is inherently subjective and uncertain and will not recognise many circumstances such as, for example, unforeseen liabilities and fluctuations in rental income. While the Fund Manager shall engage valuers in respect of the Homes that are of good repute and standing, it is possible that unforeseen costs (for example, of the Group's renovation, maintenance and modernisation programmes) and unforeseen shortfalls in income may affect the valuation of the Homes and the Company's business, financial condition, results of operations, ability to maintain its dividend policy, Net Asset Value and/or the market price of the Ordinary Shares. In such event, the investment returns of the Company may be materially affected.

Sufficiency of due diligence

Whilst the Fund Manager will undertake due diligence in connection with the purchase of all future acquisitions of investments, this may not reveal all facts and circumstances that may be relevant in connection with an investment and may not prevent an acquisition being materially overvalued. In doing so, the Fund Manager will rely, in part, on third parties to conduct a significant portion of this due diligence (including legal reports on title and property valuations). To the extent that such third parties underestimate or fail to identify risks and liabilities (including any environmental liabilities) associated with the investment in question, the investment may be subject to defects in title, or to environmental, structural or operational defects requiring remediation, or the Group may be unable to obtain necessary permits which may have a material adverse effect on the Company's ability to perform in accordance with projections, particularly as to rent and occupancy and anticipated total Shareholder returns. In addition, such failures to identify risks and liabilities may have a material adverse impact on the Net Asset Value and the price and liquidity of the Ordinary Shares.

Risk relating to negative media attention

As the owner of Homes, there may be circumstances in which the removal or eviction of a Shared Owner or Resident (as applicable) is warranted.

Such circumstances may include instances of Shared Owner or Resident undertaking illegal activities, perpetrating domestic violence, or permanent rental arrears. While these decisions will be made by (in the case of a Shared Ownership Home) the Rent Collector/Manager or (in the case of any other Home) the Tenant, Occupant, Nominator or Rent Collector/Manager, there is the potential that, as an owner, the Group may receive negative media attention, which may adversely affect the Group's image and, consequently, adversely affect the trading price of the Ordinary Shares.

Economic environment

Changes in global market conditions and economic conditions in the United Kingdom and elsewhere and, in particular, restricted availability of credit may reduce the value of the Portfolio once it has been acquired, and may reduce liquidity in the real estate market in general. The performance of the Company would be adversely affected by a downturn in the property market in terms of market value and may adversely affect the Company's business, financial condition, results of operations, Net Asset Value and/or the market price of the Ordinary Shares.

The Company can give no assurance as to how long it will take to invest the proceeds from future share issues

Until such time as the proceeds from future share issues are applied by the Group to acquire investments, cash will be held by the Company in anticipation of future investment and to meet the running costs of the Group. Such cash is very likely to yield lower returns than the expected returns from investment.

The Group may be subject to liability following disposal of investments

The Group may be exposed to future liabilities and/or obligations with respect to the disposal of investments. The Group may be required to set aside money for warranty claims or contingent liabilities in respect of property disposals. The Group may be required to pay damages (including but not limited to litigation costs) to the extent that any representations or warranties that it has given to a purchaser prove to be inaccurate or to the extent that it has breached any of its covenants contained in the disposal documentation. In certain circumstances, it is possible that any incorrect representations and warranties could give rise to a right by the purchaser to unwind the contract in addition to the payment of damages. Further, the Group may become involved in disputes or litigation in connection with such disposed investments.

Certain obligations and liabilities associated with the ownership of investments can also continue to exist notwithstanding any disposal, such as environmental liabilities. Any such claims, litigation or obligations, and any steps which the Group is required to take to meet the cost, such as sales of assets or increased borrowings, could have an adverse effect on the Company's performance, financial condition and business prospects.

Risks relating to management of and collection of rent in respect of a Home or failure of a Counterparty

In the case of any Home, the Group will engage a third party to provide the day-to-day management of a Home and collection of underlying rent from Residents or Shared Owners (as applicable); these third party engagements will be pursuant to, in the case of a Shared Ownership Home, a Rent Collection and Management Agreement and, in the case of any other Home, a Lease, an Occupancy Agreement or a Nomination Agreement.

While the Group will look to enter into Rent Collection and Management Agreements, Leases, Occupancy Agreements and Nomination Agreements with reputable counterparties, there is always the potential risk that the relevant Rent Collector/Manager or Counterparty defaults, becomes insolvent or otherwise breaches its management or rent collection obligations or that, in the case of a Nominations Agreement, the Nominator defaults, becomes insolvent or is not able to provide Residents. In the event any Rent Collection and Management Agreement, Lease, Occupancy

Agreement or Nomination Agreement is required to be terminated, the Company's ability to achieve its targeted net total Shareholder returns may be materially adversely impacted.

Any costs associated with potential investments that do not proceed to completion will affect the Company's performance

The Group expects to incur certain third party costs associated with sourcing of suitable assets. Whilst the Fund Manager will always seek to minimise any such costs, it can give no assurances as to the on-going level of these costs or that negotiations to acquire such assets will be successful; the greater number of these deals which do not reach completion, the greater impact of such costs on the Company's performance, financial condition and business prospects.

The Group may not acquire 100 per cent. control of its investments

Although the Fund Manager does not currently propose that the Group take a passive or minority interest in investments, the Company's investment strategy does not restrict the Group from entering into a variety of investment structures, including joint ventures, acquisitions of controlling interests or acquisitions of minority interests. In the event that the Group acquires less than a 100 per cent. interest in a particular asset, the remaining ownership interest will be held by third parties and the subsequent management and control of such an asset may entail risks associated with multiple owners and decision-makers. Any such investment also involves the risk that third party owners might become insolvent or fail to fund their share of any capital contribution which might be required. In addition, such third parties may have economic or other interests which are inconsistent with the Group's interests, or they may obstruct the Group's plans (for example, in implementing active asset management measures), or they may propose alternative plans. If such third parties are in a position to take or influence actions contrary to the Group's interests and plans, the Group may face the potential risk of impasses on decisions that affect the ability to implement its strategies and/or dispose of the real estate asset. The above circumstances may have a material adverse effect on the Company's performance, financial condition and business prospects.

In addition, there is a risk of disputes between the Group and third parties who have an interest in the asset in question. Any litigation or arbitration resulting from any such disputes may increase the Company's expenses and distract the Directors and the Fund Manager from focusing their time to fulfil the investment objective of the Company. The Group may also, in certain circumstances, be liable for the actions of such third parties.

Availability of credit and ability to finance investments

The Group expects to finance a portion of each investment by way of borrowing through the capital markets or otherwise. Although the Group expects to be able to borrow on suitable terms, there can be no guarantee that this will always be the case. Lack of availability of credit or a lack of borrowing on suitable terms may result in the Company not meeting its dividend and total return targets.

GENERAL RISKS ASSOCIATED WITH INVESTING IN THE COMPANY

Dependence on the Fund Manager

The ability of the Company to achieve its investment objective and policy depends to a high degree on the Fund Manager and more generally on the ability of the Fund Manager and TRL to attract and retain suitable staff. The Board will have broad discretion to monitor the performance of the Fund Manager and, from the date falling five years after entry into of the Fund Management Agreement (during which time the appointment of the Fund Manager as fund manager to the Company is fixed), to appoint a replacement in accordance with the terms of the Fund Management Agreement but the performance of the Fund Manager or that of any replacement cannot be guaranteed.

No guarantee of return

A prospective investor should be aware that the value of an investment in the Company may fluctuate as it is determined by market pricing and is subject to the risks inherent in investing in equity securities. There is no assurance that any appreciation in the value of the Ordinary Shares will occur or that the investment objectives of the Company will be achieved. The value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company. In the event of a winding-up of the Company, Shareholders will rank behind any creditors of the Company and, therefore, any return of capital for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of any creditors.

Risks relating to dividends and target returns

There is no guarantee that the target dividend in respect of any period will be paid, covered by income or achieved, as applicable. The Company's ability to pay dividends will be dependent principally upon the investments comprising the Portfolio and the accounting treatment of investments or associated debt.

The Company's target dividends for the Ordinary Shares are based on assumptions which the Fund Manager currently consider reasonable. However, there is no assurance that all or any assumptions will be justified, and the dividends and returns may be correspondingly reduced. In particular, there is no assurance that the Company will achieve its stated policy on dividends and/or returns. Any change or incorrect assumption in the tax treatment of dividends or interest or other receipts received by the Company may reduce the level of distributions received by Shareholders. In addition any change from that assumed by the Fund Manager in the accounting policies, practices or guidelines relevant to the Company and its investments may reduce or delay the distributions received by investors.

The target dividend is not a profit forecast and should not be taken as an indication of the Company's expected future performance or results over any period. The target dividend is a target only and there is no guarantee that it can or will be achieved and it should not be seen as an indication of the Company's expected or actual return. Accordingly, investors should not place any reliance on the target return in deciding whether to invest in the Ordinary Shares.

Dividend growth on the Ordinary Shares will depend principally on growth in rental and other income returns on the underlying assets (which may fluctuate). The proceeds from fundraises will be used by the Group to make investments in accordance with the Investment Policy. The timing of any investment in such assets will depend, amongst other things, on the availability of suitable properties that the Group may let at reasonable prices. Accordingly, there may be a period of time between completion of the relevant fundraise and the proceeds of that fundraise being fully invested by the Group. Further, to the extent that there are impairments to the value of the Group's underlying investments that are recognised in the Company's income statement under IFRS, this may affect the profitability of the Company (or lead to losses) and affect the ability of the Company to pay dividends. Additionally the Company may only pay dividends from reserves deemed distributable under the CA 2006.

If under the laws applicable to the Company (including the REIT Regime) there were to be a change to the basis on which dividends could be paid by such companies, this could have a negative effect on the Company's ability to pay dividends. Furthermore, if there are changes from that assumed by the Fund Manager to the accounting standards or to the interpretation of accounting standards applicable to the Company this could have an adverse effect on the Company's ability to pay dividends.

The Company will not be able to pursue asset growth through acquisitions solely from cash provided from its operating activities because of its obligation to distribute at least 90 per cent. of the income profits as calculated for tax purposes arising from the Group's Property Rental Business each year (either in cash or by way of stock dividend) to Shareholders in order to continue to enjoy the full exemption from tax on rental income afforded by the REIT Regime. The Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet the 90 per cent. distribution condition each year. Consequently, the Company may be forced to rely on the availability of debt or equity capital to fund future acquisitions once the proceeds from fundraises are fully deployed. In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the REIT Regime and the effect of any potential debt amortisation payments could require the Company to borrow funds to meet the distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a REIT, even if the then-prevailing market conditions are not favourable for these borrowings. As a result of these factors, the constraints of maintaining REIT status could limit the Company's flexibility to make investments.

Potential investors should decide for themselves whether or not the target returns are reasonable or achievable in deciding whether to invest in the Company.

Conflicts of interest

While the Fund Manager has in place requisite policies, conflicts of interest may arise in a variety of situations.

The Fund Manager and TRL and any of their respective directors, employees, service providers, agents and connected persons and the Directors and their connected persons and any person or company with whom they are affiliated or by whom they are employed (each an Interested Party) may invest in the Company and may be involved in other financial, investment or other professional activities which may cause potential conflicts of interest with the Company and its investments.

The Group may (directly or indirectly) acquire securities from or dispose of securities to any Interested Party or any investment fund or account advised or managed by any such person. An Interested Party may provide professional services to the Group (provided that no Interested Party will act as auditor to the Company) or hold Ordinary Shares and buy, hold and deal in any investments for their own accounts, notwithstanding that similar investments may be held by the Group (directly or indirectly). An Interested Party may contract or enter into any financial or other transaction with the Company or with any Shareholder or any entity any of whose securities are held by or for the account of the Company, or be interested in any such contract or transaction.

In the event that the Fund Manager or TRL or any of their employees or any Director has an interest in any transaction of the Company, other than those specified in the conflicts of interest section of Part 3, and such entity/person's interest is in any way different from the interests of the Company, the Fund Manager or Director shall make known to the Board such conflict of interest.

Economic conditions

Changes in general economic and market conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political events and trends, tax laws, national and international conflicts and other factors could substantially and adversely affect the Company's prospects and thereby the performance of the Ordinary Shares.

Reliance on service providers and other third parties

The Company relies upon the performance of third party service providers to perform its executive functions. In particular, the Fund Manager, the Administrator, the Company Secretary, the Depositary, the Registrar, any receiving agent appointed by the Company and their respective delegates, if any, will perform services that are integral to the Company's operations and financial performance.

Failure by any service provider to carry out, or procure the carrying out of, its obligations to the Company in accordance with the terms of its appointment, to exercise due care and skill, or to perform its obligations to the Company at all as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Company's performance and returns to Shareholders.

The termination of the Company's relationship with any third party service provider or any delay in appointing a replacement for such service provider, could disrupt the business of the Company materially and could have a material adverse effect on the Company's performance and returns to Shareholders.

Further, misconduct or misrepresentations by employees of the Fund Manager, TRL or other third party service providers could cause significant loss to the Company.

RISKS RELATING TO THE SHARES

Liquidity of Shares

Although the Ordinary Shares will be listed on the premium segment of the Official List and admitted to trading on the Main Market and will be freely transferable, the ability of Shareholders to sell their Ordinary Shares in the market and the price which they may receive will depend on market conditions. The Company may refuse the registration of any transfer of shares under the Articles of Association, which affect the ability of certain persons (and, in particular, U.S. Persons) to own Ordinary Shares.

The Company has the ability to make market purchases of Ordinary Shares from Shareholders. Any such market purchases will be made entirely at the discretion of the Directors and will be subject to prior Shareholder approval and the provisions of the Listing Rules. As such, Shareholders will not have any ability to require the Company to make market purchases of, all or any part of their holdings of Ordinary Shares. Consequently, Shareholders should not rely on their ability to realise any of their Ordinary Shares at a price reflecting their underlying Net Asset Value per Share.

The London Stock Exchange has the right to suspend or limit trading in a company's securities. Any suspension or limitation on trading in the Ordinary Shares may affect the ability of Shareholders to realise their investment.

Interest rate and inflation risks

Changes in interest rates and rates of inflation may adversely affect the Group's investments. Changes in the general level of interest rates and inflation can affect the Company's profitability by affecting the spread between, amongst other things, the income on its assets and the expense of its interest bearing liabilities, the value of its interest-earning assets and its ability to realise gains from the sale of assets should this be desirable. Changes in interest rates and rates of inflation may also affect the valuation of the Group's assets. Interest rates and rates of inflation are sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Company and the Fund Manager or TRL.

The Group may finance its activities with fixed, floating rate or inflation-linked debt. The Company's performance may be affected adversely if it fails to, or chooses not to, limit the effects of changes in the applicable interest rate or inflation by employing an effective hedging strategy (relative to the cashflows generated by the assets), including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures. However, there can be no assurance that such arrangements will be entered into or that they will be sufficient to cover such risk.

Discount

Any Ordinary Share may trade at a discount to Net Asset Value per Share and Shareholders may be unable to realise any of their Ordinary Shares in the secondary market at Net Asset Value per Share. The Ordinary Shares may trade at a discount to the Net Asset Value per Share for a variety of reasons, including market conditions or to the extent investors undervalue the management activities of the Fund Manager or discount its valuation methodology and judgments of value. While the Company may, in respect of an Ordinary Share, seek to mitigate any discount to Net Asset Value per Share through discount management mechanisms, there can be no guarantee that they will do so or that such mechanisms will be successful and the Company accepts no responsibility for any failure of any such strategy to effect a reduction in any discount.

Risk relating to continuation vote

The Articles include a requirement for the Board to propose an ordinary resolution for the Company to continue in its current form at the AGM to be held in 2022 and at every fifth AGM thereafter. If at such AGM such resolution is not passed, the Board is required to propose an ordinary resolution for the winding up or reconstruction of the Company, the latter being required to provide an option for Shareholders to elect to realise their investment. In the event that a winding up or reconstruction of the Company is approved, the Company's ability to return cash to Shareholders will depend principally on the ability of the Fund Manager to realise portfolio assets which are inherently illiquid and also on the availability of distributable profits, share capital or share premium, all of which can be used to fund share repurchases and redemptions under the Articles of Association.

Recourse to the Group's assets

The Group's assets, including any investments made by the Group and any funds held by the Group, are available to satisfy all liabilities and other obligations of the Company. If the Company becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Group's assets generally and may not be limited to any particular asset, such as the asset giving rise to the liability. To the extent that the Group chooses to use Subsidiary SPVs for individual transactions to reduce recourse risk (which it may, although will be under no obligation to do so), the bona fides of such entities may be subject to later challenge.

Leverage

The Company has the ability to use leverage in the financing of its investments and meeting its dividend target. The use of leverage may increase the exposure of investments to adverse economic factors such as changes in interest rates or inflation, severe economic downturns or deteriorations in the condition of an investment or its market. It is possible that, at a future date, the Company may not be able to support any borrowing (or refinance borrowing which becomes payable during the life of the Company), in which case the performance of the Company may be adversely affected. The Company's borrowings may be secured on the underlying assets of the Company. A failure to fulfil obligations under any related financing documents may permit lenders to demand early repayment of the loan and to realise their security.

Valuations

All investments owned (directly or indirectly) by the Company will be valued on a quarterly basis. Valuations of the assets of the Company as a whole may also reflect accruals for expected or contingent liabilities, the amount or incidence of which is inevitably uncertain. A valuation is only an estimate of value and is not a precise measure of realisable value. Ultimate realisation of the market value of an asset depends to a great extent on economic and other conditions beyond the control of the Company, and valuations do not necessarily represent the price at which an Investment can be sold.

Shareholders should bear in mind that the actual Net Asset Value and Net Asset Value per Share may as time progresses be materially different from these quarterly valuations.

Compensation risk

As the subscription of Ordinary Shares and the performance of the Ordinary Shares will not be covered by the Financial Services Compensation Scheme or by any other compensation scheme, if the value of the Ordinary Shares falls, the loss suffered by the investor (which may be the whole of the investment) will not be recoverable under any compensation scheme.

The Company may, in the future, issue new equity, which may dilute Shareholders' equity

The Company may issue new equity in the future to facilitate further growth. While the Articles and the CA 2006 contain pre-emption rights for Shareholders in relation to issues of Shares in consideration for cash or non-cash consideration, such rights can be disapplied in certain circumstances. Where pre-emption rights are disapplied, any additional equity financing will be dilutive to those Shareholders who cannot, or choose not to, participate in such financing.

The Company has not registered, and will not register, the Ordinary Shares with the U.S. Securities and Exchange Commission, which may limit the Shareholders' ability to resell them

The Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws. The Company will be relying upon exemptions from registration under the U.S. Securities Act and applicable state securities laws in offering and selling the Ordinary Shares. As a consequence, the Ordinary Shares cannot be reoffered or resold in the United States or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and in compliance with all applicable state securities laws and under circumstances that would not require the Company to register under the U.S. Investment Company Act. Shareholders will not have registration rights and, therefore, will not be entitled to compel the Company to register their securities under the U.S. Securities Act.

The Company has not, and will not, register as an investment company under the U.S. Investment Company Act

The Company is not, and does not intend to become, registered in the United States as an investment company under the U.S. Investment Company Act and related rules. The U.S. Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered and does not plan to register, none of these protections or restrictions are or will be applicable to the Company.

The Board may decline to recognise the transfer of Ordinary Shares if the transfer would make the Company subject to certain US rules and regulations

The Board may, under the Articles, decline to recognise the transfer of Ordinary Shares to any person whose holding or beneficial ownership of shares may result in: (i) the Company or the Fund Manager or any member of its group being in violation of, or required to register under, the U.S. Commodity Exchange Act of 1974 or being required to register its shares under the US Exchange Act; (ii) the Company not being a "foreign private issuer" as such term is defined in Rule 3b-4(c) of the US Exchange Act; (iii) the assets of the Company being deemed to be "plan assets" within the meaning of ERISA and US Department of Labor Regulations and guidance issued thereunder, including, but not limited to 29 C.F.R. 2510, 3-101, or of a "plan" within the meaning of section 4975 of the U.S. Code, or of a plan or other arrangement subject to section 503 of the U.S. Code or provisions under applicable federal, state, local, non-US or other laws or regulations that are substantially similar to section 406 of ERISA or section 4975 of the U.S. Code; (iv) the Company, any member of its group, or the Fund Manager not being in compliance with FATCA, the Investment Company Act, the US Exchange Act, the U.S. Commodity Exchange Act of 1974, section 4975 of the U.S. Code, section 503 of the U.S. Code, ERISA or any applicable federal, state, local, non-US or other laws or regulations that are substantially similar to section 406 of ERISA, section 503 of the U.S. Code or section 4975 of the U.S. Code; (v) the Company being a "controlled foreign corporation" for the purposes of the U.S. Code; or (vi) any such person being a Prohibited U.S. Person. The Company may require a person believed to be a Prohibited U.S. Person to provide documentary evidence that it is not such a Prohibited U.S. Person or to sell or transfer the Ordinary Shares held by it to a person who is qualified to hold the Ordinary Shares and, if these requirements are not satisfied within 30 days' notice, the Ordinary Shares will be deemed to have been forfeited. These procedures may materially affect certain Shareholders' ability to transfer their Ordinary Shares.

RISKS RELATING TO REGULATION AND TAXATION

If the Company fails to qualify, or remain qualified, as a REIT, its rental income and gains will be subject to United Kingdom corporation tax

The Company cannot guarantee that it will satisfy the conditions to enter the REIT Regime as set out in Part 12 of the CTA 2010, nor can it guarantee that it will continue to qualify, or remain qualified, as a REIT. If the Company fails to remain qualified as a REIT, the Company will be subject to UK corporation tax on some or all of its property rental income and chargeable gains on the sale of properties, which would reduce the amounts available to distribute to investors.

Disposal of properties may have unfavourable tax consequences

Although the Company is not a trading entity, if the Group disposes of a property in a manner indicative of trading in property rather than investing, the property may be treated as having been disposed of in the course of a trade, and any profit will be subject to corporation tax at regular rates. Assessment of whether a company is trading is a multifactorial and fact-sensitive process; however, by way of indicative example, acquiring a property with a view to sale followed by a disposal on completion of its development would indicate a trading activity, whereas disposal of a property as part of a normal variation of a property rental portfolio after development with a view to retention of part of that portfolio would not. Further, where development of a property has occurred following acquisition and the cost of development exceeds 30 per cent. of the fair value of the property at the later of: (i) the date of acquisition of the property; or (ii) the date the Company qualified as a REIT, the proceeds will be taxable if a disposal takes place within three years of completion of the development. However, a tax charge does not arise where the disposal is made to another member of the same REIT Group.

Whilst the Group does not intend to dispose of property in the course of a trade, there can be no assurance that HMRC will not deem a disposal to have been in the course of a trade, with the consequence that corporation tax will be payable in respect of any profits from the disposal of such property.

The Company's intended status as a REIT may restrict business consolidation opportunities and distribution opportunities to Shareholders

If the Company is acquired by an entity that is not a REIT, the Company is likely in most cases to fail to meet the requirements for being a REIT. If so, the Company will be treated as leaving the REIT Regime at the end of the accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from the regime's tax exemptions. In addition, a REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a Substantial Shareholder. This additional tax charge will not be incurred if the Company has taken reasonable steps to avoid paying dividends to a Substantial Shareholder. Therefore, the Articles of Association contain provisions designed to avoid the situation where dividends may become payable to a Substantial Shareholder. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met.

The Articles of Association also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions. Accordingly, while there is no prohibition on the Company being acquired, there might be potentially negative tax consequences of such an acquisition if made by an entity which itself is not a REIT which might make such an acquisition less likely than would be the case for other types of companies.

Adverse changes in taxation law and in the tax position of the Company

This document is prepared in accordance with, and the anticipated taxation impact of the proposed structure of the Company and its underlying investments is based on, current taxation laws in light of their current judicial interpretation in the UK and the published practice of HMRC. UK taxation legislation and interpretation is subject to change, possibly with retrospective effect. The taxation of an investment in the Company depends on the individual circumstances of investors. Any change in the Company's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates, could adversely affect the Company's ability to pay dividends, dividend growth and the market value of the Ordinary Shares and thus may alter the net return to investors. In particular, a change in the rates of SDLT could have a material impact on the price at which land can be acquired and, therefore, on asset values.

Distribution requirements may limit the Company's flexibility in executing the Company's acquisition plans

The Company's business model contemplates future growth to its Portfolio through the acquisition of assets in the United Kingdom. However, to obtain full exemption from tax on the rental income from the Property Rental Business afforded by the REIT Regime, the Company is required to distribute annually (either in cash or by way of stock dividend) to Shareholders, at least 90 per cent. of the Company's rental income as calculated for tax purposes each year by way of PID. It must distribute 100 per cent. of any PID that it receives from another REIT. The Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet these distribution thresholds in each accounting period. Therefore, the Company's ability to grow its investment portfolio through acquisitions with a value in excess of its permitted retained earnings and uninvested capital will be limited by the Company's ability to obtain further debt or equity financing.

OECD Base Erosion and Profit Shifting, tax deductibility of corporate interest

Following recommendations from the Organisation for Economic Co-operation and Development (OECD) as part of its Base Erosion and Profit Shifting (BEPS) project and consultations carried out by the UK Government, new rules restricting the ability of corporation tax payers to deduct interest expense have been announced, which are expected to have effect from 1 April 2017 (although the passage of the legislation implementing them has been delayed due to the general election held on 8 June 2017). Broadly, the rules seek to restrict the deductibility of net tax interest expense. This is a figure which is the net of interest expense less income amounts arising from loan relationships, derivatives, finance leases, debt factoring and other deemed financing arrangements. Groups with net tax-interest expense amounts of £2 million or less for a period of account suffer no restriction on deductibility for that period.

The default position is that, for UK corporation tax purposes, a worldwide accounting group's deductible net tax-interest expense for a period of account (interest capacity) is limited to 30 per cent. of, broadly, its "tax-EBITDA" (taxable earnings before interest, depreciation and amortisation). However, a "modified debt cap" ensures that this cannot exceed the group's net finance-related expense (so, broadly put, it will never be possible to claim an interest deduction for more than the worldwide group's third party interest cost). A 'group ratio rule' allows a 'group ratio' to be substituted for the 30 per cent. figure. The group ratio is based on the net interest expense to EBITDA ratio for the worldwide group based on its consolidated accounts. Unused interest capacity can be carried forward for, broadly, five years, and net tax-interest expense amounts for which deductions are denied may be carried forward indefinitely and may attract deductions in future periods if there is sufficient spare interest capacity.

For the purposes of the interest deductibility restriction rules, a REIT is treated as two separate companies: one carrying on the property rental business and the other carrying on the residual business. The residual business must apply the interest deductibility restrictions as outlined above in order to determine the interest restriction. However, for REITs, further calculations are required. The impact of these further calculations ensures that amounts which cannot be allocated to the property rental business (because the impact would be to prevent the property rental business from paying a PID (on which tax is collected though withholding)) are instead taken through the calculation of the interest restriction for the residual business. Whether this gives rise to a tax charge in the residual business will depend on the totality of that calculation for the residual business.

Certain categories of real estate owning company are eligible to make a public benefit infrastructure election, which modifies the application of the new rules. It is not necessarily the case that the Company would have a more favourable tax profile if it made such an election, if it is eligible to do so. The Company will monitor the impact of these rules on its activities, and will seek to structure its borrowings so as to optimise its overall tax profile, while bearing in mind all other relevant commercial considerations.

Changes in laws or regulations

The Company is subject to laws and regulations enacted by national and local governments. In particular, the Company is subject to, and will be required to comply with, certain legal and regulatory requirements that are applicable to investment companies and real estate investment trusts. In particular, the Company is subject to the continuing obligations imposed by the UK Listing Authority on all investment companies whose shares are listed on the premium segment of the Official List.

The Fund Manager is subject to, and will be required to comply with, certain regulatory requirements of the FCA, some of which affect the management of the Company.

The laws and regulations affecting the Company and/or the Fund Manager are evolving and any changes in such laws and regulations may have an adverse effect on the ability of the Company and/or the Fund Manager to carry on their respective businesses. Any such changes may also have an adverse effect on the ability of the Company to pursue its Investment Policy, and may adversely affect the Company’s business, financial condition, results of operations, Net Asset Value and/or the market price of the Ordinary Shares. In such event, the investment returns of the Company may be materially affected.

For regulatory, tax and other purposes, the Company and the Ordinary Shares may potentially be treated in different ways in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Ordinary Shares may be treated as akin to holding units in a collective investment scheme, which may have an adverse effect on the taxation of Shareholders in such jurisdictions. Furthermore, in certain jurisdictions, the treatment of the Company and/or the Ordinary Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosure by the Company of that information. While it will continue to comply with all regulatory requirements placed upon it, the Company may be constrained from disclosing, or may find it unduly onerous to disclose, any or all of such information or to prepare or disclose such information in a form or manner which satisfies the regulatory, tax or other authorities in certain overseas jurisdictions. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact the Company in those jurisdictions, and therefore the price of the Ordinary Shares.

Automatic exchange of information (AEOI)

To the extent that the Company may be a Reporting Financial Institution under FATCA and/or the Common Reporting Standard, it may require Shareholders to provide it with certain information in order to comply with its AEOI obligations which information may be provided to the UK tax authorities who may in turn exchange that information with certain other tax authorities.

DEFINITIONS

Administrator	means MGR Weston Kay LLP in its capacity as the Company's administrator
AIFM	means the alternative investment fund manager of the Company, ReSI Capital Management Limited
Articles or Articles of Association	means the articles of association of the Company
Auditor	means the auditors from time to time of the Company, the current such auditors being BDO LLP
CA 2006	means the Companies Act 2006, as amended from time to time
Company	means Residential Secure Income plc, a company incorporated in England and Wales with company number 10683026
Company Secretary	means Computershare Company Secretarial Services Limited in its capacity as the Company's company secretary
Counterparty	means a Tenant under a Lease, an Occupant under an Occupancy Agreement and a Nominator under a Nominations Agreement
CTA 2010	means the Corporation Tax Act 2010, as amended from time to time
Depositary	means the depositary from time to time of the Company, the current such depositary being Thompson Taraz Depositary Limited
Directors	means the directors from time to time of the Company and Director is to be construed accordingly
EPRA	means European Public Real Estate Association
ERISA	means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time
FCA	means the Financial Conduct Authority of the United Kingdom including any replacement or substitute therefor, and any regulatory body or person succeeding, in whole or in part, to the functions thereof
FSMA	means the Financial Services and Markets Act 2000, as amended from time to time
Functional Home	means both a Unit and an aggregation of multiple Units offering elderly care facilities, assisted living facilities, sheltered housing or supported housing that are made available, by a Tenant, Occupant or Nominator (as the case may be) to a Resident/Residents
Gross Asset Value	means the aggregate value of the total assets of the Company as determined in accordance with the accounting principles adopted by the Company from time-

	to-time and on the basis that, for the purposes of this calculation, the Company shall be deemed to have borrowed up to the maximum amount available to it under the Investment Policy
Group	means the Company, ReSI Housing Limited and any Subsidiary SPVs
Home	means a Sub-Market Rental Home, Market Rental Home, Functional Home or Shared Ownership Home, as the case may be
IFRS	means International Financial Reporting Standards, as adopted by the EU
Investment Policy	means the investment policy of the Company from time to time
Lease	means a full repairing and insuring (FRI) lease entered into by the Group, on one hand, and a Tenant, on the other that gives the Tenant the right to occupy a particular Home in return for a fixed rent. The Group shall be entering into “Shared Ownership Leases” and not “Leases” in respect of Shared Ownership Homes
Listing Rules	means the listing rules made by the UK Listing Authority under section 73A of FSMA
London Stock Exchange	means London Stock Exchange plc
Main Market	means the main market for listed securities of the London Stock Exchange
Market Rental Home	means both a Unit of residential accommodation and an accommodation block comprising multiple Units facilities that is/are made available, by a Tenant, Occupant or Nominator, to a Resident/Residents at a market rent. Market Rental Homes may be offered to Residents on either a permanent, semi-permanent or temporary basis
Net Asset Value or **NAV**	means the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company’s normal accounting policies
Net Asset Value per Share	means the net asset value of the Company on the relevant date calculated in accordance with the Company’s normal accounting policies divided by the total number of Ordinary Shares then in issue
Nominator	means a Statutory Registered Provider, a University or a Functional Home Nominator in its capacity as nominator under a Nominations Agreement in respect of any Home (other than a Shared Ownership Home)
Occupant	means a Statutory Registered Provider, University, Reputable Private Landlord or Reputable Care Provider in its capacity as occupant under an Occupancy Agreement

	in respect of a particular Home
OECD	means the Organisation for Economic Co-operation and Development
Official List	means the official list maintained by the UK Listing Authority
Ordinary Shares	means ordinary shares of one penny each in the capital of the Company
PID	means a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Property Rental Business
Portfolio	means the Homes in which the Group invests in accordance with the Investment Policy
Property Rental Business	means a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010
Registrar	means Capita Registrars Limited
Regulation S	means Regulation S under the U.S. Securities Act
Regulatory Information Services	means a regulatory information service approved by the FCA and on the list of Regulatory Information Services maintained by the FCA
REIT	means a company or group to which Part 12 of the CTA 2010 applies
REIT Group	means the Company, its wholly owned subsidiaries and its 75 per cent subsidiaries from time to time (as defined in section 606 of CTA 2010)
REIT Regime	means Part 12 of the CTA 2010
Rent Collection and Management Agreement	means, in respect of a Home, an arrangement pursuant to which a Rent Collector/Manager agrees to manage the relevant Home and collect rental payments in respect of such Home
Rent Collector/Manager	means the party engaged pursuant to a Rent Collection and Management Agreement, who shall typically be a Statutory Registered Provider
Rental Agreement	comprise Leases, Occupancy Agreements and Nominations Agreements
Reputable Care Provider	means a Statutory Registered Provider or other private entity in the business of building, managing and/or operating Functional Homes in the United Kingdom that the Fund Manager considers reputable in light of its investment grade equivalent debt strategy

Reputable Private Landlord	means a Statutory Registered Provider or other private entity in the business of building, managing and/or operating Market Rental Homes in the United Kingdom that the Fund Manager considers reputable in light of its investment grade equivalent debt strategy
Resident	means the underlying day-to-day resident of an Unit, making rental payments in respect of such Unit to a Tenant, Occupant or Nominator (as the case may be)
Residual Business	means the business of the Group which is not a Property Rental Business
SDLT	means stamp duty land tax
Share	means a share in the capital of the Company (of whatever class)
Shared Owner	means the part owner of a Shared Ownership Home that occupies such Shared Ownership Home in return for the payment of rent to the co-owner
Shared Ownership Home	means a Unit of residential accommodation where the beneficial (heritable) interest is held in part by the Shared Owner and part by the Group but the Shared Owner has sole use of the Unit
Shared Ownership Lease	means a lease entered into by the Group, on one hand, and a Shared Owner, on the other, in respect a Shared Ownership Home
Shareholder	means a registered holder of a Share
Social Housing Regulator	means the HCA, the Welsh Government, the Scottish Housing Regulator or the Department for Communities of Northern Ireland, as the case may be
SPV	means any special purpose vehicle used as a vehicle for acquiring a Home
Statutory Registered Provider	means Housing Associations, Local Authorities and ALMOs
Sterling and **£**	means the lawful currency of the United Kingdom and any replacement currency thereto
Sub-Market Rental Home	means a Unit of residential accommodation that is made available, by a Tenant, Occupant or Nominator, to a Resident to rent at a level below the local market rent
Subsidiary	means, in respect of the Company, a subsidiary within the meaning of section 1159 CA 2006 and, in respect of ReSI Housing Limited, a subsidiary within the meaning of section 271 of the Housing and Regeneration Act 2008
Substantial Shareholder	means a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent or more of the distributions paid by the Company in aggregate in respect of the Ordinary Shares and/or the share capital of the Company, or which controls, directly or indirectly, ten per

	cent or more of the voting rights of the Company (referred to in section 553 of the CTA 2010 as a "holder of excessive rights")
Substantial Shareholding	means the holding of Shares by a Substantial Shareholder
Tenant	means a Statutory Registered Provider, University, Reputable Private Landlord or Reputable Care Provider in its capacity as tenant under a Lease in respect of a particular Home
TRL	means TradeRisks Limited (registration number 04042506)
U.S. Code	means the U.S. Internal Revenue Code of 1986, as amended from time to time
U.S. Investment Company Act	means the U.S. Investment Company Act of 1940, as amended from time to time, and the rules and regulations of the U.S. Securities and Exchange Commission promulgated pursuant to it
U.S. Person	has the meaning given to it under Regulation S
U.S. Securities Act	means the US Securities Act of 1933, as amended from time to time
UK Listing Authority	means the FCA acting in its capacity as the competent authority for the purposes of admissions to the Official List
UK	means the United Kingdom of Great Britain and Northern Ireland
United States or **US**	means the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction
University	means a university, university college, higher education institution or similar entity in the UK that receives funding from the relevant domestic funding body (being, as at the date of this document, Higher Education Funding Council for England, Higher Education Funding Council for Wales, the Scottish Funding Council or the Department for the Economy in Northern Ireland)
Valuation Agent	means any reputable firm of surveyors, which is a member of the Royal Institution of Chartered Surveyors, as may be appointed by the Company (or the Fund Manager on behalf of the Company) from time to time