

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

**IMPORTANT: You must read the following before continuing.** The following applies to the Base Prospectus (the "**Base Prospectus**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS BASE PROSPECTUS CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE COMPANY IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS ("**U.S. PERSONS**"), AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATIONS**"), NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE U.S. INVESTMENT COMPANY ACT OF 1940) ("**U.S. RESIDENTS**") EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

WITHIN THE UNITED KINGDOM, THIS BASE PROSPECTUS IS DIRECTED ONLY AT PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO QUALIFY EITHER AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 19(5) OR AS HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, PARTNERSHIPS OR TRUSTEES IN ACCORDANCE WITH ARTICLE 49(2) OR AS CERTIFIED HIGH NET WORTH INDIVIDUALS IN ACCORDANCE WITH ARTICLE 48 (2) OR AS CERTIFIED SOPHISTICATED INVESTORS IN ACCORDANCE WITH ARTICLE 50 (1) OR AS SELF CERTIFIED SOPHISTICATED INVESTORS IN ACCORDANCE WITH ARTICLE 50 (A) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (TOGETHER, "**EXEMPT PERSONS**"). IT MAY NOT BE PASSED ON EXCEPT TO EXEMPT PERSONS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THE BASE PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE BASE PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSONS OTHER THAN RELEVANT PERSONS SHOULD NOT ACT OR RELY ON THIS DOCUMENT.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY

WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: The Base Prospectus is being sent to you at your request and you shall be deemed to have represented to us that (i) you have understood and agree to the terms set out herein; (ii) if you are a person in the United Kingdom you are a Relevant Person; and (iii) you are not a U.S Person or U.S Resident.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the managers or any affiliate of the managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the managers or such affiliate on behalf of the Company in such, jurisdiction.

## Base Prospectus dated 13<sup>th</sup> October 2017.

This Base Prospectus has been prepared in accordance with the requirements of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (as amended by Directive 2010/73/EU of the European Parliament and of the Council and Commission delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission delegated regulation (EU) No. 862/2012 of 4 June, 2012, Commission delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission delegated Regulation (EU) No. 382/2014 of 7 March 2014).

**IN RESPECT OF THE ISSUE OF 7.0% SECURED BONDS DUE 2022**  
**having a nominal denomination per unit of £10,000 with a minimum aggregate**  
**subscription per investor of £100,000 pursuant to a £250,000,000 BOND ISSUANCE**  
**PROGRAMME**

**ISIN GB00BF0SJ349**

**by**

**CHANCERY & STONE PLC**

Chancery & Stone PLC is a public limited liability company incorporated in England and Wales under the Companies Act 2006 with registered number 10193129.

**THE COMPANY IS NOT, AND WILL NOT BE, LICENSED OR REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.**

**THE SECURITIES OFFERED ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE SECURITIES UNLESS:**

- I. S/HE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT;**
- II. THE SECURITIES MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR;**
- III. SUCH POTENTIAL INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE SECURITIES.**

**THIS BASE PROSPECTUS HAS NOT BEEN, AND WILL NOT BE, REVIEWED OR**

**APPROVED BY THE FCA OR ANY OTHER REGULATORY AUTHORITY IN THE UK.**

**THE FSC ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS BASE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS HEREOF.**

## **IMPORTANT INFORMATION**

This document constitutes a Base Prospectus within the terms of Directive 2003/71/EC of the European Parliament and of the Council to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended by Directive 2010/73/EU of the European Parliament and of the Council and Commission).

This Base Prospectus dated 13<sup>th</sup> October 2017 contains information relating to Chancery & Stone Plc (the “Company” or “Chancery & Stone”), its business and the securities being issued in terms of the Base Prospectus – namely up to 25,000 bonds and a maximum of £250,000,000 having separate denominations of £10,000 (the “Bonds”).

This Base Prospectus has been submitted to and approved by the FSC (in its capacity as competent authority in terms and for the purposes of the Prospectus Directive). This Base Prospectus has not been reviewed or approved by the FCA, or any other regulatory authority in the UK.

Application shall be made for the securities to be approved for admissibility to listing and trading on the Gibraltar Stock Exchange (“GSX”), which is an EU regulated market.

The Bonds will be issued by the Company. Interest on the Bonds is payable semi-annually in arrears. The first payment of interest will be made on the first Interest Payment Date specified in the Final Terms of the first issue of Bonds (in respect of interest accrued prior to such date). The Interest Payment Dates on all further issues shall be identical to the dates specified in the first issue of Bonds.

The Bonds mature in 2022 on the date as specified in the Final Terms of the first issue of Bonds. (the “Maturity Date”). All Bonds shall have the same Maturity Date. The Bonds are subject to early redemption, at their principal amount, together with any accrued interest, at the option of the Company on 30 days’ notice of the intention to so redeem.

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT

OF, U.S. PERSONS, AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT, NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE U.S. INVESTMENT COMPANY ACT OF 1940) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

**For a description of certain matters that the prospective investors should consider, see "Risk Factors".**

The Company and the Directors accept responsibility for the information contained in this Base Prospectus. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Company and the Directors accept responsibility accordingly.

Where information has been sourced from a third party, this information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

The Bonds may not be offered or sold directly or indirectly, and neither this Base Prospectus nor any offering circular, base prospectus, form of application, advertisement, other offering material or other information relating to the Company or the Bonds may be issued, distributed or published in any country or jurisdiction (including the Republic of Ireland and the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

The distribution of this Base Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions.

No person is authorised to give any information or to make any representation not contained in this Base Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company. The delivery of this Base Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date and neither the Company nor the Listing Member undertakes to update the information contained in this document.

Neither the Listing Member nor the Trustee has separately verified the information contained in this Base Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made (to the fullest extent permitted by law) and no responsibility or liability is accepted by the Listing Member or the Trustee as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Company in connection with the issuance of the Bonds. Neither the Listing Member nor the Trustee accepts any liability whether arising in tort or contract or otherwise (save as referred to

above) in relation to the information contained in this Base Prospectus or any other information provided by the Company in connection with the issuance of the Bonds.

Neither this Base Prospectus nor any part hereof constitutes an offer of, or an invitation by, or on behalf of the Company to subscribe or purchase any of the Bonds in any jurisdiction or in any circumstances in which such offer or invitation is not authorised.

Neither this Base Prospectus nor any part hereof may be used for or in conjunction with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "£" and "sterling" are to the lawful currency for the time being of the United Kingdom and references to "€" and "euro" are to the lawful currency for the time being of the European Union.

Any investment in the Bonds does not have the status of a bank deposit and is not subject to the deposit protection scheme operated in the United Kingdom by the Financial Services Compensation Scheme or any Gibraltar equivalent.

The Bonds described in this Base Prospectus have not been registered with, recommended by or approved by the US Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence. The offering of the Bonds is being made in reliance upon an exemption under the Securities Act for an offer and sale of the Bonds which does not involve a Public Offer. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements.

The US Foreign Account Tax Compliance Act, 2010 ("FATCA") is particularly complex. Investors should consult their own tax advisors to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each investor in his or her particular circumstance, including how FATCA may apply to payments received under the Securities.

**Notice in bold informing investors that, in the event of an offer being made by a financial intermediary, the financial intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made.**

## **FORWARD-LOOKING STATEMENTS**

This Base Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipates”, “believes”, “estimate”, “expected”, “intends”, “may”, or “will” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company and the Directors concerning, amongst other things, the investment strategy, financing strategies and investment performance. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in general market conditions, legislative or regulatory changes, changes in taxation, the Company’s ability to invest its cash and the proceeds of the Issue in suitable investments on a timely basis and the availability and cost of capital for future investments.

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## SUMMARY

The following is a summary of information relating to Chancery & Stone PLC and the Bonds.

Summaries are made up of disclosure requirements known as ‘Elements’. These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

SECTION A - INTRODUCTIONS AND WARNINGS		
Element	Disclosure Requirements	Disclosure
A.1	<b>Warning</b>	This summary should be read as an introduction to this Base Prospectus. Any decision to invest in the securities should be based on consideration of this Base Prospectus as a whole by the investor. Where a claim relating to the information contained in this Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus or it does not provide, when read together with the other parts of this Base Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	<b>Consent by the Company to the use of the Base Prospectus for subsequent resale or final placement of securities through financial intermediaries</b>	Jacob Hopkins McKenzie Limited will be responsible for distribution and capital raising in the UK, EEA and globally but not the US during the twelve month period from Prospectus approval. Jacob Hopkins McKenzie Limited (FRN: 709464) is an appointed representative of Kession Capital Limited (FRN: 582160) which is authorised and regulated by the Financial Conduct Authority in the UK. Jacob Hopkins McKenzie Limited is 100% owned by Andrew Callen and Suzanne Callen. Andrew and Suzanne Callen are also the two largest shareholders in Chancery & Stone PLC.

## SECTION B - THE COMPANY

Element	Disclosure Requirements	Disclosure
<b>B.1</b>	<b>Legal and commercial names.</b>	Chancery & Stone's legal and commercial name is Chancery & Stone PLC
<b>B.2</b>	<b>Domicile and legal form.</b>	Chancery & Stone is a public limited company incorporated in England and Wales under the Companies Act 2006 with registered number 10193129.
<b>B.4b</b>	<b>A description of any known trends affecting the Company and the Industries in which it operates.</b>	The Company operates in the UK property sector and has been set-up to take advantage of opportunities identified in South Wales and the rest of the UK, namely the acquisition, development and sale of land. . No trends have been identified that impact this opportunity apart from the risks identified in Section D of this summary.
<b>B.5</b>	<b>If the Company is part of a group, a description of the group and the Company's position within the group.</b>	The Company will be the parent of a group of companies and will use the proceeds from the Bonds to provide equity funding to its subsidiaries which will be special purpose vehicles (SPVs) for the purpose of property development or major refurbishment works.
<b>B.9</b>	<b>Where a profit forecast or estimate is made, state the figure.</b>	<p>Profit before tax (EBT) is forecast to be as follows all figures in £'000:  Year 1: (1,709); Year 2: 5,689; Year 3: 10,345; Year 4: 10,515; Year 5: 15,556; Year 6: 7,666</p> <p>Assumptions about factors which the directors can influence:</p> <ol style="list-style-type: none"> <li>1. Commission rate on bond issue 10% and amortised over 5 years</li> <li>2. Other equity investment £400,000</li> <li>3. Number of properties built in year 1 60, year 2 270, year 3 360, year 4 390, year 5 480, year 6 120</li> <li>4. Number of properties sold in year 1 16, year 2 236, year 3 354, year 4 368, year 5 474, year 6 232</li> <li>5. One year retention of 1% for snagging</li> <li>6. Interest on bond 7%, paid bi-annually</li> <li>7. Overheads year 1 £693,917, year 2 £1,144,768, years 3, 4 &amp; 5 £1,189,120 per annum, year 6 £1,011,760</li> <li>8. Sales commissions 1.1%</li> <li>9. Management fee payable to Jacob Hopkins McKenzie Ltd 2.5% of sales price of housing units</li> </ol> <p>Assumptions about factors which are exclusively outside the influence of the directors:</p> <ol style="list-style-type: none"> <li>1. £20m raised via bond issue</li> <li>2. Average sales price of housing units £136,590</li> <li>3. Net profit per housing unit £28,608 (dependent on average sales price)</li> </ol>

		<p>4. Corporation Tax 20% (whilst the headline rates of Corporation Tax are scheduled to reduce over the 6 years it is considered reasonable to assume a rate of 20% in the event of future budget changes)</p> <p>5. Inflation assumed to be 0% (assumes house price inflation equates to materials, labour and overhead inflation)</p> <p>The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are the same as those used to prepare the Company's historical financial information.</p>																																													
<b>B.10</b>	<b>A description of the nature of any qualifications in the audit report on the historical financial information.</b>	There are no qualifications in the auditor's report.																																													
<b>B.12</b>	<p><b>Selected historical key financial information regarding the Company, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.</b></p> <p><b>A statement that there has been no material adverse change in the prospects of the Company since the date of its last published</b></p>	<p>Key Financial Information as at 31 May 2017:</p> <p><b><u>Balance Sheet</u></b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td><b>Current Assets</b></td> <td></td> <td></td> </tr> <tr> <td>Stocks</td> <td style="text-align: right;">330,000</td> <td></td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">3</td> <td></td> </tr> <tr> <td>Cash at bank in hand</td> <td style="text-align: right;">1,349</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">331,352</td> <td></td> </tr> <tr> <td><b>Creditors: amounts falling Due within 1 year:</b></td> <td style="text-align: right;">(44,660)</td> <td></td> </tr> <tr> <td>Net current assets</td> <td></td> <td style="text-align: right;">286,692</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">-----</td> </tr> <tr> <td><b>Capital and reserves</b></td> <td></td> <td></td> </tr> <tr> <td>Called up share capital</td> <td></td> <td style="text-align: right;">19,770</td> </tr> <tr> <td>Share premium account</td> <td></td> <td style="text-align: right;">373,230</td> </tr> <tr> <td>Profit and loss reserves</td> <td></td> <td style="text-align: right;">(106,308)</td> </tr> <tr> <td>Total Equity</td> <td></td> <td style="text-align: right;">286,692</td> </tr> </tbody> </table> <p>There has been no material adverse change in the financial position or prospects of the Company since the Company was incorporated.</p>		£	£	<b>Current Assets</b>			Stocks	330,000		Debtors	3		Cash at bank in hand	1,349			-----			331,352		<b>Creditors: amounts falling Due within 1 year:</b>	(44,660)		Net current assets		286,692			-----	<b>Capital and reserves</b>			Called up share capital		19,770	Share premium account		373,230	Profit and loss reserves		(106,308)	Total Equity		286,692
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	<p><b>audited financial statements or a description of any material adverse change.</b></p> <p><b>A description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information.</b></p>	<p>Not Applicable as the Company was incorporated in May 2016 and has not experienced any such changes.</p>
<b>B.13</b>	<p><b>A description of any recent events particular to the Company, which are to a material extent relevant to the evaluation of the Company's solvency.</b></p>	<p>Not applicable. There have been no recent events particular to Chancery &amp; Stone which are to a material extent relevant to the evaluation of Chancery &amp; Stone's solvency.</p>
<b>B.14</b>	<p><b>If the Company is part of a group, a description of the group and the Company's position within the group. If the Company is dependent upon other entities within the group, this must be clearly stated.</b></p>	<p>The Company will be the parent of a group of companies and will use the proceeds from the Bonds to provide equity funding to its subsidiaries which will be special purpose vehicles (SPVs) for the purpose of property development or major refurbishment works.</p>
<b>B.15</b>	<p><b>A description of the Company's principal activities.</b></p>	<p>The Company is a UK PLC that was established to raise capital from third party investors via the issuance of Bonds for its principle business activity, that of UK property development.</p> <p>The Company will be the parent of a group of companies and will use the proceeds from the Bonds to provide equity funding for its subsidiaries which will be special purpose vehicles (SPVs) for the purpose of property development or major refurbishment works.</p> <p>The Company through its SPV's will use the proceeds from the sale of the Bonds to acquire land development sites and obtain planning permission to construct residential properties on the land, the sale of which will generate trading income and capital gains.</p>

<b>B.16</b>	<b>To the extent known to the Company, state whether the Company is directly or indirectly owned or controlled and by whom and describe the nature of such control.</b>	The Company was incorporated in England and Wales (registered number 10193129) on 21 May 2016 with 50,000 ordinary shares of £1.00 each (25% partly-paid), held by Andrew Callen (40,000 ordinary shares) and Suzanne Callen (10,000 ordinary shares). On 26 July 2016 14,000 ordinary shares were issued (25% partly paid) to Michael Kessler, Steven Garner and Sridhar Venkiteswaran. On 26 July 2016 and 19 September 2016 3,770 ordinary shares were allotted (fully paid) to additional investors. As a result, the company currently has 67,770 ordinary shares in issue.
<b>B.17</b>	<b>Credit ratings assigned to a Company or its debt securities at the request or with the co-operation of the Company in the rating process.</b>	Not applicable. Neither Chancery & Stone nor the Bonds have been assigned any credit ratings by a credit rating agency.

SECTION C - SECURITIES

Element	Disclosure Requirements	Disclosure
C.1	<p><b>A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number</b></p>	<p>7% Bonds due 2022. Up to a maximum of 25,000 bonds meaning a maximum issue amount of £250,000,000 with £10,000 nominal value per Bond. Initial subscriptions in the Bonds will be for a minimum amount of £100,000.</p> <p>The Bonds are to be issued by the Company pursuant to a bond issuance programme pursuant to which the Company will issue up to 25,000 Bonds. The Bonds are to be issued from time to time and will be identical in all respects except for the date on which they are issued (and therefore the date from which interest accrues) and the Issue Price.</p> <p>The International Securities Identification Number (“ISIN”) for the Bonds is GB00BF0SJ349 and the Sedol is BF0SJ34.</p>
C.2	<p><b>Currency of the securities issue</b></p>	<p>The currency of the Bonds is Pounds Sterling.</p>
C.5	<p><b>A description of any restrictions on the free transferability of the securities</b></p>	<p>There are no restrictions on the free transferability of the Bonds.</p>
C.8	<p><b>A description of the rights attached to the securities including:</b></p> <ul style="list-style-type: none"> <li>• <b>Ranking</b></li> <li>• <b>Limitations to those rights</b></li> </ul>	<p><u>Status</u></p> <p>The Bonds constitute secured obligations of the Company which will at all times rank pari passu and without preference among themselves. The Bonds constitute secured obligations of the Company. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided for by applicable law and subject to the third party Fixed Charge security (see below), at all times rank at least equally with all its other present and future unsubordinated obligations.</p> <p><u>Security</u></p> <p>The Bonds are secured by way of a floating charge (the “Floating Charge”) given by the Company over all of its assets in favour of Burlingtons Legal LLP acting as the Trustee.</p>

Chancery & Stone may grant Fixed Charges to third party banks and providers of finance in respect of assets held by the subsidiaries of the Company. The effect of this is that the holder of a Fixed Charge could sell, and will be entitled to sell (without first seeking the consent of the Trustee) the assets subject to the Fixed Charge. Insofar as such assets are subject to the Floating Charge, those assets sold will, when sold, automatically cease to be subject to the Floating Charge granted by the Company and will no longer be available to satisfy claims in respect of the Bonds.

Burlingtons Legal LLP is a limited liability partnership incorporated and registered in England and Wales having its registered address at 5 Stratford Place, Marylebone, London W1C 1AX under company number OC360876 and is acting as Trustee for and on behalf of the Bondholders (the “Trustee”). The following agreements are entered into by the Company with the Trustee:

- (a) the Security Deed constituting the Floating Charge; and
- (b) the Trust Deed

#### The Security Deed

Pursuant to the Security Deed entered into between the Company and the Trustee the Company covenants with the Trustee that it will pay or discharge on demand all secured liabilities (including amounts due under the Bonds).

#### Trust Deed

It is a condition of the Trust Deed provisions that certain security is granted in favour of the Trustee which it will hold as Trustee for itself and for the Bondholders from time to time and any receiver or delegate, agent, attorney or co-trustee appointed by the Trustee.

Pursuant to the Trust Deed the Trustee may retire from its appointment as the Trustee having given not less than 6 months’ notice of its intention to do so.

#### *Summary of certain legal terminology relating to security*

A ‘floating charge’ is a type of security that can be granted by companies which enables a chargee (i.e. the person to whom the floating charge is granted) to take security over assets while at the same time enabling the chargor (i.e. the person that granted the floating charge over its assets (in this case the Company) to continue to operate their business without the restrictions that would follow from granting fixed charges over those assets and/or interests in them. The assets subject to

		<p>a floating charge can generally be dealt with by the chargor in the ordinary course of their business (including sale of such assets and/or interests in them from time to time as they wish). A floating charge effectively ‘hovers’ over a shifting pool of assets. However, on the occurrence of certain events (for example, if a receiver or administrator is appointed to take enforcement action against the chargor) the floating charge ‘crystallises’ and will effectively be converted into a fixed charge with respect to the assets and/or interest in them which are at that point in time owned by the chargor and will prohibit the chargor from disposing of any assets and/or interest in them going forward without the consent of the person to whom the floating charge was granted.</p> <p>A ‘fixed charge’ allows the person giving the security to continue to own the secured assets and/or interests during the period in which the Bonds are outstanding. However, such usage is subject to certain conditions designed to maintain the value of the secured assets or interests and prevent the disposal of those assets or interests without the consent of the person to whom the fixed charge has been granted. On the occurrence of any enforcement event, the person to whom the fixed charge was granted may require the person who granted the fixed charge to sell the secured assets or interests or it may take possession of the secured assets and either sell the assets or interests in it on its own or else appoint a receiver to sell the secured assets. Pursuant to the fixed charge, the person to whom the fixed charge was granted would have a charge over the proceeds of the sale of such secured assets in priority to any other creditors of the person who granted the fixed charge.</p>
C.9	<p><b>A description of the rights attached to the securities including:</b></p> <ul style="list-style-type: none"> <li>• <b>The nominal interest rate</b></li> <li>• <b>The date from which interest becomes payable and the due dates for interest</b></li> <li>• <b>Where the rate is not fixed, description of the underlying on which it is based</b></li> <li>• <b>Maturity date and arrangements for the</b></li> </ul>	<p><u>Bond Provisions</u></p> <p>The Bonds bear interest from the Interest Commencement Date at the rate of 7% per annum payable semi-annually in arrears on the Interest Payment Dates specified in the Final Terms.</p> <p>Subject to any early redemption the Bonds mature in 2022 on the date specified as the maturity date (“Maturity Date”) in the Final Terms. Each Bond will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the redemption amount is improperly withheld or refused, in which case it will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Bonds up to that day are received by or on behalf of the relevant investor and (ii) the day which is seven days after the Paying Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).</p> <p><u>Redemption</u></p> <p>Scheduled redemption: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their Denomination Amount</p>



	<p><b>amortisation of the loan, including the repayment procedures</b></p> <ul style="list-style-type: none"> <li>• <b>An indication of yield</b></li> <li>• <b>Name of representative of debt security holders</b></li> </ul>	<p>per Bond (£10,000) plus any accrued but unpaid interest on the Maturity Date.</p> <p>The Bonds may be redeemed at the option of the Company in whole or in part:</p> <p>(i) at any time or</p> <p>(ii) on any interest payment date;</p> <p>on giving not less than 30 nor more than 60 days' notice to the Bondholders and the Paying Agent of an early redemption date (“Early Redemption Date”). Bonds will be redeemed at their Denomination Amount plus accrued but unpaid interest (“Early Redemption Amount”)</p> <p><u>Yield</u></p> <p>The yield of the Bonds is 7% per annum. However, Bonds may be issued at any price (“Issue Price”). The Issue Price of any Bonds to be issued under the issuance will be determined by the Company at the time of issue in accordance with prevailing market conditions and specified in the Final Terms for such Bonds.</p> <p>The yield of each Issuance of Bonds will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant Issue Price. It is not an indication of future yield.</p>
<p><b>C.10</b></p>	<p><b>Derivative component of the Bonds</b></p>	<p>Not applicable; the interest rate on the Bonds is fixed and there is no derivative component in the interest payments made in respect of the Bonds. This means that the interest payments are not linked to specific market references, such as inflation, an index or otherwise.</p>
<p><b>C.11</b></p>	<p><b>Listing and admission to trading</b></p>	<p>Application will be made to the FSC for the Bonds to be listed on the GSX which is a regulated market. It is expected that the listing of the Bonds on the GSX will be granted on or about September 2017 and dealing in the Bonds on the GSX is expected to commence thereafter.</p>

SECTION D - RISKS

Element	Disclosure Requirements	Disclosure
<b>D.2</b>	<b>Key information on the key risks that are specific to the Company</b>	<p><u>A downturn in business conditions or in the general economy in the UK may adversely affect all aspects of the Company's business</u></p> <p>Global market uncertainty and weakened economic conditions in the United Kingdom and elsewhere and, in particular, the reduced availability of credit may reduce the value of the Company's property portfolio and may reduce liquidity in the real estate market. A substantial decrease in value of the Company's property portfolio could increase pressure on the Company to meet its financial covenants. A lack of liquidity in the real estate market may prevent the Company from relieving this pressure or disposing of lower growth or riskier assets; thereby adversely affecting the Company's net asset value. As a result, the Company may be unable to sell property or, alternatively, might be forced to sell property at less than the value stated in the valuation of the Company's property portfolio, which could have a material adverse effect on its business, financial condition, results of operations and future prospects.</p> <p><u>Failure to attract, retain or replace senior management and skilled personnel could have a detrimental impact on the Company's business</u></p> <p>The success of the business of the Company is dependent on recruiting, retaining and developing appropriately skilled, competent people at all levels of the organisation. If the Company is not able to successfully attract and retain such personnel or ensure that the experience and knowledge of key management is not lost from its business during the succession of personnel, it may not be able to maintain its standards of service or continue to grow its business as anticipated.</p> <p>The loss of such personnel, and more particularly the failure to find suitable replacements in a timely manner, the inability to attract and retain additional appropriately skilled employees, or the failure to plan succession effectively, could have an adverse effect on the Company's business.</p> <p><u>Non-investment of proceeds of the issue of the Bonds</u></p>

	<p>If the Company is not able to deploy the proceeds of the issue of the Bonds as contemplated in this Base Prospectus, there is a risk that the Company may not be able to generate the income needed to pay the interest on such amounts such that the Company may not be able to service the interest payable on the Bonds when due.</p> <p><u>Dependence on availability of capital</u></p> <p>Should the Company require further additional funds, these may not be available when needed, or may not be forthcoming on terms that are advantageous to the Company.</p> <p>Borrowing exposes the Company to movements in loan interest rates and the possibility that if the values of the projects and/or the underlying assets in respect of the projects fall, the Company's capital repayment commitments may exceed the capital value of the Company's assets.</p> <p><u>Property market risk</u></p> <p>Property values rise and fall in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may also decrease because of overbuilding, changes in property taxes and operating expenses, changes in environmental regulations, or because of a general decline in regional values.</p> <p><u>Planning</u></p> <p>The Company's continued progress with certain projects is likely to be dependent on the success of its applications for planning permission. Current or future planning applications may not result in permissions being granted and planning permissions, if granted, may contain unduly onerous terms. Failure to obtain such permissions may reduce the Company's ability to projects in line with the Company's strategy, which may have an adverse impact on the Company's business, results of operations, financial condition and/or prospects.</p> <p>The Company's operations are contingent upon an effectively functioning planning system. Changes in law or policy affecting planning, infrastructure or environmental issues could adversely affect the timing or costs associated with projects undertaken by the Company. Laws and regulations relating to the protection of the environment can also cause delays and increased costs. There is a risk that if national or local planning policy changes become more restrictive, there may be an impact upon the current and future opportunities undertaken by the</p>
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		<p>Company and its ability to obtain planning permissions in the timescales required.</p> <p><u>Possible exposure of the Company to fraud</u></p> <p>The Company has in place processes and procedures to counter fraud. However, it is possible that large-scale fraud could adversely affect the Company's revenues and/or profits which could in turn adversely impact the Company's ability to fulfil its obligations under the Bonds.</p> <p><u>Counterparty Risk</u></p> <p>The property SPV's will appoint third party firms to provide various required services to the land development projects. If these firms fail to provide the required services and/or suffer corporate failure (bankruptcy / administration), the project in question may suffer cost increases, completion delays and economic loss.</p> <p><u>Litigation</u></p> <p>Legal proceedings may arise from time to time in the course of the Company's business. The Directors cannot preclude that litigation may be brought against the Company and that such litigation could have a material adverse effect on the financial condition, results or operations of the Company.</p>
<p><b>D.3</b></p>	<p><b>Key information on the key risks that are specific to the securities</b></p>	<p><u>Bonds subject to optional redemption by the Company</u></p> <p>An optional redemption feature is likely to limit the market value of Bonds. During any period when the Company may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.</p> <p><u>Bonds issued at a substantial discount or premium</u></p> <p>The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the</p>

	<p>securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.</p> <p><u>Disposal of assets subject to floating charges</u></p> <p>The Company has granted floating charges over its assets in order to secure the Bonds.</p> <p>There can be no assurance that, in the event that this security is realised, the amounts realised will be sufficient to satisfy the obligations to repay principal and accrued interest under the Bonds.</p> <p>A fixed charge attaches to an asset upon its creation and gives the beneficiary of the charge a claim over the proceeds generated by such asset in priority to other creditors (if any) of the relevant company granting the security. A floating charge ‘floats’ over the pool of assets subject to the charge but enables the company granting the security to deal with the assets until the occurrence of certain events which cause the charge to fix (or, ‘crystallise’) on to the assets. A floating charge is less advantageous than a fixed charge, as a claim to the assets made by a floating charge holder ranks behind that of a fixed charge holder in such cases, and behind certain preferential creditors, as described below (but still ahead of any unsecured senior creditors and also ahead of the shareholders of the Company).</p> <p>As a consequence, if the security over the assets were to be enforced following an event of default under the terms and conditions of the Bonds, any such assets may first be applied in payment to “preferential” creditors of the relevant company who are deemed under the provisions of English law to have higher priority to repayment prior to payment to holders of a mere floating charge. Preferential creditors (i.e. preferential to floating charge holders) include employee salaries and also certain amounts that may at the relevant time be owing to HM Revenue and Customs authority (i.e. in respect of taxes (if any) due and payable at such time). Any fixed charge holders would also be paid preferentially. Any such payments may result in Bondholders not receiving all amounts outstanding under their Bonds if there are insufficient funds remaining available for distribution following payments to any preferential creditors on a winding-up. A floating charge enables the company granting the security to deal with the assets that are subject to the floating charge until the occurrence of certain events which cause the charge to fix (or, ‘crystallise’) on to the assets. The effect of this is that the holder of the fixed charge could sell, and will be entitled to sell (without first seeking the consent of the Trustee) the assets subject to the fixed charge. Those assets sold will, when sold, automatically cease</p>
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to be subject to the floating charge granted by the Company will no longer be available to satisfy claims in respect of the Bonds.

The Bonds are not protected by the Financial Services Compensation Scheme

Unlike a bank deposit, the Bonds are not protected by the Financial Services Compensation Scheme (FSCS) or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an investor in the Bonds upon the failure of the Company. If the Company goes out of business or becomes insolvent, investors may lose all or part of their investment in the Bonds.

Modification, waiver and substitution

The conditions of the Bonds contain provisions for calling meetings of investors to consider matters affecting their interests generally. These provisions permit defined majorities to bind all investors including investors who did not attend and vote at the relevant meeting and investors who voted in a manner contrary to the majority.

Taxation

Prospective investors and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. Potential investors are advised not to rely upon the description contained in the general description section of the Base Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Bonds. Only these advisors are in a position to duly consider the specific situation of the prospective investor. This investment consideration has to be read in connection with the taxation sections of the Base Prospectus.

Change of law

The conditions of the Bonds are based on English law in effect as at the date of issue of the relevant Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Bonds.

Realisation from sale of the Bonds may be less than original investments

A Bondholder who elects to sell his Bonds at any time prior to their maturity, may receive a price from such sale which is less than the

	<p>original investment made. Factors that will influence the price may include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and the current financial position and an assessment of the future prospects of the Company.</p> <p><u>The secondary market generally</u></p> <p>The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a return comparable to similar investments that have a developed secondary market. This is particularly the case for bonds that are especially sensitive to interest rates, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds. Further, if an investor chooses to sell their Bonds in the open market at any time prior to maturity of the Bonds, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at maturity of the Bonds if the investor were to hold on to the Bonds until then. Factors that will influence the price received by investors who choose to sell their Bonds in the open market may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the Bonds, prevailing interest rates and the financial position of the Issuer.</p> <p><u>Interest rate risks</u></p> <p>The Bonds bear interest at a fixed rate. Potential investors should note that if interest rates rise, then the income payable on such Bonds might become less attractive and the price that investors could realise on a sale of the Bonds may fall. However, the market price of the Bonds from time to time has no effect on the total income investors receive on maturity of the Bonds if the investor holds the Bonds until the Maturity Date. Further, inflation will reduce the real value of the Bonds over time, which may affect what investors could buy with their investment in the future and may make the fixed rate payable on the Bonds less attractive in the future, again affecting the price that investors could realise on a sale of the Bonds.</p>
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SECTION E - OFFER

Element	Disclosure Requirements	Disclosure
<b>E.2b</b>	<b>Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks</b>	The Company will use the proceeds from the sale of the Bonds to create a portfolio of property assets such as UK land for the development and sale of residential properties from which trading income and capital gains will be generated.
<b>E.3</b>	<b>A description of the terms and conditions of the offer</b>	The minimum subscription amount per investor is an aggregate nominal amount of £100,000 of the Bonds, being a minimum of 10 Bonds per investor. Following their issue the Bonds are tradable in nominal amounts of £10,000.
<b>E.4</b>	<b>A description of any interest that is material to the issue / offer including conflicting interests</b>	<p>The largest shareholder of the Company is Andrew Callen who is also a director of Jacob Hopkins McKenzie Limited, the commercial purpose of which is to generate attractive individual annual returns for investors through investment in UK property. Jacob Hopkins McKenzie Limited is an appointed representative of Kession Capital Limited which is the Listing Member and is authorised and regulated by the Financial Conduct Authority in the UK. He is also a director and the main shareholder of the Company which is a PLC registered entity.</p> <p>Sridhar Venkiteswaran was an employee and is a shareholder of Kession Capital Limited which provides FCA regulatory compliance services to external companies that operate in the financial services sector. Mr Venkiteswaran resigned from Kession Capital Limited effective 31<sup>st</sup> August 2017.</p>
<b>E.7</b>	<b>Estimated expenses charged to the investor by the Company or the offeror</b>	The Company will not charge any expenses relating to the application for or purchase of any Bonds.



## **RISK FACTORS**

**The following is a description of the principal risks and uncertainties which may affect the Company's ability to fulfill its obligations under the Bonds.**

Before applying for any Bonds, you should consider whether the Bonds are a suitable investment for you. There are risks associated with an investment in the Bonds, many of which are outside the control of the Company. These risks include, but are not limited to those included in this section.

You should carefully consider the risks described below and all other information contained in this Base Prospectus and reach your own view before making an investment decision. The Company believes that the factors described below represent the principal risks and uncertainties which may affect its ability to fulfill its obligations under the Bonds, but the Company may face other risks that may not be considered significant risks by the Company based upon information available to it at the date of this Base Prospectus or that it may not be able to anticipate. Factors, which the Company believes may be material for the purpose of assessing the market risks associated with the Bonds, are also described below. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Company think are immaterial at the date of this Base Prospectus, actually occur, then these could have a material adverse effect on the Company's ability to fulfill its obligations to pay interest, principal or other amounts (as applicable) in connection with the Bonds.

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Base Prospectus have the same meanings in this section.

The Company believes that the following factors may affect its ability to fulfil its obligations regarding the Bonds issued under the Issuance. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

### **RISKS RELATING TO THE COMPANY**

A downturn in business conditions or in the general economy in the UK may adversely affect all aspects of the Company's business

Global market uncertainty and weakened economic conditions in the United Kingdom and elsewhere and, in particular, the reduced availability of credit may reduce the value of the Company's property portfolio and may reduce liquidity in the real estate market. A substantial decrease in value of the Company's property portfolio could increase pressure on the Company to meet its financial covenants. A lack of liquidity in the real estate market may prevent the Company from relieving this pressure or disposing of lower growth or riskier assets; thereby adversely affecting the Company's net asset value. As a result, the Company may be unable to sell property or, alternatively, might be forced to sell property at less than the value stated in the valuation of the Company's property portfolio, which could have

a material adverse effect on its business, financial condition, results of operations and future prospects.

Failure to attract, retain or replace senior management and skilled personnel could have a detrimental impact on the Company's business

The success of the business of the Company is dependent on recruiting, retaining and developing appropriately skilled, competent people at all levels of the organisation. If the Company is not able to successfully attract and retain such personnel or ensure that the experience and knowledge of key management is not lost from its business during the succession of personnel, it may not be able to maintain its standards of service or continue to grow its business as anticipated.

The loss of such personnel, and more particularly the failure to find suitable replacements in a timely manner, the inability to attract and retain additional appropriately skilled employees, or the failure to plan succession effectively, could have an adverse effect on the Company's business.

Delays in deployment of capital

Delays in deployment of the proceeds of the issue could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Dependence on availability of capital

Should the Company require further additional funds, these may not be available when needed, or may not be forthcoming on terms that are advantageous to the Company.

Borrowing exposes the Company to movements in loan interest rates and the possibility that if the values of the projects and/or the underlying assets in respect of the projects fall, the Company's capital repayment commitments may exceed the capital value of the Company's assets.

Property market risk

Property values rise and fall in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may also decrease because of overbuilding, changes in property taxes and operating expenses, changes in environmental regulations, or because of a general decline in regional values.

Planning

The Company's continued progress with certain projects is likely to be dependent on the success of its applications for planning permission. Current or future planning applications may not result in permissions being granted and planning permissions, if granted, may contain unduly onerous terms. Failure to obtain such permissions

may reduce the Company's ability to develop land projects in line with the Company's strategy, which may have an adverse impact on the Company's business, results of operations, financial condition and/or prospects.

The Company's operations are contingent upon an effectively functioning planning system. Changes in law or policy affecting planning, infrastructure or environmental issues could adversely affect the timing or costs associated with projects undertaken by the Company. Laws and regulations relating to the protection of the environment can also cause delays and increased costs. There is a risk that if national or local planning policy changes become more restrictive, there may be an impact upon the current and future opportunities undertaken by the Company and its ability to obtain planning permissions in the timescales required.

#### Possible exposure of the Company to fraud

The Company has in place processes and procedures to counter fraud. However, it is possible that large-scale fraud could adversely affect the Company's revenues and/or profits which could in turn adversely impact the Company's ability to fulfil its obligations under the Bonds.

#### Counterparty Risk

The property SPV's will appoint third party firms to provide various required services to the land development projects. If these firms fail to provide the required services and/or suffer corporate failure (bankruptcy / administration), the project in question may suffer cost increases, completion delays and economic loss.

Chancery & Stone PLC, via the Howrefreshing Group, has strong relationships with several firms that specialise in providing the required services. These firms have been used regularly by the Howrefreshing Group over the past 18 months in the development of sites due to their expertise and knowledge in the required areas.

#### Litigation

Legal proceedings may arise from time to time in the course of the Company's business. The Directors cannot preclude that litigation may be brought against the Company and that such litigation could have a material adverse effect on the financial condition, results or operations of the Company.

#### Operational Risk

Operational risk is always present in the construction sector. For example, the consequences of a serious injury or death on a building site can be severe, resulting in heavy fines which cannot be insured against.

These risks can be offset (but never extinguished) by having robust safety procedures on site. These procedures are already in place within Howrefreshing Group with professionally trained safety personnel always on site.

Other operational risks include general site testing of soil, which even when done properly, can later be found to have not covered a very small area where for example

asbestos may have been dumped illegally many years before. Insurance can be taken out to this effect but the risk is never wholly mitigated.

## **RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF THE BONDS**

Fixed rate Bonds will be issued under the Issuance. Bonds may have features that contain particular risks for potential investors. Set out below is a description of such features:

### Bonds subject to optional redemption by the Company

An optional redemption feature is likely to limit the market value of Bonds. During any period when the Company may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### Non-investment of proceeds of the issue of the Bonds

If the Company is not able to deploy the proceeds of the issue of the Bonds as contemplated in this Base Prospectus, there is a risk that the Company may not be able to generate the income needed to pay the interest on such amounts such that the Company may not be able to service the interest payable on the Bonds when due.

### Proceeds of the realisation of security

The Bonds are secured by a floating charge over the assets of the Company.

There can be no assurance that, in the event that this security is realised, the amounts realised will be sufficient to satisfy the obligations to repay principal and accrued interest under the Bonds.

### Disposal of assets subject to floating charges

The Company has granted floating charges over its assets in order to secure the Bonds. A fixed charge attaches to an asset upon its creation and gives the beneficiary

of the charge a claim over the proceeds generated by such asset in priority to other creditors (if any) of the relevant company granting the security. A floating charge ‘floats’ over the pool of assets subject to the charge but enables the company granting the security to deal with the assets until the occurrence of certain events which cause the charge to fix (or, ‘crystallise’) on to the assets. A floating charge is less advantageous than a fixed charge, as a claim to the assets made by a floating charge holder ranks behind that of a fixed charge holder in such cases, and behind certain preferential creditors, as described below (but still ahead of any unsecured senior creditors and also ahead of the shareholders of the Company). As a consequence, if the security over the assets were to be enforced following an event of default under the terms and conditions of the Bonds, any such assets may first be applied in payment to “preferential” creditors of the relevant company who are deemed under the provisions of English law to have higher priority to repayment prior to payment to holders of a mere floating charge. Preferential creditors (i.e. preferential to floating charge holders) include employee salaries and also certain amounts that may at the relevant time be owing to HM Revenue and Customs authority (i.e. in respect of taxes (if any) due and payable at such time). Any fixed charge holders would also be paid preferentially. Any such payments may result in Bondholders not receiving all amounts outstanding under their Bonds if there are insufficient funds remaining available for distribution following payments to any preferential creditors on a winding-up. A floating charge enables the company granting the security to deal with the assets that are subject to the floating charge until the occurrence of certain events which cause the charge to fix (or, ‘crystallise’) on to the assets. The effect of this is that the holder of the fixed charge could sell, and will be entitled to sell (without first seeking the consent of the Trustee) the assets subject to the fixed charge. Those assets sold will, when sold, automatically cease to be subject to the floating charge granted by the Company and will no longer be available to satisfy claims in respect of the Bonds.

#### Early repayment

The terms of the Trust Deed provide that the Company has the right to redeem any Bonds at any time. Bondholders may not therefore hold the Bonds until maturity.

### **RISKS RELATING TO THE BONDS GENERALLY**

Set out below is a brief description of certain risks relating to the Bonds generally:

#### The Bonds are not protected by the Financial Services Compensation Scheme

Unlike a bank deposit, the Bonds are not protected by the Financial Services Compensation Scheme (FSCS) or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an investor in the Bonds upon the failure of the Company. If the Company goes out of business or becomes insolvent, investors may lose all or part of their investment in the Bonds.

#### Modification, waiver and substitution

The conditions of the Bonds contain provisions for calling meetings of investors to consider matters affecting their interests generally. These provisions permit defined majorities to bind all investors including investors who did not attend and vote at the relevant meeting and investors who voted in a manner contrary to the majority.

#### Taxation

Prospective investors and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. Potential investors are advised not to rely upon the description contained in the general description section of the Base Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Bonds. Only these advisors are in a position to duly consider the specific situation of the prospective investor. This investment consideration has to be read in connection with the taxation sections of the Base Prospectus.

#### Change of law

The conditions of the Bonds are based on English law in effect as at the date of issue of the relevant Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Bonds.

#### Realisation from sale of the Bonds may be less than original investments

A Bondholder who elects to sell his Bonds at any time prior to their maturity, may receive a price from such sale which is less than the original investment made. Factors that will influence the price may include, but are not limited to, market appetite, inflation, and the time of redemption, interest rates and the current financial position and an assessment of the future prospects of the Company.

#### Third party fixed charge holders may enforce their security

Should any subsidiary of the Company default in respect of any bank or third party financing, the bank or third party may foreclose on its security and sell the assets that are the subject of such fixed charge. The fixed charge holders will rank in preference to the Floating Charge and there may not be sufficient assets following a liquidation to pay out the Bondholders who may suffer a total loss.

### **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### The secondary market generally

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a return comparable to similar investments that have a developed secondary market. This is particularly the case for Bonds that are especially sensitive to interest rates, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds. Further, if an investor chooses to sell their Bonds in the open market at any time prior to maturity of the Bonds, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at maturity of the Bonds if the investor were to hold on to the Bonds until then. Factors that will influence the price received by investors who choose to sell their Bonds in the open market may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the Bonds, prevailing interest rates and the financial position of the Company.

#### Interest rate risks

The Bonds bear interest at a fixed rate. Potential investors should note that if interest rates rise, then the income payable on such Bonds might become less attractive and the price that investors could realise on a sale of the Bonds may fall. However, the market price of the Bonds from time to time has no effect on the total income investors receive on maturity of the Bonds if the investor holds the Bonds until the Maturity Date. Further, inflation will reduce the real value of the Bonds over time, which may affect what investors could buy with their investment in the future and may make the fixed rate payable on the Bonds less attractive in the future, again affecting the price that investors could realise on a sale of the Bonds.

#### Credit ratings may not reflect all risks

Bonds issued under the Issuance may be rated or unrated. Where an issue of Bonds is rated, the applicable rating(s) will be specified in a relevant document. Such rating(s) will not necessarily be the same as the rating assigned to Bonds already issued. There are no guarantees that such ratings will be assigned or maintained. Any credit rating agency may lower its ratings or withdraw the rating if, in the sole judgement of the credit rating agency, the credit quality of the Bonds has declined or is in question. In addition, at any time a credit rating agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Bonds may be lowered. If any of the ratings assigned to the Bonds is lowered or withdrawn, the market value of the Bonds may be reduced. Furthermore, the ratings may not reflect the potential impact of all risks discussed above, and other factors that may affect the value of the Bonds. Accordingly, a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any credit ratings assigned to the Bonds

may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds.

#### A credit rating reduction may result in a reduction in the trading value of the Bonds

The value of the Bonds is expected to be affected, in part, by investors' general appraisal of the creditworthiness of the Company. Such perceptions are generally influenced by the ratings accorded to the outstanding Bonds of such Company by standard statistical rating services. A reduction in, or a placing on credit watch of the rating, if any, accorded to outstanding Bonds of the Company by a rating agency could result in a reduction in the trading value of the Bonds.

#### Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult their legal advisers to determine whether and to what extent (i) Bonds are legal investments for them, (ii) Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to their purchase or pledge of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk based capital or similar rules.

#### Changes in the tax legislation or practice

Statements in this Base Prospectus concerning the taxation of Bondholders or Chancery & Stone or any Group Company are based on UK tax law and practice as at the date of this Base Prospectus. Any changes to the tax status of Chancery & Stone or any of their projects or any of their investments, or to tax legislation or practice (whether in the UK or in jurisdictions in which Chancery & Stone operates), could affect the value of the projects and/or the assets held by Chancery & Stone, affect Chancery & Stone's ability to provide returns to Bondholders and affect the tax treatment for Bondholders of their investments in the Bonds (including the applicable rates of tax and availability of reliefs).

#### The EU Directive on the taxation of savings income may result in the imposition of withholding taxes in certain jurisdictions

EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.



The Council of the European Union has adopted a Directive (the “Amending Directive”) which amends and broadens the scope of the requirements of the Savings Directive described above. The Amending Directive expands the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Company nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Company is required to maintain a paying agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Bonds may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their independent professional advisers.

#### Change in English Law

The structure of the issue of the Bonds is based on English law, regulatory and administrative practice in effect as at the date of this document, and has due regard to the expected tax treatment of all relevant entities under UK tax law and the published practice of HM Revenue & Customs in force or applied in the UK as at the date of this document. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the UK, or to UK tax

law, or the interpretation or administration thereof, or to the published practice of HM Revenue & Customs as applied in the UK after the date of this document.

#### Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in Pounds Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than Pounds Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Pounds Sterling or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to Pounds Sterling would decrease:

- (i) The investor's currency-equivalent yield on the Bonds;
- (ii) The investor's currency-equivalent value of the principal payable on the Bonds; and
- (iii) The investor's currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## **EXPECTED TIMETABLE OF EVENTS**

Publication of this document: 13<sup>th</sup> October 2017

Admission and dealings in the Bonds is expected to commence on 13<sup>th</sup> October 2017

### **COMPANY DETAILS ON THE GIBRALTAR STOCK EXCHANGE**

ISIN: GB00BF0SJ349

## **GENERAL DESCRIPTION OF THE PROGRAMME**

Under this Programme, the Company may, from time to time, issue Bonds. The maximum aggregate principal amount of the Bonds from time to time outstanding under the Programme will not exceed £250,000,000.

The Bonds may be issued on a continuing basis and may be offered for a period of up to twelve (12) months from date of approval of the Base Prospectus. The method of distribution of each issue of Bonds will be stated in the relevant Final Terms.

Bonds will be issued subject to terms which shall be identical in all respects except for Issue Dates (and therefore the date from which interest accrues) and the Issue Price.

The specific terms governing each issue will be set forth in the relevant Final Terms.

The Company shall notify the public of the method of publication of the Final Terms by means of electronic publication on the website of the Listing Authority <http://www.gla.gi/list.html> or GSX <https://www.gsx.gi/notice> or, in addition, and at the option of the Company, on the website of the Company. Any notice so given will be deemed to have been validly given on the date of such publication.

Bonds will be issued in denominations of £10,000.

Bonds will be issued bearing a fixed rate of interest of 7.0% per annum throughout the entire term of the Bonds. The Issue Price of the Bonds will be set out in the relevant Final Terms.

There are no restrictions on the free transferability of the Bonds.

The Bonds will rank equally amongst themselves (irrespective of when a Bond was issued).

The Bonds are secured by the Floating Charge over the assets of the Company. This security is granted in favour of the Trustee who will hold the benefit of the security, and enforce the security, on behalf of Bondholders.

If the security granted to Bondholders is enforced, the claims of Bondholders will rank equally irrespective of, amongst other things, when the relevant Bonds were issued. There can be no guarantee that the proceeds realised from the enforcement of the security will be sufficient to repay the amounts due to Bondholders in full.

The Company's subsidiaries may grant Fixed Charges to third party banks and providers of finance which rank above the Floating Charge given by the Company in respect of the Bonds. The effect of this is that the holder of a Fixed Charge could sell, and will be entitled to sell (without first seeking the consent of the Trustee) the assets subject to the Fixed Charge. Those assets sold will, when sold, automatically cease to be subject to the Floating Charge granted by the Company and will no longer be available to satisfy claims in respect of the Bonds.

Application will be made for the Bonds to be approved for admissibility to listing by the Listing Authority and trading on the GSX, a Regulated Market supervised by the Listing Authority.

Taxation (United Kingdom): All payments in respect of the Bonds will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law.

The establishment of the Programme was approved by the Board of Directors on 15<sup>th</sup> May 2017.

#### **INVESTOR TYPE**

The Chancery & Stone PLC Bonds will be promoted to non-retail investors as defined by the Financial Conduct Authority in the UK, who are located in the UK, EEA and globally but not to investors in the United States. The categories of non-retail investors comprises sophisticated investors, high net worth individual investors, elective professional investors and per se professional investors. The FCA has defined these client categories and the promoter of the Bonds will take the necessary steps under the regulations to ensure the suitability of the product to these investors.

## **DESCRIPTION OF THE COMPANY**

### **THE COMPANY**

The Company was incorporated on 21 May 2016 in England and Wales under the Companies Act 2006 as a public limited company with registered number 10193129. The Company's registered office is Somerset House, 6070 Birmingham Business, Park Birmingham, West Midlands, B37 7BF. The issued share capital of the Company is 67,770 ordinary shares of £1.00 each, 64,000 of which are partly-paid up to the sum of £16,000. The majority of the issued shares are in the ownership of Andrew Callen (40,000) and Sue Callen (10,000).

### **PRINCIPAL ACTIVITIES**

The Company operates in the UK property sector and has been set-up to take advantage of opportunities identified in South Wales, and the rest of the UK, namely the acquisition, development and sale of land in South Wales and the rest of the UK. The Company was established to raise money for this purpose, specifically to enter into the transactions set out herein and to issue securities. There are no recent events particular to the Company which are to a material extent relevant to the evaluation of the Company's solvency.

The Company will use the proceeds from the sale of the Bonds to create a portfolio of property assets such as UK land for the development and sale of residential properties from which income and capital gains will be generated.

Under the Issuance, the Company will from time to time issue Bonds and will use the proceeds to provide equity funding for its subsidiaries, that is, the property SPVs (see diagram below) for the purpose of property development or major refurbishment works. See diagram below for further details.

The proceeds from the sale of the Chancery & Stone PLC Bond will be sent by the bond investors to Avenir Registrars Limited who will act as the bond registrar and paying/receiving agent.

Avenir Registrars Limited will take in the money, conduct the KYC/AML on the investors, create the bonds into CREST and operate the bondholder register.

Avenir Registrars Limited will then send the money to the client account at Chancery & Stone PLC, which is held at Santander Bank UK.

Each land development site will be structured as a Bare Trust Company SPV (to protect Chancery & Stone PLC from building site related claims).

The SPV's (also known as Proprietors) will hold the land for the benefit of Chancery & Stone PLC, whose ownership of the land is via beneficiary / beneficiary tenant in common (to protect Chancery & Stone PLC).

A Trust Deed will be put into place between Chancery & Stone PLC and each SPV.

Each SPV's director, trustee and shareholder will be Andrew Callen.

As money is required to meet the initial funding and ongoing development costs of each SPV, it will be transferred from the client account at Chancery & Stone PLC to the operating account at Chancery & Stone PLC (with two authorised signatures required) and then drawn down by the developer, Howrefreshing Property Developments Limited, to pay the development costs.

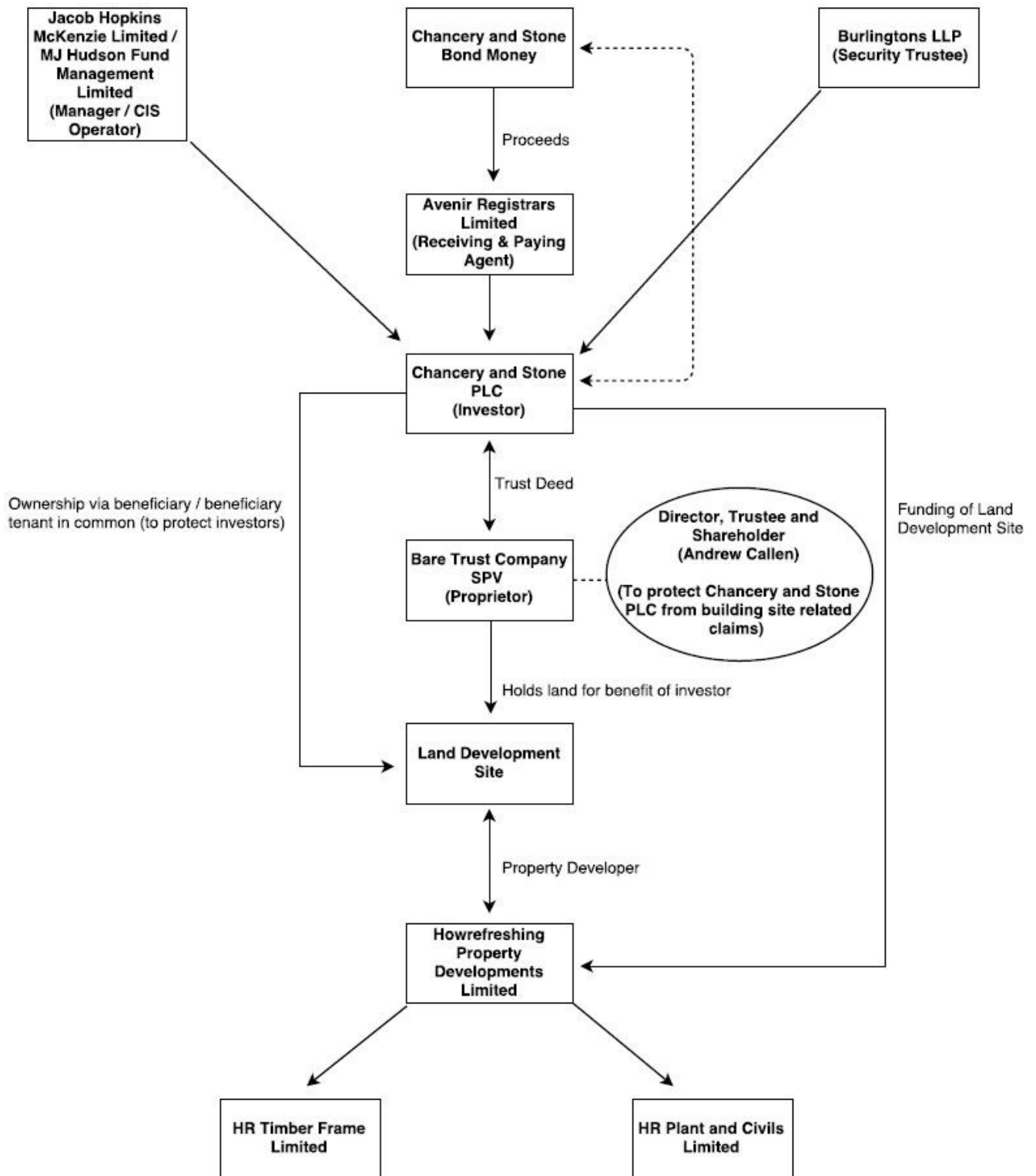
Howrefreshing Property Developments Limited will develop the sites and in doing so will draw upon the resources of HR Timber Frame Limited and HR Plant and Civils Limited to assist it.

Burlingtons LLP has been appointed as the Trustee to the Bond. In the event of Chancery & Stone PLC failing to meet its obligations to the Bondholders (eg, interest and principal payments) the Trustee will take control of Chancery & Stone PLC's assets on behalf of the Bondholders via the Floating Charge.

The SPV's may adopt leverage financing from banks or financial institutions. The institutions providing leverage to the SPV's will receive a first legal charge over the land and properties built on it. The Floating Charge will apply to any residual value in the land after the first legal charge is covered plus all other assets of the Company.

MJ Hudson Fund Management Limited will act as the CIS Operator in the event third party investors invest alongside Chancery & Stone PLC in any of the property projects.

The Company reserves the right to utilise alternative structures to facilitate its property activities in the event such structures are in the interests of the Company and Bondholders.





## DIRECTORS AND COMPANY SECRETARY

The directors of the Company and their other principal activities are:

Name: <b>Directors and Company Secretary</b>	Position in the Company	Position in relation to outside activities	Principal outside activities
The directors of the Company and their other principal activities are:			
Andrew Callen <i>Somerset House, 6070 Birmingham Business Park, Birmingham, West Midlands, B37 7BF</i>	Director	1) Director	Jacob, Hopkins McKenzie Limited
		2) Director	How Refreshing (Property Management) Limited
		3) Director	How Refreshing Limited
		4) Director	How Refreshing (Property Management) Winchfawr Limited
		5) Director	Howrefreshing Property Developments Limited
		6) Director	How Refreshing (Property Management) Hirwaun Limited
		7) Director	How Refreshing (Property Management) Brynithel, Abertillery Limited
		8) Director	How Refreshing (Edwardsville) Limited
		9) Director	How Refreshing (The Bryn) Limited
		10) Director	How Refreshing (New Tredegar) Limited
		11) Director	How Refreshing (Salisbury Road) Limited
		12) Director	How Refreshing (Porth) Limited
		13) Director	HR Ventures Limited
		14) Director	HR Timber Frame Limited
		15) Director	HR Plant and Civils Limited
Kuldip Kainth <i>Somerset House, 6070 Birmingham Business</i>	Director & Company Secretary	1) Director & Company Secretary	Akkounting Management Limited

<i>Park, Birmingham, West Midlands, B37 7BF</i>			
<i>Sridhar Venkiteswaran Somerset House, 6070 Birmingham Business Park, Birmingham, West Midlands, B37 7BF</i>	Director		

The directors of the Company may have outside interests that involve the provision of services to external property development and real estate management businesses. Sridhar Venkiteswaran was a compliance professional and is a shareholder of Kession Capital Limited, the Listing Member, which provides FCA regulatory compliance services to external companies that operate in the financial services sector. Mr Venkiteswaran resigned from Kession Capital Limited effective 31<sup>st</sup> August 2017.

The Directors detailed above accept responsibility for the information contained in the Prospectus and to the best of their knowledge and belief, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

**Andrew Callen** is the founder and managing director of the Company. Andrew is an experienced commercial litigation Solicitor, an entrepreneur and a Chartered member of the Securities and Investment Institute. In early adult life Andrew spent several years in the Royal Marines and subsequently time as a Police Officer in CID and Firearms where he was subsequently promoted to Sergeant. Andrew became involved in building and refurbishing his own properties back in 1991 as well as refurbishing student accommodation and developing Houses of Multiple Occupation. He has built and refurbished over 50 properties as a hobby and interest over this time. In 2014 he decided to make his building hobby a full time interest and is now the director of Jacob Hopkins McKenzie Limited, the commercial purpose of which is to generate attractive individual annual returns for investors through investment in UK property. Jacob Hopkins McKenzie Limited is an appointed representative of Kession Capital Limited which is authorised and regulated by the Financial Conduct Authority in the UK. He is also the director and main shareholder of the Company which is a PLC registered entity.

**Sridhar Venkiteswaran** graduated from the University of Exeter with an MA in Finance & Investment and has spent 24 years working in the investment banking, hedge fund and UK regulatory financial sectors. During his career at Baring Securities Limited, ING Barings, Caspian Securities Limited and MSS Capital Limited his roles comprised investment research, investment analysis and portfolio management. From 2014 until 31<sup>st</sup> August 2017 Sridhar was responsible for regulatory sales, client onboarding and client relationships at Kession Capital Limited which is authorised and regulated by the Financial Conduct Authority in the UK. At Chancery & Stone PLC he will be responsible for compliance, procurement and operations.

**Kuldip Kainth** is an ACCA qualified professional and widely experienced finance director with a proven record in establishing cross-functional partnerships with internal and external customers through his commitment to what is known as ‘Process, People and Technology’. For the past eight years, as finance director of two American subsidiaries, Kuldip has provided leadership and strategic direction in all matters relating to finance, audit, tax and pricing. As a head of finance he

has worked with fellow directors from operations, sales & marketing, HR and business development, providing strategic action and insight to deliver growth, optimise cash flow and effectively manage budgets. At Chancery & Stone PLC Kuldip will assume the role of finance director.

## **CORPORATE GOVERNANCE**

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council in May 2010.

A committee consisting of the directors of the Company (the "Credit Committee") will review all proposals and determine how the capital raised through the issuance of Bonds will be deployed into asset-backed investment opportunities. Each opportunity will be required to meet or exceed projected minimum return criteria as set by the Credit Committee and which, when aggregated, are sufficient to produce funds for the Company to meet any payments due and payable on the Bonds. Such minimum return criteria will, at all times, be set at a level which permits the Company to meet its obligations to pay interest and principal under the Bonds.

## **POTENTIAL CONFLICTS OF INTEREST**

Kuldip Kainth holds personal investments in the land sites How Refreshing (Property Management) Brynithel, Abertillery Limited, How Refreshing (Property Management) Winchfawr Limited, How Refreshing (Property Management) Hirwaun Limited, How Refreshing (New Tredegar) Limited and How Refreshing (Porth) Limited.

Michael Kessler holds shares in the Company and is the founder and a director of Kession Capital Limited which is the Listing Member. He is also a Consultant for GSX Limited which operates the Gibraltar Stock Exchange.

Sridhar Venkiteswaran holds personal investments in the land sites How Refreshing (Property Management) Brynithel, Abertillery Limited, How Refreshing (Property Management) Winchfawr Limited and How Refreshing (New Tredegar) Limited. He is also a shareholder of Kession Capital Limited.

Howrefreshing Property Developments Ltd is 50% owned by Andrew Callen and 50% owned by Suzanne Callen. Andrew and Suzanne Callen are also the two largest shareholders in the Company.

HR Timber Frame Limited is 50% owned by Andrew Callen, who is also the largest shareholder in the Company.

HR Plant and Civils Limited is 50% owned by Jacob Hopkins McKenzie Limited. The shareholders of Jacob Hopkins McKenzie Limited are Andrew and Suzanne Callen. Andrew and Suzanne Callen are also the two largest shareholders in the Company.

Jacob Hopkins McKenzie Limited is owned by Andrew and Suzanne Callen. Andrew and Suzanne Callen are also the two largest shareholders in the Company.

#### **AUDIT COMMITTEE**

Clarkson Hyde LLP

3<sup>rd</sup> floor, Chancery House

St Nicholas Way

Sutton

Surrey SM1 1JB

Clarkson Hyde LLP is registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. Details of the firm's audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001524707.

#### **WORKING CAPITAL**

Clients of Jacob Hopkins McKenzie Limited invested £590,000 into the land development project How Refreshing (Property Management) Brynithel, Abertillery Limited as of February 2016. These investors have entered into an agreement with the Company whereby they will exchange their interests in How Refreshing (Property Management) Brynithel, Abertillery Limited for equity in the Company of equivalent value, subject to the Company's Bond successfully listing on the GSX. How Refreshing (Property Management) Brynithel, Abertillery Limited obtained planning permission for the construction of 31 residential dwellings in May 2017. An indicative offer for the site has subsequently been received from a third party developer for the sum of £800,000. Once the Bond is listed on the GSX and the transaction completes, it is expected that this offer will be accepted by the Company and the proceeds from the sale of the site will be used as working capital for the Company going forward.

#### **MAJOR SHAREHOLDERS**

Andrew Callen 40,000 ordinary shares

Suzanne Callen 10,000 ordinary shares

Michael Kessler 5,950 ordinary shares

Steven Garner 5,950 ordinary shares

The above shareholders hold 91.3% of the shares in issue.

## **THE INVESTMENT OPPORTUNITY**

Chancery & Stone PLC has, within the UK, initially identified South Wales as offering potentially attractive returns on capital employed within the UK property investment sector. Based on our research and experience we believe the following factors taken together will result in Chancery & Stone PLC being able to generate the necessary profitability to meet the semi-annual coupon payments during the term of the Bonds and the final repayment of capital upon maturity of the Bonds:

- (a) Land development sites can be acquired at prices that do not accurately reflect their post residential value;
- (b) There is an abundance of these sites in the South Wales region;
- (c) Residential properties can be built in the South Wales region at an attractive cost whilst not sacrificing the quality of workmanship;
- (d) Chancery & Stone PLC has developed strong relationships with experienced service providers in the local market;
- (e) Chancery & Stone PLC aims to manage its cash flows in such a way as to minimise the need for external bank financing. It is intended that properties will be built on site in phases whereby the proceeds from the sale of newly built properties will be used to build further properties, leading to the efficient utilisation of capital;
- (f) The Planning firm that Chancery & Stone PLC intends to use has a longstanding relationship with the local council with regards to obtaining planning permission for the development sites;
- (g) Chancery & Stone PLC plans to operate in the segment of the local market that attracts the lowest tier of stamp duty for buyers;
- (h) Jacob Hopkins McKenzie Limited (the appointed representative entity owned and operated by Andrew Callen) has over the past twelve months experienced demand for quality properties from the Local Housing Association who requires an ongoing supply of local housing stock. This creates an additional source of demand for the properties developed by Chancery & Stone PLC;
- (i) A strong relationship is now being built with the Local Authority to develop the Howrefreshing brand (under which Jacob Hopkins McKenzie Limited trades) and its products. It should also be noted that the Welsh Local Authority is more focussed on keeping young local people in their areas via the provision of owned

homes, local jobs and infrastructure than its English counterpart Authorities (See Welsh regional Infrastructure Projects - Welsh Government).

### **Prescriptive Methodology for Chancery & Stone PLC**

In sourcing land for development anywhere in England and Wales it is intended that there be prescriptive procedures that must be carried out in relation to any land.

These are in addition to:

- 1. Valuation** (through RICS Surveyors on the basis of price per acre after conducting Site Investigations and taking into consideration abnormalities and costs).
- 2. Viability** – location of site and access to it, potential for profit etc.
- 3. Saleability** – how easily the site will sell.

In addition to the above, the style and type of property in a given location must be taken into account and proposals are always in place to talk with the Local Planning Departments through Pre-Application discussion to determine what they would consider to be a suitable proposal.

This will be done in conjunction with advisors such as Cost Surveyor Consultants and Chartered Town Planners to ensure that Planning Departments are not acting unreasonably or Ultra Vires.

### **4. Residential Development Check List**

Before purchasing a site for residential development it is essential that the following issues are considered and this will generally require technical investigation and reports to verify conditions. These issues can be subdivided into the following headings:

**Ground Topography** - the site may be too steep to provide suitable access that complies with highway conditions for gradients and may require costly earth retaining structures for the roads and between housing blocks.

**Ground Conditions** - a desk study followed by comprehensive site investigation work and soil sampling is essential to assess any contamination on the site and for suitable foundation requirements. This may also include the need for gas monitoring and assessment for any groundwater contamination.

**Ecology** - the ecology within a site is increasingly important, must be assessed and will require the input of specialists. There may be expensive mitigation costs.

**Protected Trees** - a detailed tree survey by a specialist will be required as there may be protected trees or unusual species on the site which will limit the development potential. Mitigation may be possible with a detailed landscaping scheme.

**Foul Water, Surface Water and Land Drainage** - the need to provide suitable drainage facilities for the site is very important and can limit or negate the development potential of the site. Having

a foul water connection near the site is essential and may require the use of a pumping station or treatment plant. Surface water and land drainage are also an issue and the use of sustainable methods to deal with surface water drainage takes a high priority and again may limit the development potential.

**Gas, Water and Electricity Services** – the existence of suitable service connections to any site should be thoroughly investigated at an early stage and in some instances may require expensive re-laying of service mains and connections.

In summary, the following investigations and reports should be commissioned and considered before the purchase of any possible development site:

- Topographical Survey.
- Geo-technical and geo-environmental site investigation and report.
- Ecology survey and report.
- Tree survey and report.
- Drainage survey and strategy for dealing with foul surface water and land drainage.
- Services enquiries to assess location and capacity of existing gas, water and electricity provision.
- Landscape Planning.
- A suitable site-finished landscape plan is almost always required and this must be costed into the project and agreed by the Local Authority.

### **Highway Proposal**

In general, with sites of more than five dwellings (other than those by roads) it is necessary to fully consider the requirement to construct an adoptable road / highway with the need for footpaths. This must be considered and costed into the overall project.

Chancery & Stone PLC, via the Howrefreshing Group, has strong relationships with several firms that specialise in the above areas. These firms have been used regularly by the Howrefreshing Group over the past 18 months in the development of sites due to their expertise and knowledge in the above mentioned areas.

The above factors taken together, combined with the experience of the Chancery & Stone PLC team, provides a potentially attractive platform for successful property development in the South Wales region.

## MARKET OVERVIEW AND FORECAST

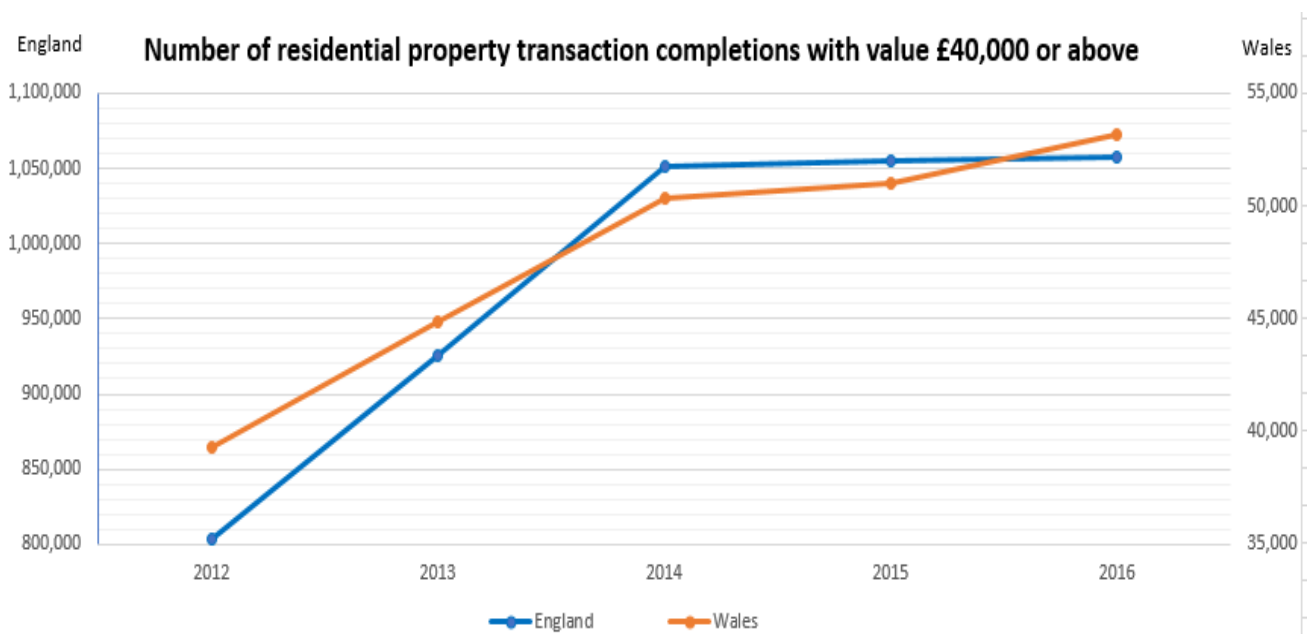
Predicting the future direction of the UK property market, its demand and supply trends and price movements is at best highly speculative and at worst somewhat dangerous! There are many different views in circulation regarding property market trends, some positive, some negative and some indifferent. Prospective investors in the Bond are therefore encouraged to conduct their own research and due diligence on the UK property market and arrive at their own conclusions prior to making an investment decision.

With regard to historical trends, HM Revenue and Customs (HMRC) in the UK publishes data on the UK property market on a monthly basis (source: HM Revenue & Customs, UK Property Transaction Statistics, 21 July 2017

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/629488/UK\\_Tables\\_Jul\\_2017\\_\\_cir\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/629488/UK_Tables_Jul_2017__cir_.pdf)).

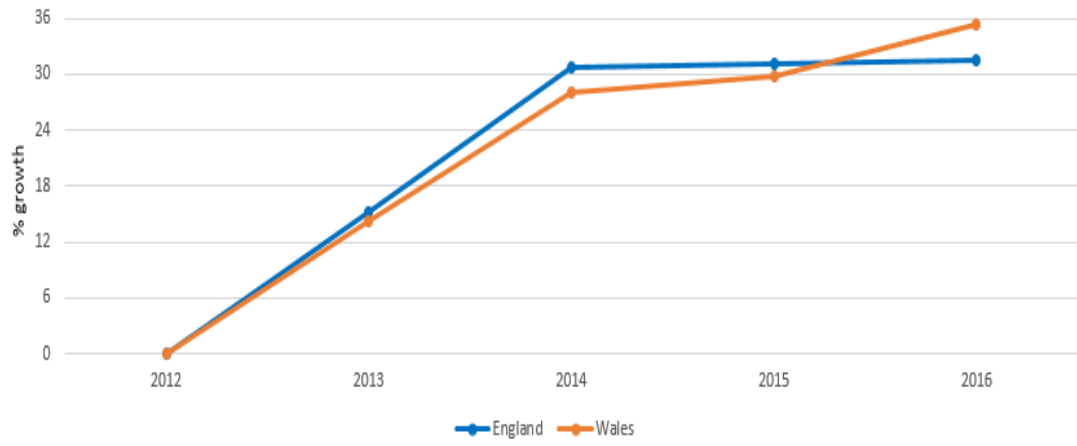
According to data from HMRC, the number of completed residential property transactions with value £40,000 or above exhibits an upward trend in England and Wales for the period 2012 to 2016. We also note that the rate of growth in completed transactions over the period is stronger in Wales, which is where the initial focus of Chancery & Stone’s activities will be.

Calendar Year	England	Wales
2012	803,800	39,280
2013	925,230	44,850
2014	1,050,630	50,310
2015	1,054,370	51,010
2016	1,057,750	53,160





**Year on year growth in the number of residential property transaction completions with value £40,000 or above**



## **TRANSACTION PARTIES**

Avenir Registrars Limited will act as paying agent (the "Paying Agent") pursuant to an Agency Services Agreement (the "Agency Agreement") entered into on the 15<sup>th</sup> September 2017 between the Paying Agent and the Company.

Avenir Registrars Limited will act as receiving agent (the "Receiving Agent") pursuant to an Agency Services Agreement (the "Agency Agreement") entered into on the 15<sup>th</sup> September 2017 between the Paying Agent and the Company.

Santander Bank UK will act as the account bank.

Avenir Registrars Limited is registered with the Financial Conduct Authority in the UK (FRN: 712013), is registered in England and Wales (No. 09009850). Avenir will act as Registrar to the Bonds, create the Bonds into CREST, act as the receiving and paying agent and operate the register of Bondholders. CREST (Certificateless Registry for Electronic Share Transfer) is a UK-based central securities depository that holds UK equities and UK gilts, as well as Irish equities and other international securities. Avenir Registrars Limited with address 5 St. John's Lane, London, England, EC1M 4BH, will also provide KYC and AML services to the Company.

Burlingtons Legal LLP, an exempt professional firm with Financial Conduct Authority reference number LS 558409, will act as Trustee on behalf of the Bondholders. Burlingtons Legal LLP is registered in England and Wales (No. OC360876) with address 5 Stratford Place, Marylebone, London W1C 1AX.

Jacob Hopkins McKenzie Limited will be responsible for distribution and capital raising. Jacob Hopkins McKenzie Limited will also be responsible for sourcing the land development investment opportunities and project managing them. Jacob Hopkins McKenzie Limited (FRN: 709464) is an appointed representative of Kession Capital Limited (FRN: 582160) which is authorised and regulated by the Financial Conduct Authority in the UK. Jacob Hopkins McKenzie Limited is 100% owned by Andrew Callen and Suzanne Callen. Andrew and Suzanne Callen are also the two largest shareholders in Chancery & Stone PLC. Jacob Hopkins McKenzie Limited is registered in England and Wales (No. 08524827) with address 40 The Drive, Esher, Surrey, England KT10 8DJ.

MJ Hudson Fund Management Limited (FRN:193171) is authorised and regulated by the Financial Conduct Authority in the UK. This firm will act as the Collective Investment Scheme Operator in those circumstances where the Company develops a land site in conjunction with third party investors. MJ Hudson Fund Management Limited is registered in England and Wales (No. 03924137) with address 8 Old Jewry, London, England EC2R 8DN.

### **SUPPORT TEAM**

The support team to Chancery & Stone PLC comprises the following:

- Two RIBA (Royal Institute of British Architects) firms that are located across the South Wales region and will provide architectural services. Both firms carry full indemnity insurance –

C2J Architects & Town Planners, Unit 1A Compass Business Park, Cardiff CF24 5HL

Stephen George Architects, 25 Courtland Terrace, Merythr Tydfil CF47 0DT

- Two RICS (Royal Institute of Chartered Surveyors) firms based in South Wales that will provide quantity surveying services –

Apex Surveyors Limited, 3 Market Street, Aberdare, Mid Glamorgan CF44 7DY

Jones Battye Chartered Surveyors, 3 Victoria Square, Aberdare, Mid Glamorgan CF44 7LA

- A local experienced firm that will provide project management services to each site –

Strong's Partnership Limited, Mill House, Old Caerphilly Road, Nantgarw, Cardiff CF15 7TA

- A Chartered Town Planner who is a member of the Institute of Chartered Town Planners –

C2J Architects & Town Planners, Unit 1A Compass Business Park, Cardiff CF24 5HL

## **Taxation**

The following is a general description of certain United Kingdom and European tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds, whether in those countries or elsewhere. Prospective purchasers of Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### **United Kingdom**

The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Company's understanding of current United Kingdom law and published HM Revenue and Customs ("HMRC") practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Bonds. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Bonds. The United Kingdom tax treatment of prospective investors depends on their individual circumstances and may be subject to change in the future (possibly with retroactive effect). Prospective investors who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

### **Interest on the Bonds**

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. Bonds to be traded on any other recognised stock exchange will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. Provided, therefore, that the Bonds remain listed on a recognised stock exchange, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Company reasonably believes that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Bonds is less than 365 days from the date of issue and those Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to an investor, HMRC can issue a notice to the Company to pay interest to the investor without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### **Other Rules Relating to United Kingdom Withholding Tax**

Bonds may be issued at an Issue Price of less than 100 per cent of their principal amount. Any discount element on any such Bonds should not be subject to any United Kingdom withholding tax.

## **GENERAL INFORMATION**

### **Authorisation**

The issue of the Bonds was authorised by a resolution of the board of directors of the Company passed on 15<sup>th</sup> May 2017. The Company has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

### **Legal and Arbitration Proceedings**

There are not, and have not been, any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Company is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Company.

### **Significant/Material Change**

There has been no material adverse change in the financial position or prospects of the Company since the Company was incorporated.

### **Documents on Display**

Copies of the following documents may be inspected physically in hard copy during normal business hours at the offices of the Company at Somerset House, 6070 Birmingham Business, Park Birmingham, West Midlands, B37 7BF, for 12 months from the date of this Base Prospectus.

- (i) the constitutive documents of the Company;
- (ii) the Agency Agreement;
- (iii) the Trust Deed; and
- (iv) the Security Deed.

### **Material Contracts**

There are no contracts (other than as set out in the section entitled “Material Contracts”) having been entered into outside the ordinary course of the Company’s business which are or may be material and contain provisions under which the Company has an obligation or entitlement which is, or may be, material to the ability of the Company to meet its obligations in respect of the Bonds.

### **Issue Price and Yield**

Bonds may be issued at any price. The issue price of Bonds to be issued under the Issuance will be determined by the Company and set out in the Final Terms at the time of issue in accordance with prevailing market conditions.

The yield of Bonds will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

#### **Post-Issuance Reporting**

The Company does not intend to provide post-issuance transaction information regarding any issues of Bonds.

#### **Placing Agent Fees**

The Company retains the right to pay commission of up to 2% per annum throughout the five year term of the Bonds to introducers of capital that invests in the Bonds. The Company retains the right to pay this commission in full at the outset of the term.

# FINANCIAL INFORMATION

CHANCERY & STONE PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHANCERY & STONE PLC

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We have audited the financial statements of Chancery & Stone Plc for the year ended 31 May 2017 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Directors' Responsibilities Statement, 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 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 annual 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 company's affairs as at 31 May 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, 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, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.





INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHANCERY & STONE PLC

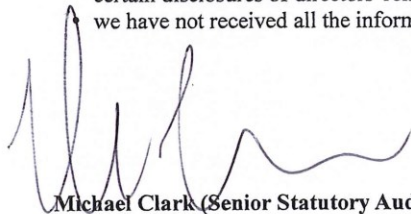
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**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Michael Clark (Senior Statutory Auditor)  
for and on behalf of Clarkson Hyde LLP

28 July 2017

Chartered Accountants  
Statutory Auditor

3rd Floor  
Chancery House  
St Nicholas Way  
Sutton  
Surrey  
SM1 1JB

**CHANCERY & STONE PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MAY 2017**

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	Notes	2017 £
Administrative expenses		(106,309)
Interest receivable and similar income	5	<u>1</u>
<b>Loss before taxation</b>		<b>(106,308)</b>
Taxation	6	<u>-</u>
<b>Loss for the financial year</b>		<b><u>(106,308)</u></b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

**CHANCERY & STONE PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MAY 2017**

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	<b>2017</b>
	<b>£</b>
<b>Loss for the year</b>	(106,308)
<b>Other comprehensive income</b>	-
<b>Total comprehensive income for the year</b>	(106,308)

CHANCERY & STONE PLC

BALANCE SHEET

AS AT 31 MAY 2017

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	Notes	2017 £	£
<b>Current assets</b>			
Stocks	8	330,000	
Debtors	9	3	
Cash at bank and in hand		1,349	
		<u>331,352</u>	
<b>Creditors: amounts falling due within one year</b>	10	(44,660)	
<b>Net current assets</b>			<u>286,692</u>
<b>Capital and reserves</b>			
Called up share capital	11		19,770
Share premium account			373,230
Profit and loss reserves			<u>(106,308)</u>
<b>Total equity</b>			<u>286,692</u>

The financial statements were approved by the board of directors and authorised for issue on 28 July 2017 and are signed on its behalf by:

Mr A Callen  
Director

Company Registration No. 10193129

CHANCERY & STONE PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2017

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Year ended 31 May 2017:</b>					
Loss and total comprehensive income for the year		-	-	(106,308)	(106,308)
Issue of share capital	11	19,770	373,230	-	393,000
<b>Balance at 31 May 2017</b>		<u>19,770</u>	<u>373,230</u>	<u>(106,308)</u>	<u>286,692</u>

**CHANCERY & STONE PLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MAY 2017**

	Notes	2017 £	£
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	14		(391,652)
<b>Investing activities</b>			
Interest received		1	
<b>Net cash generated from/(used in) investing activities</b>			1
<b>Financing activities</b>			
Proceeds from issue of shares		393,000	
<b>Net cash generated from/(used in) financing activities</b>			393,000
<b>Net increase in cash and cash equivalents</b>			1,349
Cash and cash equivalents at beginning of year			-
<b>Cash and cash equivalents at end of year</b>			<u>1,349</u>

**1 Accounting policies**

**Company information**

Chancery & Stone Plc is a private company limited by shares incorporated in England and Wales. The registered office is Somerset House, 6070 Birmingham Business Park, Birmingham, West Midlands, B37 7BF.

**1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

**1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.3 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**1.4 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**1.5 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**1 Accounting policies**

(Continued)

***Basic financial assets***

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Other financial assets***

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.



**1 Accounting policies**

(Continued)

***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.6 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**3 Turnover and other revenue**

An analysis of the company's turnover is as follows:

	2017 £
<b>Turnover</b>	=====
<b>Other significant revenue</b>	
Interest income	1 =====

**4 Operating loss**

	2017 £
Operating loss for the year is stated after charging/(crediting):	
Fees payable to the company's auditor for the audit of the company's financial statements	4,000 =====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

<b>5</b>	<b>Interest receivable and similar income</b>	<b>2017</b>
		<b>£</b>
	<b>Interest income</b>	
	Interest on bank deposits	1
		<u>1</u>
	Investment income includes the following:	
	Interest on financial assets not measured at fair value through profit or loss	1
		<u>1</u>
<b>6</b>	<b>Taxation</b>	
	The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:	
		<b>2017</b>
		<b>£</b>
	Loss before taxation	(106,308)
		<u>(106,308)</u>
	Expected tax credit based on the standard rate of corporation tax in the UK of 20.00%	(21,262)
	Unutilised tax losses carried forward	21,262
		<u>-</u>
	Taxation charge for the year	<u>-</u>
<b>7</b>	<b>Financial instruments</b>	
		<b>2017</b>
		<b>£</b>
	<b>Carrying amount of financial assets</b>	
	Debt instruments measured at amortised cost	3
		<u>3</u>
	<b>Carrying amount of financial liabilities</b>	
	Measured at amortised cost	44,660
		<u>44,660</u>
<b>8</b>	<b>Stocks</b>	
		<b>2017</b>
		<b>£</b>
	Finished goods and goods for resale	330,000
		<u>330,000</u>
<b>9</b>	<b>Debtors</b>	
		<b>2017</b>
		<b>£</b>
	<b>Amounts falling due within one year:</b>	
	Other debtors	3
		<u>3</u>

**10 Creditors: amounts falling due within one year**

**2017**  
**£**

Trade creditors	2,879
Other creditors	37,781
Accruals and deferred income	4,000
	<u>44,660</u>

**11 Share capital**

**2017**  
**£**

<b>Ordinary share capital</b>	
<b>Issued, called up and paid</b>	
19,770 Ordinary of £1 each	<u>19,770</u>

3,770 ordinary shares have been issued in exchange for stock and cash. 64,000 ordinary shares have been issued, called up 25p in the £1 and paid up to that extent

**12 Related party transactions**

Included within other creditors is an amount of £5,265 owed from Chancery & Stone PLC to A.Callen, a director and shareholder.

Included within other creditors is an amount of £2,000 owed from Chancery & Stone PLC to K.Kainth, a director and shareholder.

**13 Controlling party**

The company is ultimately controlled by A.Callen, a director who holds 59% of the issued share capital.

**14 Cash generated from operations**

**2017**  
**£**

Loss for the year after tax	(106,308)
<b>Adjustments for:</b>	
Investment income	(1)
<b>Movements in working capital:</b>	
(Increase) in stocks	(330,000)
(Increase) in debtors	(3)
Increase in creditors	44,660
<b>Cash absorbed by operations</b>	<u><u>(391,652)</u></u>

**CHANCERY & STONE PLC**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 31 MAY 2017**

**CHANCERY & STONE PLC**

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MAY 2017**

---

	£	2017 £
<b>Administrative expenses</b>		(106,309)
<b>Operating loss</b>		<u>(106,309)</u>
<b>Investment revenues</b>		
Bank interest received	<u>1</u>	
		<u>1</u>
<b>Loss before taxation</b>	-	<u><u>(106,308)</u></u>

## Financial Forecast

Find below a six year financial forecast for the Company as prepared by the Company's Finance Director as at July 2017. Please note that financial forecasts are not a reliable indicator of future performance. These figures are for illustrative purposes only and should not be relied upon in making any investment decision.

All figures in £'000 unless otherwise stated  
Year End 31st December

Housing Units	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Built	1,680	60	270	360	390	480	120
Sales	1,680	16	236	354	368	474	232
<b>Income Statement – Projection</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue		2,322	32,304	48,353	50,333	64,744	31,416
Cost of sales		1,616	22,486	33,658	35,037	45,068	21,868
<b>Gross Margin</b>		706	9,818	14,695	15,296	19,676	9,548
<i>GM %</i>		30%	30%	30%	30%	30%	30%
SG&A		1,540	2,729	2,950	3,381	2,720	1,357
<b>EBITDA</b>		(834)	7,089	11,745	11,915	16,956	8,191
Finance Cost		875	1,400	1,400	1,400	1,400	525
<b>Profit Before Tax (EBT)</b>		(1,709)	5,689	10,345	10,515	15,556	7,666
<i>NP %</i>		(73.6)%	17.6%	21.4%	20.9%	24.0%	24.4%

Corporation Tax	0	796	2,069	2,103	3,111	1,533
Profit After Tax	(1,709)	4,893	8,276	8,412	12,445	6,132

### Balance Sheet - Projection

	Opening	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>							
Land, work in progress, stock	330	11,553	18,440	18,995	18,995	19,607	-
Trade Debtors	-	1,625	6,549	8,605	8,605	9,418	-
Prepayments	-	1,600	1,200	800	400	-	-
Cash	1	4,142	333	6,858	15,780	28,374	41,054
<b>Total Assets</b>	<b>331</b>	<b>18,920</b>	<b>26,522</b>	<b>35,258</b>	<b>43,780</b>	<b>57,399</b>	<b>41,054</b>
<b>Liabilities</b>							
Corporation Tax	-	-	796	2,069	2,103	3,111	1,533
Creditors/ Accruals	(44)	342	2,255	1,442	1,518	1,684	784
Debt							
Bond 1	-	20,000	20,000	20,000	20,000	20,000	-
<b>Total Liabilities</b>	<b>(44)</b>	<b>20,342</b>	<b>23,051</b>	<b>23,511</b>	<b>23,621</b>	<b>24,669</b>	<b>2,317</b>
<b>Net assets / Liabilities</b>	<b>287</b>	<b>(1,422)</b>	<b>3,471</b>	<b>11,747</b>	<b>20,159</b>	<b>32,604</b>	<b>38,737</b>
Share Capital	20	20	20	20	20	20	20
Share Premium	373	373	373	373	373	373	373
Retained Earnings	(106)	(1,815)	3,078	11,354	19,766	32,211	38,344
<b>Total Shareholders Funds</b>	<b>287</b>	<b>(1,422)</b>	<b>3,471</b>	<b>11,747</b>	<b>20,159</b>	<b>32,604</b>	<b>38,737</b>

<b>Cash-flow statement- Projection</b>		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
		£'000	£'000	£'000	£'000	£'000	£'000
Cash from Operations							
	Net movement in Reserves	(1,709)	4,893	8,276	8,412	12,445	6,132
	Changes in Corporation Tax	-	796	1,273	34	1,008	(1,578)
	Changes in Assets	(14,448)	(11,411)	(2,211)	400	(1,025)	29,025
	Changes in Liabilities	298	1,913	(813)	76	165	(899)
	<b>Total</b>	<b>(15,859)</b>	<b>(3,809)</b>	<b>6,525</b>	<b>8,922</b>	<b>12,593</b>	<b>32,681</b>

#### Cash-flow from financing

	Change in Bond 1	20,000	-	-	-	-	(20,000)
<b>Net Cash Flow</b>		<b>4,141</b>	<b>(3,809)</b>	<b>6,525</b>	<b>8,922</b>	<b>12,593</b>	<b>12,681</b>

Cash Balance	Begin	1	4,142	333	6,858	15,780	28,373
	End	4,142	333	6,858	15,780	28,373	41,054

Source: Chancery & Stone PLC Finance Director, July 2017

EBITDA - Earnings Before Interest, Taxation, Depreciation and Amortization

#### Statement of the principal assumptions

Assumptions about factors which the directors can influence:

1. Commission rate on bond issue 10% and amortised over 5 years
2. Other equity investment £400,000



3. Number of properties built in year 1 60, year 2 270, year 3 360, year 4 390, year 5 480, year 6 120
4. Number of properties sold in year 1 16, year 2 236, year 3 354, year 4 368, year 5 474, year 6 232
5. One year retention of 1% for snagging
6. Interest on bond 7%, paid bi-annually
7. Overheads year 1 £693,917, year 2 £1,144,768, years 3, 4 & 5 £1,189,120 per annum, year 6 £1,011,760
8. Sales commissions 1.1%
9. Management fee payable to Jacob Hopkins McKenzie Ltd 2.5% of sales price of housing units

Assumptions about factors which are exclusively outside the influence of the directors

1. £20m raised via bond issue
2. Average sales price of housing units £136,590
3. Net profit per housing unit £28,608 (dependent on average sales price)
4. Inflation assumed to be 0% (assumes house price inflation equates to materials, labour and overhead inflation)
5. Corporation Tax 20% (whilst the headline rates of Corporation Tax are scheduled to reduce over the 6 years it is considered reasonable to assume a rate of 20% in the event of future budget changes)

Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

Turnover

Turnover represents the value, net of value added tax, of income from the sale of properties to third parties. Turnover from housing sales is recognised at legal completion. Profit is recognised on a site by site basis by reference to the expected result of each site. Where properties are sold to a Housing Association, turnover is recognised upon receipt of a milestone stage payment from the Housing Association.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery, fixtures and fittings	20% to 25% on reducing balance
Office and computer equipment	20% on reducing balance

#### Operating leases

The annual rentals on “operating leases” are charged to profit and loss account on a straight line basis over the lease term.

#### Stocks

Land and buildings in the course of development are stated at the lower of cost and net realisable value. Cost for this purpose comprises the actual cost to the company of acquiring land, construction and other development costs. Freehold reversions are valued at the lower of cost and net realisable value, based on the level of ground rents receivable and other economic factors. Recognition of the assets takes place upon the completion of all sales relating to a particular freehold.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company’s taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Basis of accounting for profit development

Profit is taken on the sale of residential units upon final completion of the sales contract. At this time, the costs charged against the sales comprise the attributable proportion of expenditure on land acquisition, construction and other development costs.

#### Remedial provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provision is made for remedial work on the final completion of the sales contract. The provision is utilised as remedial work is conducted on residential units.

## **Report of the Company's Auditor**

In connection with this statement, the forecast and the statement of the principal adjustments we have discussed with Chancery & Stone's management and reviewed the financial projections model ("*5 year Business Plan (002)*") which was approved by the directors of Chancery & Stone on 27 July 2017 and for which they are solely responsible and which forms the basis of the financial projections of the Base Prospectus.

Our review consisted of considering the accounting policies, principal assumptions and the underlying calculations in support of the forecast.

As a result of our review of the financial projections it is our opinion that the forecasts have been properly compiled on a basis consistent with the accounting policies and that the above statement, for which the directors of Chancery & Stone are solely responsible, has been made by them in the Base Prospectus Base Prospectus after due and careful consideration.

This letter is only for your information.

This letter should not be relied upon for any other purpose. Because others may use it for different purposes this letter should not be quoted, referred to or shown to any other parties (except your professional advisers acting in that capacity in connection with the preparation of the admission document) without our prior consent in writing. Clarkson Hyde LLP assumes no responsibility whatsoever in respect of or arising out of or in connection with the contents of this letter to parties other than yourselves. If other parties chose to rely in any way on the contents of this letter they do so entirely at their own risk.

Yours faithfully

Clarkson Hyde LLP

## **ADDITIONAL INFORMATION**

### **SHARE CAPITAL**

The Company was incorporated on 21 May 2016 with 50,000 ordinary shares of £1.00 each (25% partly-paid), held by Andrew Callen (40,000 ordinary shares) and Suzanne Callen (10,000 ordinary shares). On 26 July 2016 14,000 ordinary shares were issued (25% partly paid) to Michael Kessler, Steven Garner and Sridhar Venkiteswaran. On 26 July 2016 and 19 September 2016 3,770 ordinary shares were allotted (fully paid) to additional investors. As a result, the company currently has 67,770 ordinary shares in issue

### **MEMORANDUM AND ARTICLES OF ASSOCIATION**

Chancery & Stone PLC was incorporated on 21 May 2016 with company number 10193129. The Company has authority to issue and allot the Bonds pursuant to its Articles of Association.

## FEES PAYABLE BY CHANCERY & STONE PLC

SERVICE PROVIDER	FEE PAYABLE	SERVICE
Ramparts European Law Firm	£5,000	Preparing the Chancery & Stone PLC Bond Prospectus
Burlingtons Legal LLP	£5,000 + VAT per annum	Acting as Trustee to the Bondholders
Capital Introduction Firms	10% of the capital introduced to Chancery & Stone PLC that invests in the Bond	Introducing Bond investors to Chancery & Stone PLC
Kession Capital Limited	£15,000 + VAT £7,000 + VAT per SPV invested into by Chancery & Stone PLC	Bond Listing Services Ongoing Listing Member Services
Gibraltar Stock Exchange	£2,500	Exchange Fees
Listing Authority and GFSC	£250	GFSC Fees
Avenir Registrars Limited	<u>Registrar Function</u>  £3,000 + VAT  £4,500 + VAT per annum  £25 per Certification  £25 per charge  <u>Receiving &amp; Paying Agent Function</u>  £850 one-off fee + £50 to £70 per subscription + £75 per payment transfer to Chancery & Stone PLC  £1,700 per annum + £75 per payment  £850 one-off fee + £75 per payment	Set-Up Fee  Annual Fee  Certification Fee  Administration Fee  Subscriptions Management & Receiving Bond Money  Interest Calculation & Payment  Redemption Calculation & Payment
Servca Insurance Broker	Circa £7,000 per annum	Professional Indemnity Insurance / Directors & Officers Liability Insurance
<b>Fees Payable at SPV Level</b>  Jacob Hopkins McKenzie Limited	2.5% of GDV per development	Sourcing of investment opportunities & project management of development sites

## MATERIAL CONTRACTS

By way of a Service Contract dated the 21<sup>st</sup> of May 2016, Andrew Callen was appointed as a director of Chancery & Stone PLC. A fee of £400 per day is payable by the Company to Andrew Callen for services as a director, commencing the 1<sup>st</sup> of September 2017. Both parties have the right to terminate this Contract on three months written notice.

By way of a Service Contract dated the 21<sup>st</sup> of May 2016, Kuldip Kainth was appointed as a director of Chancery & Stone PLC. A fee of £450 per day is payable by the Company to Kuldip Kainth for services as a director, commencing the 1<sup>st</sup> of September 2017. Both parties have the right to terminate this Contract on three months written notice.

By way of a Service Contract dated the 16<sup>th</sup> of June 2016, Sridhar Venkiteswaran was appointed as a director of Chancery & Stone PLC. A fee of £400 per day is payable by the Company to Sridhar Venkiteswaran for services as a director, commencing the 1<sup>st</sup> of September 2017. Both parties have the right to terminate this Contract on three months written notice.

By way of a Terms of Engagement Agreement dated the 11<sup>th</sup> of April 2017, Kession Capital Limited was appointed as the listing agent. Fees of £15,000 + VAT for the application process relating to the Admission plus £7,000 + VAT per SPV are payable by the Company to Kession Capital Limited.

The Bonds are subject to the terms of the Bond Instrument dated the 15<sup>th</sup> of September 2017, the terms and conditions of which are summarised in Appendix 4 (the Security Deed) to this Base Prospectus.

By way of a Trustee Fee Arrangement dated the 15<sup>th</sup> of September 2017, Burlingtons Legal LLP was appointed as Trustee to Chancery & Stone PLC under the Trust Deed dated the 15<sup>th</sup> of September 2017 and the Security Deed. A fee of £5,000 + VAT per annum is payable by the Company to Burlingtons Legal LLP for the provision of Trustee services. The Trustee may resign from its position upon giving six months written notice to the Company.

By way of a Registry Services Agreement dated the 30<sup>th</sup> of January 2017 and an Agency Services Agreement dated the 15<sup>th</sup> of September 2017, Avenir Registrars Limited was appointed to provide security registration, receiving and paying agent services to Chancery & Stone PLC. A set-up fee of £3,000 + VAT, annual fees of £4,500 + VAT plus additional fees relating to certification, registration, administration, receiving monies and paying interest on a per transaction basis are payable by the Company to Avenir Registrars Limited. Both parties have the right to terminate these Agreements on three months written notice.

## DEFINITIONS

“Account Bank” means the bank the Company has a bank account with which is Santander Bank in the UK;

"Agency Agreement" means a paying agency agreement between the Receiving and Paying Agent(s) and the Company;

"AML" means Anti-Money Laundering;

“Auditor” means the Auditor to the Company;

“Base Prospectus” means a disclosure document that describes the Terms and Conditions of a financial security;

“Bond Instrument” means the Security Deed;

“Bonds” means an instrument of indebtedness of the Company to the investors;

“Business Day” means a day, other than a Saturday or a Sunday or a public holiday, on which banks are open for general business in England and Wales

“Denomination Amount” means £10,000;

"Early Redemption Amount" means, in respect of any Bonds, its principal amount and any accrued but unpaid interest;

“Early Redemption Date” means the date specified as such by the Company;

“Exempt Person” means persons who have professional experience in matters relating to investments and who qualify either as investment professionals in accordance with article 19(5) or as high net worth companies, unincorporated associations, partnerships or trustees in accordance with article 49(2) or as certified high net worth individuals in accordance with article 48 (2) or as certified sophisticated investors in accordance with article 50 (1) or as self certified sophisticated investors in accordance with article 50 (a) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;

"Final Redemption Amount" means, in respect of any Bonds, its principal amount and any accrued but unpaid interest;

“Final Terms” means the document that contains the contractual terms and other relevant information regarding the Bonds as set out in Appendix 3 to this document;

“Fixed Charge” means the fixed security granted by the SPVs to third party banks and providers of finance;

“Fixed Coupon Amount” means the amount of interest payable in respect of each Bond for any interest period which shall be the relevant Interest Amount;

“Floating Charge” means the floating charge granted to the Trustee under the terms of the Security Deed for the benefit of the Trustee on behalf of the Bondholders;

“FSC” means the Gibraltar Financial Services Commission;

FSMA means the Financial Services and Markets Act 2000;

“FSCS” means the Financial Services Compensation Scheme;

“HMRC” means Her Majesty’s Revenue and Customs;

“Interest” means 7% per annum

“Interest Basis” means Actual 365;

"Interest Amount" means, in relation to a Bond and an Interest Period, the amount of Interest payable in respect of that Bond for that Interest Period;

"Interest Commencement Date" means the issue date of the Bonds;

“Interest Payment Date” means the dates as set out in the Final Terms such dates to be identical for all issues of Bonds following the first issue of Bonds;

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date or an Early Redemption Date as the case may be;

“Issue Date” means in relation to each issue of Bonds, as specified in the Final Terms

“Issue Price” means £10,000;

"KYC" means Know Your Client checks that firms are required to conduct under anti-money laundering and combatting terrorist financing legislation to ensure they have sufficient knowledge of who their clients are;

“Listing Member” means Kession Capital Limited;

“Maturity Date” means the date specified as such in the Final Terms of the first issue of Bonds. All Bonds issued under the Base Prospectus shall have the same Maturity Date.

“Paying Agent” means the party responsible for calculating the Interest Amount, the payment schedule which will indicate individual coupon payment dates along with the funds (i.e. the principal and coupon payments) to be distributed to underlying investors as required;



“Public Offer” means the issuance of debt securities offered for sale to the public;

“Receiving Agent” means the party responsible for receiving client monies and conducting KYC on clients;

“Record Date” means the day falling 5 Business Days prior to an Interest Payment Date;

"Register" means the register maintained by the Registrar in respect of the Bonds in accordance with the Agency Agreement;

"Registrar" means the entity charged with the duty of making and maintaining records;

"Registered Bonds" means a debt security that is registered, where records are kept of the owners and the transactions involving ownership;

"Secured Loan" means a loan in which the borrower pledges an asset as collateral for the loan, which then becomes a secured debt owed to the creditor who gives the loan;

"SPV" means a special purpose vehicle subsidiary of the Company; and

“Trustee” means Burlingtons LLP

## DIRECTORY/PARTIES

<p><b>REGISTERED OFFICE OF THE COMPANY</b>  Chancery &amp; Stone PLC  Somerset House  6070 Birmingham Business Park  Birmingham  West Midlands  B37 7BF  United Kingdom</p>	<p><b>RECEIVING AND PAYING AGENT</b>  Avenir Registrars Limited,  5 St. John's Lane,  London,   EC1M 4BH  United Kingdom</p>
<p><b>REGISTRAR</b>  Avenir Registrars Limited,  5 St. John's Lane,  London,   EC1M 4BH  United Kingdom</p>	
<p><b>LEGAL ADVISERS TO THE COMPANY</b>  Ramparts Corporate Advisors  6.20 World Trade Center,  6 Bayside Road,  Gibraltar  GX11 1AA  PO Box 1324</p>	<p><b>LISTING MEMBER</b>  Kession Capital Limited  42 Lytton Road  Barnet  Hertfordshire  EN5 5BY  United Kingdom</p>
<p><b>AUDITORS</b>  Clarkson Hyde LLP  <b>SUTTON</b>  3rd Floor  Chancery House  St Nicholas Way  Sutton  Surrey  SM1 1JB  <b>LONDON</b>  33 Cavendish Square  London  W1G 0PW  United Kingdom</p>	<p><b>TRUSTEE</b>  Burlingtons Legal LLP  5 Stratford Place  Marylebone  London W1C 1AX</p>
<p><b>ACCOUNT BANK</b>  Santander Bank UK PLC  Bridle Road  Bootle  Merseyside L30 4GB, United Kingdom</p>	

# **APPENDIX 1 – TERMS AND CONDITIONS OF THE BONDS**

## **INTRODUCTION**

The Company has established a secured Bond Issuance (the "Issuance") for the issuance of Bonds.

Agency Agreement: The Bonds are the subject of an issue and a Registry Services Agreement dated 30<sup>th</sup> January 2017 and an Agency Services Agreement dated 15<sup>th</sup> September 2017 (the "Agency Agreement") between the Company and Avenir Registrars Limited acting i) as paying agent (the "Paying Agent", which expression includes any successor paying agent appointed from time to time in connection with the Bonds), ii) as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Bonds) and iii) as receiving agent (the "Receiving Agent", which expression includes any successor receiving agent appointed from time to time in connection with the Bonds).

The Bonds: The Bonds will be in registered form only ("Registered Bonds").

## **SECURITY**

The Bonds are secured by way of a Floating Charge given by the Company;

The following agreements govern the security given to Burlingtons Legal LLP (a limited liability partnership incorporated and registered in England and Wales having its registered address at 5 Stratford Place, Marylebone, London W1C 1AX under number OC360876 as Trustee for and on behalf of the Bondholders (the "Trustee"):

- (a) the Trust Deed and
- (b) the Security Deed.

## **THE FLOATING CHARGE**

Pursuant to the Security Deed entered into between the Company and the Trustee the Company covenants with the Trustee that it will pay or discharge on demand Secured Liabilities (as defined in the Trust Deed) when they fall due.

## **SECURITY TRUST DEED**

It is a condition of the Security Deed provisions that certain security is granted in favour of the Trustee which it will hold as Trustee for itself and for the Bondholders from time to time and any Receiver or delegate, agent, attorney or co-trustee appointed by the Trustee.

A copy of the Security Deed and the Trust Deed can be found at Appendix 4 and 5 respectively.

Pursuant to the Trust Deed provisions the Trustee may retire from its appointment as the Trustee having given to each Bondholder not less than 6 months' notice of its intention to do so.

## **STATUS**

The Bonds constitute secured obligations of the Company which will at all times rank *pari passu* and without preference among themselves.

Chancery & Stone has granted Fixed Charges to third party banks and providers of finance which rank above the Floating Charge given by the Company in respect of the Bonds. The effect of this is that the holder of the fixed charge could sell, and will be entitled to sell (without first seeking the consent of the Trustee) the assets subject to the Fixed Charge. Those assets sold will, when sold, automatically cease to be subject to the Floating Charge granted by the Company and will no longer be available to satisfy claims in respect of the Bonds.

## **FIXED RATE BOND PROVISIONS**

The Bonds bear interest from the Interest Commencement Date (as specified in the Final Terms) at the Interest Rate payable in arrears on each Interest Payment Date. Each Bond will cease to bear interest from the due date for Final Redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Bonds up to that day are received by or on behalf of the relevant investor and (ii) the day which is seven days after the Paying Agent has notified the investors that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

Fixed Coupon Amount: The amount of interest payable in respect of each Bond for any interest period shall be the relevant Interest Amount.

Payment of any interest shall be made on the Interest Payment Dates to those Bondholders who are registered as Bondholders as of the Record Date. The Record Date shall be the day falling 5 Business Days prior to the relevant Interest Payment Date.

## **REDEMPTION AND PURCHASE**

Scheduled redemption: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their Final Redemption Amount on the Maturity Date.

The Bonds may be redeemed at the option of the Company in whole or in part:

- (a) at any time or
- (b) on any interest payment date;

on giving not less than 30 nor more than 60 days' notice to Bondholders and the Paying Agent of their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption.

## **TAXATION**

All payments of principal and interest in respect of the Bonds by or on behalf of the Company shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.

## **REPLACEMENT OF BONDS CERTIFICATE**

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the paying agent.

## **FURTHER ISSUES**

The Company may from time to time, without the consent of the investors, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for previous payments of interest and the price at which such Bonds are issued) so as to form in effect a single series with the Bonds. The Company may from time to time, without the consent of the investors incur, create or issue further Bonds or other indebtedness.

## **NOTICES**

Notices to the holders of Bonds shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

The Company shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading.

## **GOVERNING LAW**

The Bonds and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Bonds and the Agency Agreement are governed by, and construed in accordance with, English law.

## **APPENDIX 2 – SUBSCRIPTION AND SALE**

Application has been made to the Gibraltar Financial Services Commission for the Bonds to be admitted to the Gibraltar Stock Exchange. References in this Base Prospectus to the Bonds being “listed” or “admitted” (and all related references) shall mean that the Bonds have been admitted to the Gibraltar Stock Exchange and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

Neither this Base Prospectus nor any other offering material relating to the Bonds:

- (a) will be or has been communicated (or caused to be communicated) released, issued or distributed to the public; or
- (b) used in connection with any offer for subscription or sale of the Bonds to the public.

Such communications, offers, sales and distributions will be made to Exempt Persons (as defined herein) or within the meaning of the law of any comparable provision of any relevant member state (the “Relevant Member State”) of the European Economic Area (“EEA”) implementing the Prospectus Directive.

### **SELLING RESTRICTIONS**

Each person who initially subscribes for any Bonds or to whom any offer is made will be required to have represented, warranted and agreed to Jacob Hopkins McKenzie Limited and the Company that it is an Exempt Person in the United Kingdom or, where applicable, within the meaning of the law of the Relevant Member State.

The Bonds will be issued in denominations of £10,000 with a minimum initial subscription per investor of £100,000.

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant markets; and

- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- (a) the Bonds are legal investments for it;
- (b) the Bonds can be used as collateral for various types of borrowing; and
- (c) other restrictions may apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

## **PRICING**

The Bonds will be issued in denominations of £10,000 with a minimum initial subscription per investor of £100,000.

## **UNITED STATES**

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

## **UNITED KINGDOM**

The Company has represented and agreed that:

- (a) in respect of the issue or sale of the Bonds, it will only communicate an invitation or inducement to engage in investment activity, and has only done so, where the communication has been approved by an authorised person in accordance with section 21(1) FSMA; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **GENERAL**

No action has been taken by the Company that would, or is intended to, permit a public offer of the Bonds or possession or distribution of this Base Prospectus or any other offering or publicity material relating to the Bonds in any country or jurisdiction where any such action for that purpose is required.

## APPENDIX 3 – FORM OF FINAL TERMS

Final Terms dated [●]

### **Chancery & Stone PLC** (the “Company”)

a public limited company incorporated in England and Wales under the Companies Act 2006 with registration number 10193129

Fixed Interest 7 % per annum 5 year secured Bonds (the “Bonds”) issued on [●] pursuant to the Company’s offering for the issuance of the Bonds at the Subscription Price of £10,000 per Bond.

This document constitutes the final terms of the Bonds (the "Final Terms") described herein for the purposes of Article 5.4 of the Prospectus Directive and is prepared in connection with the Company’s offering for the issuance of Bonds. These Final Terms are supplemental to and should be read in conjunction with the Base Prospectus dated 13<sup>th</sup> October 2017 [as supplemented on [●]], which constitutes a Base Prospectus (the "Base Prospectus") for the purpose of the Prospectus Directive. Full information on the Company and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. A summary of the individual issue of the Bonds is annexed to these Final Terms as Annex B.

The Base Prospectus is available for viewing during normal business hours at the registered office of the Company and copies may be obtained from such office.

Words and expressions defined in the Base Prospectus and not defined in this document shall bear the same meanings when used herein.

The Company has obtained all necessary consents, approvals and authorisations (if any) which are necessary in Gibraltar at the date of these Final Terms in connection with the issue of the Bonds. The issue of the Bonds was authorised by a resolution of the Directors approved on 15<sup>th</sup> May 2017. The issue of these Final Terms was authorised by a resolution of the Directors approved on [●], 2017.

#### **PART A – CONTRACTUAL TERMS**

By subscribing to the Bonds or otherwise acquiring the Bonds, the investors expressly acknowledge and accept the matters set out below:

##### **1 PROVISIONS RELATING TO THE BONDS**

1	Company:	Chancery & Stone PLC
2	Legal Entity Identifier (LEI)	2138 00LB KICR OS38 UE40
3	Listing:	Gibraltar Stock Exchange
4	Base Currency:	Pounds Sterling (£)
5	Total Issue Size:	Up to £250 million



6	Issue Price:	[•]
7	Specified Denomination:	£10,000 per Bond
8	Issue Date:	[•]
9	Interest Commencement Date:	[•]
10	Maturity Date:	[•]
11	Interest Basis:	Act/365
12	Interest Payment Dates:	Semi-annually on [•] and [•] each year
13	Record Date:	The day falling 5 Business Days prior to the relevant Interest Payment Date
14	Redemption Terms:	Subject to early purchase and cancellation or early redemption, the Bonds will be redeemed at their principal amount on the Maturity Date
15	Final Redemption Amount of each Bond:	The Bond's principal and any accrued but unpaid interest
16	Change of Redemption Date:	The Company retains the right but not obligation by giving the Bondholders at least 30 calendar days' notice to redeem the Bonds at a date earlier than the Maturity Date
17	Optional Early Redemption Terms:	The Bonds may be redeemed at the option of the Company in whole or in part on the Company giving not less than 30 calendar days' notice to the investors
18	Early Redemption Amount:	The Bond's principal and any accrued but unpaid interest
19	Bond Credit Rating:	Not rated
20	Operational Information:	
	ISIN Code:	GB00BF0SJ349
	Common Code:	BF0SJ34
21	Minimum Initial Subscription Amount:	£100,000. Any initial investment above £100,000 will be in blocks of £10,000.
22	Secondary Market Transactions	Sales and purchases in the secondary market will be in denominations of £10,000
23	Name and address of Paying Agent:	Avenir Registrars Limited, 5 St. John's Lane, London, England, EC1M 4BH

## 2 AGENTS AND OTHER PARTIES

24	Trustee	Burlingtons Legal LLP
25	Significant business activities of the Trustee:	Provider of legal services
26	Trustee responsibilities in connection with the Bonds:	Acting on behalf of the Bondholders in the event the Company defaults on its Bond obligations
27	Trustee relationship with the Company:	Third party service provider
28	Summary of provision relating to the termination of the appointment of the Trustee :	The Trustee may resign from its position subject to providing six months' notice of such action.

29	Banks with which the main accounts relating to the transaction are held:	Santander Bank UK
30	Clearing System information:	The Bonds will be accepted for settlement in CREST. Bondholders wishing to retain paper certificates outside CREST will be able to do so.

## PART B – OTHER INFORMATION

1	(i) Admission to listing:  (ii) Earliest date of which the Bonds will be admitted to listing:	Application has been made for the Bonds to be admitted to trading on the GSX, a Regulated Market in terms of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.  [•]
2	Rating and Rating Agency:	The Bonds to be issued have not been rated.
3	Interest of Natural and Legal Persons involved in the Issue:	The following number of ordinary shares in the Company are held by the following people: Andrew Callen 40,000, Suzanne Callen 10,000, Michael Kessler 5,950, Sridhar Venkiteswaran 2,900, Kuldip Kainth 1,500
4	Brokers, dealers, salesmen or other persons authorised to publish or issue any advertisement or to give any information or to make any representation in connection with the Bonds:	Jacob Hopkins McKenzie Limited and other distributors to be determined from time to time
5	<b>Estimated Net Proceeds and Total Expenses</b>  (i) Estimated net proceeds:  (ii) Estimated total expenses:	  [£•]  [£•]
6	<b>Terms and Conditions of the Offer</b>  (i) Total amount of the issue:  (ii) Nominal Amount:  (iii) Minimum Subscription:  (iv) Form, Denomination and Title:	  Up to £250 million  £10,000  £100,000

	<p>(v) Interest:</p> <p>(vi) Replacement of Bonds Certificates:</p> <p>(vii) Estimated expenses charged to the investor by the Company or the offeror:</p>	<p>(a) Form and denomination: The Bonds may be held in certificated form or held electronically in the CREST system.</p> <p>(b) Title: Title to the Bonds may be evidenced by a certificate in the form set out in the Bond Instrument or by means of a relevant system.</p> <p>7% per annum</p> <p>If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the paying agent.</p> <p>Not applicable</p>
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## **APPENDIX 4 – SECURITY DEED**

Dated 15<sup>th</sup> September 2017

### **Security Deed**

relating to the issue by Chancery & Stone Plc of up to £250,000,000 7% bonds due five years after the issue date of the very first such bond issued

**(1) Burlingtons Legal LLP**  
as Trustee

**(2) Chancery & Stone Plc**  
as Company

**THIS SECURITY DEED** is dated 15<sup>th</sup> September 2017

## **PARTIES**

- (1) **BURLINGTONS LEGAL LLP** a limited liability partnership incorporated and registered in England and Wales with number OC360876 whose registered office is at 5 Stratford Place, London, W1C 1AX (**Trustee**).
- (2) **CHANCERY & STONE PLC** a company incorporated and registered in England and Wales with number 10193129 whose registered office is at Somerset House, 6070 Birmingham Business, Park Birmingham, West Midlands, B37 7BF (**Company**).

## **BACKGROUND**

- (A) The Company proposes to issue up to £250,000,000 7% bonds due five years after the issue date of the very first such bond issued (the "**Original Stock**") pursuant to a listing document dated 13<sup>th</sup> October 2017.
- (B) The Company intends to grant security for its obligations in respect of the Original Stock and any Further Stock (as defined below) pursuant to this Deed.

## **AGREED TERMS:**

### **1 DEFINITIONS AND INTERPRETATION**

#### **1.1 Definitions**

In this Deed, unless the context otherwise requires:

"**Administrator**" means an administrator for the purposes of Schedule B1 to the Insolvency Act 1986 (as inserted by section 248 of, and Schedule 16 to, the Enterprise Act 2002);

"**Authorisation**" means an authorisation, approval, consent, licence, permit, exemption, registration or filing;

"**Beneficiaries**" means the Trustee, the holders of the Stock and their respective successors and permitted assigns and transferees from time to time and each other person from time to time;

"**Enforcement Event**" means any of the following events or circumstances:

- (a) the Trustee demands the payment or discharge of all or any part of the Secured Liabilities in accordance with the Stock and the Company fails to make payment in accordance with such demand;
- (b) the Company is or becomes unable to pay its debts as they fall due, or the Company commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of, or a composition with, its creditors;
- (c) the Company passes any resolution or takes any corporate action, or a petition is presented or proceedings are commenced, or any step is taken by the Company or any other person for its winding-up, dissolution, administration or re-organisation or for the appointment of a receiver, administrative receiver,

administrator, trustee or similar officer of it or of any or all of its revenues or assets;

- (d) a distress, execution, attachment or other legal process is levied, or enforced on or sued against, all or any part of the assets of the Company and remains undischarged for 5 Business Days;
- (e) an encumbrancer takes possession of the whole or any part of the revenues or assets of the Company; or
- (f) any event occurs in relation to the Company which is analogous to any of those set out in paragraphs (a) to (e) above and whether in England and Wales or any other jurisdiction.

**“Equipment”** means all equipment, plant, machinery, tools, vehicles, furniture and other tangible moveable property now or at any time hereafter (and from time to time) owned by the Company, and any part thereof, together with all spare parts, replacements, modifications and additions thereto;

**“Financial Collateral”** has the meaning given to that expression in the Financial Collateral Regulations;

**“Financial Collateral Regulations”** the Financial Collateral Arrangements (No. 2) Regulations 2003 (*SI 2003/3226*);

**“Further Stock”** any further stock issued by the Company and expressed to be secured by this Deed;

**“Insurance Policies”** means the insurance policies referred to in clause 3.1.1;

**“Intellectual Property”** means any present or future rights or interests of the Company in respect of any patent, trade mark, service mark, trade name, registered design, design rights, copyrights, know-how and any other rights in intellectual property whether registered or unregistered and any registration or application for registration including all present and future fees, royalties and other income or rights derived therefrom or incidental thereto and including the benefit of all present and future agreements relating to the use of a licensing or exploitation of any such rights;

**“Party”** means a party to this Deed and includes its successors in title, permitted assigns and permitted transferees, whether immediate or derivative;

**“Permitted Security”** means:

- (a) a legal mortgage or fixed legal charge over any or all of the Properties securing repayment obligations of the Company’s subsidiaries in connection with borrowing by them for the purposes of acquisition and development of the Properties; and
- (b) any Security Interest created or outstanding with the Trustee’s prior written consent;

**“Properties”** means all freehold and leasehold properties (whether registered or unregistered) and all commonhold properties, now or in the future (and from time to time) owned by the Company, or in which the Company holds an interest, and **Property** means any of them.

**“Receiver”** means a duly qualified receiver or receiver and manager or, where permitted by law, an administrative receiver of the whole or any part of the Charged

Assets and that term will include any appointee made under a joint and/or several appointment;

**“Reservations”** means:

- (a) the principle that equitable remedies are remedies which may be granted or refused at the discretion of the court;
- (b) the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws generally affecting the right of creditors;
- (c) the time barring of claims under laws relating to limitation of actions;
- (d) the possibility than an undertaking to assume liability for or to indemnify a person against non payment of stamp duty may be void;
- (e) defences of set-off or counter-claim; and
- (f) similar principles and similar matters arising under the laws of any foreign jurisdictions in which the relevant obligations may have to be performed.

**“Secured Assets”** means all the assets, property and undertaking for the time being subject to the security Interest created by or pursuant to this Deed.

**“Secured Liabilities”** means all present and future moneys, obligations and liabilities due, owing or incurred from or by the Company to the Beneficiaries in connection with the Stock;

**“Security Financial Collateral Arrangement”** has the meaning given to that expression in the Financial Collateral Regulations;

**“Security Interest”** means a mortgage, charge, pledge, lien, assignment by way of security or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

**“Stock”** means the Original Stock and any Further Stock; and

**“Trust Deed”** means the deed of trust entered into or to be entered into between the company and the Trustee on or about the date of this Deed.

## 1.2 Construction

In this Deed, unless the context otherwise requires:

- 1.2.1 each reference to this Deed or any other agreement or instrument is a reference to this Deed or such other agreement or instrument as amended, novated, replaced, restated, supplemented or varied from time to time;
- 1.2.2 each reference to a provision of law is a reference to that provision as amended, replaced or re-enacted from time to time;
- 1.2.3 any grant of rights for full title guarantee shall be deemed to contain all of the covenants and warranties implied in respect of any conveyance with full title guarantee pursuant to section 1(2) of the Law of Property (Miscellaneous Provisions) Act 1994;

- 1.2.4 Clause and Schedule headings are for ease of reference only;
- 1.2.5 words importing the singular shall include the plural and vice versa;
- 1.2.6 words importing one gender will be treated as importing any gender;
- 1.2.7 a reference to any person includes that person's successors and (in the case of the Trustee only) its permitted assignees and transferees;
- 1.2.8 a reference to any person is to be construed to include references to a corporation, firm, company, partnership, joint venture, unincorporated body of persons, individual or any agency of a state, whether or not a separate legal entity;
- 1.2.9 the words "**include**", "**including**", "**in particular**" and any similar expression shall not be construed as implying any limitation, and general words introduced by "**other**", "**otherwise**" or any similar expression will not be given a restrictive meaning by reason of the fact that they are preceded or followed by words indicating a particular class, of acts, matters or things;
- 1.2.10 capitalised terms not otherwise defined in this Deed shall have the meaning given to such terms in the Trust Deed (including its schedules); and
- 1.2.11 A reference to a **subsidiary** means a subsidiary (as defined in section 1159 of the Companies Act 2006) of the Company.

### 1.3 **Nature of security over real property**

A reference in this Deed to a charge or mortgage of any freehold, leasehold or commonhold property includes all buildings and fixtures (including trade and tenant's fixtures) which are at any time situated on that property and all proceeds of sale, rent and other income receivable by, and all other rights of, the Company from time to time in respect of that property.

### 1.4 **Enterprise Act 2002**

Paragraph 14 of Schedule B1 to the Insolvency Act 1986 (as inserted by section 248 of, and Schedule 16 to, the Enterprise Act 2002) applies to the floating charge created by this Deed.

## 2 **COVENANT TO PAY**

The Company covenants with the Trustee (for its own account and for the account of the other Beneficiaries) that it will on demand pay and discharge the Secured Liabilities when they become due.

## 3 **GRANT OF SECURITY**

### 3.1 **Security**

As a continuing security for the payment and discharge of the Secured Liabilities, the Company with full title guarantee hereby:

- 3.1.1 assigns to the Trustee for itself to hold on trust for the Beneficiaries (subject to the right of the Company to redeem such assignment on payment and



discharge in full of the Secured Liabilities) all right, title and interest of the Company in and to any present or future contracts, loan agreements, security documents or policies of insurances or assurance (including, without limitation, any insurances relating to the Properties or the Equipment) and all claims and recoveries thereunder; and

3.1.2 charges to the Trustee for itself to hold on trust for the Beneficiaries, by way of first floating charge, all the undertaking, property, assets and rights of the Company at any time not effectively assigned pursuant to clause 3.1.1.

### **3.2 Automatic crystallisation of floating charge**

Without prejudice to any law which may have a similar effect, the floating charge created under this Deed will automatically be converted (without notice) with immediate effect into a fixed charge as regards all the assets subject to the floating charge created by clause 3.1.2 upon the occurrence of an Enforcement Event.

### **3.3 Effect of crystallisation of floating charge**

Following any conversion or crystallisation of the floating charge created under this Deed, the Company shall no longer have the right to sell the relevant Charged Assets pursuant to clause 4.2.

### **3.4 Title Documents**

The Company shall on request by the Trustee deposit with the Trustee and the Trustee shall during the continuance of this security be entitled to hold all deeds and documents of title relating to the Charged Assets and all Insurance Policies.

### **3.5 Qualifying floating charge**

Paragraph 14 of Schedule B1 to the Insolvency Act 1986 applies to the floating charge created by clause 3.1.2

### **3.6 Liability not discharged**

The Company's liability under this Deed in respect of any of the Secured Liabilities shall not be discharged, prejudiced or affected by:

3.6.1 any security, guarantee, indemnity, remedy or other right held by or available to the Trustee that is or becomes, wholly or partially illegal, void or unenforceable on any ground; or

3.6.2 any other act or omission that, but for this clause 3.6, might have discharged, or otherwise prejudiced or affected, the liability of the Company.

### 3.7 **Immediate recourse**

The Company waives any right it may have to require the Trustee to enforce any security or other right, or claim any payment from, or otherwise proceed against, any other person before enforcing this deed against the Company.

## 4 **SECURITY INTERESTS AND DISPOSALS**

The Company covenants with the Trustee that the Company will not at any time, except with the prior written consent of the Trustee:

- 4.1 create or purport to create or permit to subsist any Security Interest on or in relation to the Charged Assets other than this Deed, except by way of grant of Permitted Security;
- 4.2 sell, assign, transfer, lease, licence, share occupation or part with possession of or otherwise dispose of all or any part of the Charged Assets or any interest therein, except by way of sale on arm's length terms in the ordinary course of the Company's business and for the purpose of carrying on that business; or
- 4.3 agree to do any of the things referred to in clauses 4.1 or 4.2.

## 5 **REPRESENTATIONS AND WARRANTIES**

The Company makes the representations and warranties set out in this clause 5 to the Trustee.

### 5.1 **Status**

- 5.1.1 It is a public limited company, duly incorporated and validly existing under the laws of England and Wales.
- 5.1.2 It has the power to own its assets and carry on its business as it is being conducted.

### 5.2 **Binding Obligations**

The obligations expressed to be assumed by it in this Deed are, subject only to the Reservations, legal, valid, binding and enforceable obligations.

### 5.3 **Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, this Deed do not and will not conflict with:

- 5.3.1 any law or regulation or judicial or official order applicable to it;
- 5.3.2 its constitutional documents; or
- 5.3.3 any agreement or instrument binding upon it or any of its assets.

#### 5.4 **Power and Authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of this Deed and the transactions contemplated by this Deed.

#### 5.5 **Authorisations**

All Authorisations required or desirable:

5.5.1 to enable it lawfully to enter into, exercise its rights and comply with its obligations under this Deed; and

5.5.2 to make this Deed admissible in evidence in England and Wales;

have been obtained or effected (as appropriate) and are in full force and effect.

#### 5.6 **Ownership of secured assets**

The Company is the sole legal and beneficial owner of the Secured Assets.

### 6 **COVENANTS RELATING TO THE CHARGED ASSETS**

#### 6.1 **Properties**

The Company shall:

6.1.1 keep all buildings on each Property and all fixtures belonging to the Company thereon and therein in good and substantial repair and condition and insured to their full reinstatement value;

6.1.2 not without the prior written consent of the Trustee make any material alterations to any Property or carry out any development thereon;

6.1.3 observe and perform all covenants, stipulations and conditions to which each Property or the user thereof is now or may hereafter be subject; and

6.1.4 permit the Trustee and any Receiver and any person appointed by either of them to enter upon and inspect any Property upon reasonable prior notice.

#### 6.2 **Equipment**

The Company shall maintain the Equipment in good and serviceable condition (fair wear and tear excepted) and keep it insured against usual business risks for its full reinstatement or replacement value.

#### 6.3 **Intellectual Property**

The Company shall take all necessary action to safeguard and maintain present and future rights, in or relating to the Intellectual Property including, without limitation, observing all covenants and stipulations relating thereto, applying for registration thereof and paying all applicable renewal fees, licence fees and other outgoings, and taking action against any third parties for the unauthorised use or exploitation thereof.

#### **6.4 Preservation of Charged Assets**

The Company shall not do, or permit to be done, any act or thing which will or might reasonably be expected to materially diminish the value of any of the Charged Assets or the effectiveness of the security created by this Deed.

### **7 POWERS OF THE TRUSTEE**

#### **7.1 Power to remedy**

If the Company is at any time in breach of any of its obligations contained in this Deed, the Trustee shall be entitled (but shall not be bound) to remedy such breach and the Company hereby irrevocably authorises the Trustee and its agents to do all such things necessary or desirable in connection therewith. Any monies expended by the Trustee in remedying a breach by the Company of its obligations contained in this Deed shall be reimbursed by the Company to the Trustee on a full indemnity basis and shall carry interest in accordance with clause 17. The rights of the Trustee contained in this clause 7 are without prejudice to any other rights of the Trustee hereunder. The exercise by the Trustee of its rights under this clause 7 shall not make the Trustee liable to account as a mortgagee in possession.

#### **7.2 Trustee has Receiver's powers**

To the extent permitted by law, any right, power or discretion conferred by this Deed on a Receiver may, after the security constituted by this Deed has become enforceable, be exercised by the Trustee in relation to any of the Secured Assets whether or not it has taken possession of any Secured Assets and without first appointing a Receiver or notwithstanding the appointment of a Receiver.

### **8 ENFORCEMENT**

#### **8.1 Enforcement**

The security constituted by this Deed shall become enforceable upon and at any time after the occurrence of an Enforcement Event and, without prejudice to any other rights of the Trustee, the powers of sale under the Law of Property Act 1925 shall immediately be exercisable and the Trustee may in its absolute discretion enforce all or any part of the security created by this Deed as it sees fit.

#### **8.2 Statutory power of sale**

The statutory power of sale shall, as between the Trustee and a purchaser from the Trustee, arise on and be exercisable at any time after the execution of this Deed, provided that the Trustee shall not exercise such power of sale until the security constituted by this Deed has become enforceable pursuant to clause 8.1 (*Enforcement*).

#### **8.3 Extension of statutory powers**

The statutory powers of sale, leasing and accepting surrenders exercisable by the Trustee under this Deed are extended so as to authorise the Trustee whether in its own name or in that of the Company to grant a lease or leases of the whole or any part or parts of the Properties with whatever rights relating to other parts of it and containing whatever covenants on the part of the Company and generally on such terms and

conditions (including the payment of money to a lessee or tenant on a surrender) and whether or not at a premium as the Trustee thinks fit.

#### **8.4 No obligation to enquire**

No person dealing with the Trustee or any Administrator or Receiver appointed hereunder, or its agents or brokers, shall be concerned to enquire whether the security constituted by this Deed has become enforceable, or whether any power exercised or purported to be exercised has become exercisable, and such dealing shall be deemed to be within the powers hereby conferred and to be valid and effectual accordingly.

#### **8.5 No liability as mortgagee in possession**

None of the Trustee, the Administrator or the Receiver shall be liable to account as mortgagee in possession in respect of all or any of the Charged Assets nor shall any of them be liable for any loss upon realisation of, or for any neglect or default of any nature whatsoever in connection with all or any of the Charged Assets for which a mortgagee in possession might as such be liable.

#### **8.6 Appropriation**

8.6.1 To the extent that the Charged Assets constitute Financial Collateral and this Deed and the obligations of the Company hereunder constitute a Security Financial Collateral Arrangement, the Trustee shall have the right, at any time after the security constituted this Deed has become enforceable, to appropriate all or any of the Charged Assets in or towards the payment and/or discharge of the Secured Liabilities in such order as the Trustee in its absolute discretion may from time to time determine.

8.6.2 The value of any Charged Assets appropriated in accordance with this clause 8.6 shall be the price of those Charged Assets at the time the right of appropriation is exercised as listed on any recognised market index, or determined by such other method as the Trustee may select (including independent valuation). The Company agrees that the methods of valuation provided for in this clause 8.6 are commercially reasonable for the purposes of the Financial Collateral Regulations.

### **9 ADMINISTRATOR OR RECEIVER**

#### **9.1 Appointment of Administrator or Receiver**

At any time after the security constituted by this Deed becomes enforceable, or at the request of the Company, the Trustee may without further notice:

9.1.1 appoint under seal or by writing under hand of a duly authorised officer of the Trustee any one or more person or persons to be an Administrator or a Receiver of all or any part of the Charged Assets (the expressions Administrator and Receiver shall, where the context so admits, include any person substituted as administrator or receiver or receiver and manager or administrative receiver under the power hereinafter contained); and

9.1.2 (subject to Section 45 of the Insolvency Act 1986) from time to time under seal or by writing under hand of a duly authorised officer of the Trustee

remove any person appointed to be Administrator or Receiver and may in like manner appoint another in his place.

## 9.2 **More than one appointment**

Where more than one person is appointed Administrator or Receiver, they will have power to act separately (unless the appointment by the Trustee specifies to the contrary).

## 9.3 **Additional powers**

9.3.1 The powers of sale and appointing an Administrator or a Receiver conferred by this Deed shall be in addition to all statutory and other powers of the Trustee under the Insolvency Act 1986 and the Law of Property Act 1925 or otherwise and shall be exercisable without the restrictions contained in Sections 103 and 109 of the Law of Property Act 1925 or otherwise; and

9.3.2 The power to appoint an Administrator or a Receiver (whether conferred by this Deed or by statute) shall be and remain exercisable by the Trustee notwithstanding any prior appointment in respect of all or any part of the Charged Assets.

## 9.4 **Receiver as agent of the Company**

Any Receiver appointed by the Trustee under this Deed shall be the agent of the Company and the Company shall be solely responsible for his acts and remuneration as well as for any defaults committed by him.

# 10 **POWERS OF RECEIVER**

10.1 Any Receiver appointed by the Trustee under this Deed shall in addition to the powers conferred on him by the Law of Property Act 1925 and the Insolvency Act 1986 have power to do all such acts and things as an absolute owner could do in the management of such of the Charged Assets over which such Receiver is appointed, and in particular (but without limitation):

10.1.1 to take possession of and generally manage the Charged Assets and any business of the Company;

10.1.2 to carry out on any Property any new works or complete any unfinished works of building reconstruction maintenance furnishing or equipment;

10.1.3 to purchase or acquire any land or other property and purchase acquire grant or release any interest in or right over land or the benefit of any covenants (positive or restrictive) affecting land;

10.1.4 to sell lease surrender or accept surrenders of leases charge or otherwise deal with or dispose of the Properties without restriction including (without limitation) power to dispose of any fixtures separately from the land;

10.1.5 to carry into effect and complete any transaction by executing deeds or documents in the name of or on behalf of the Company;

- 10.1.6 to take continue or defend any proceedings and enter into any arrangement or compromise;
- 10.1.7 to insure the Charged Assets and any works and effect indemnity insurance or other similar insurance and obtain bonds and give indemnities and security to any bondsmen;
- 10.1.8 to call up any uncalled capital of the Company with all the powers conferred by the Articles of Association of the Company in relation to calls;
- 10.1.9 to employ advisers consultants managers agents workmen and others;
- 10.1.10 to purchase or acquire materials tools equipment goods or supplies;
- 10.1.11 to borrow any money and secure the payment of any money in priority to the Secured Liabilities for the purpose of the exercise of any of his powers; and
- 10.1.12 to do any other acts which the Receiver may consider to be incidental or conducive to any of his powers or to the realisation of the Charged Assets.

## 10.2 **Delegation**

The Trustee or any Receiver may delegate (either generally or specifically) by power of attorney or in any other manner to any person any right, power, authority or discretion conferred on it by this Deed (including the power of attorney granted under clause 13), and on the terms and conditions (including the power to sub-delegate) that it thinks fit. Neither the Trustee nor any Receiver shall be in any way liable or responsible to the Company for any loss or liability arising from any act, default, omission or misconduct on the part of any person appointed as their delegate under this clause 10.2

## 11 **APPLICATION OF PROCEEDS**

### 11.1 **Order of application**

The Receiver shall apply all monies received by him:

- 11.1.1 first in ensuring compliance by the Company with clauses 12 and 17 (if and to the extent that the same had not been previously complied with);
- 11.1.2 secondly in paying all rents, taxes, rates and outgoings whatever affecting any Charged Assets;
- 11.1.3 thirdly in paying his remuneration (as agreed between him and the Trustee);
- 11.1.4 fourthly in paying all costs, charges and expenses of and incidental to his appointment and the exercise of his powers and all outgoings paid by him;
- 11.1.5 fifthly in or towards discharge of the Secured Liabilities in such order and manner as the Trustee shall determine; and
- 11.1.6 finally in paying any surplus to the Company or any other person entitled to it.

## 11.2 **Section 109(8) Law of Property Act 1925**

Neither the Trustee nor any Receiver shall be bound (whether by virtue of section 109(8) of the Law of Property Act 1925, which is hereby varied accordingly, or otherwise) to pay or appropriate any receipt or payment first towards interest rather than principal or otherwise in any particular order as between any of the Secured Liabilities.

## 12 **INDEMNITY**

The Company agrees to indemnify and hold harmless the Trustee and any Receiver in full and on demand from and against all actions, claims, expenses, demands and liabilities whether arising out of contract or in tort or in any other way incurred or which may at any time be incurred by him or by any manager, agent, officer, servant or workman for whose debt, default or miscarriage he may be answerable for anything done or omitted to be done in the exercise or purported exercise of his powers under the provisions of this Deed or pursuant hereto (excluding in relation to any act or omission by the Trustee, any Receiver, any manager, agent, officer, servant or workman which is negligent or fraudulent).

## 13 **POWER OF ATTORNEY**

### 13.1 **Power of attorney**

The Company hereby irrevocably appoints the Trustee and (jointly and severally) each and every Receiver appointed by the Trustee under the provisions of this Deed to be the attorney of the Company and in the name and on behalf of the Company and as the Company's act and deed or otherwise to sign, execute, seal, deliver, complete any blanks in and otherwise perfect any deed, transfer, assurance, agreement, instrument or act which such Receiver or the Trustee may consider expedient in the exercise of any of his or its powers or in respect of the Company's obligations under this Deed. The power of attorney hereby granted is to secure the performance of obligations owed to the donees within the meaning of the Powers of Attorney Act 1971.

### 13.2 **Confirmation**

The Company covenants with the Trustee and with any Receiver that if required to do so it shall ratify and confirm:

13.2.1 all transactions entered into by the Trustee and/or any Receiver in the proper exercise of its or their powers in accordance with this Deed; and

13.2.2 all transactions entered into by the Trustee and/or any Receiver in signing, sealing, delivering and otherwise perfecting any assignment, mortgage, charge, security, document or other act.

## 14 **INDEPENDENT AND CONTINUING SECURITY**

### 14.1 **Independent security**

This Deed shall be in addition to and independent of every other security or guarantee which the Trustee may at any time hold for any of the Secured Liabilities and it is hereby declared that no prior security held by the Trustee over the whole or any part of the Charged Assets shall merge in the security created by this Deed.



## 14.2 **Continuing security**

This Deed shall remain in full force and effect as a continuing security for the Secured Liabilities, notwithstanding any settlement of account or intermediate payment or other matter or thing whatsoever, unless and until the Trustee discharges this Deed in writing.

## 14.3 **Discharge conditional**

Any release, discharge or settlement between the Company and the Trustee shall be deemed conditional upon no payment or security received by the Trustee in respect of the Secured Liabilities being avoided or reduced or ordered to be refunded pursuant to any provision of any enactment relating to insolvency, bankruptcy, winding-up, administration or receivership and, notwithstanding any such release, discharge or settlement:

14.3.1 the Trustee or its nominee shall be at liberty to retain this Deed and the security created by or pursuant to this Deed, including all certificates and documents relating to the Charged Assets or any part thereof, for such period as the Trustee shall deem necessary to provide the Trustee with security against any such avoidance or reduction or order for refund; and

14.3.2 the Trustee shall be entitled to recover the value or amount of such security or payment from the Company subsequently as if such settlement, discharge or release had not occurred and the Company agrees with the Trustee accordingly and charges the Charged Assets and the proceeds of sale thereof with any liability under this clause 14.

## 15 **FURTHER ASSURANCE**

As and when required by the Trustee the Company, at its own cost, shall execute such further legal or other mortgages, charges or transfers in favour of the Trustee as the Trustee shall from time to time require over all or any part of the Charged Assets, further to secure the payment of the Secured Liabilities, such further mortgages, charges or transfers to be prepared at the cost of the Company and to contain a power of sale and such other clauses for the benefit of the Trustee as the Trustee may reasonably require.

## 16 **INDULGENCE**

The Trustee may in its discretion grant time or other indulgence or make any other arrangement, variation or release with any person or persons not party hereto (whether or not such person or persons are jointly liable with the Company) in respect of any of the Secured Liabilities or of any other security therefore without prejudice either to this Deed or to the liability of the Company for the Secured Liabilities.

## 17 **COSTS**

17.1 The Company shall pay or reimburse to the Trustee and any Receiver on demand, on a full indemnity basis, all costs, charges and expenses (including legal fees) in any way incurred by the Trustee and/or the Receiver in relation to this Deed or the Charged Assets or in protecting, perfecting, preserving or enforcing (or attempting to do so) any of the rights, powers, authorities or discretions vested in them under this Deed or in suing for or recovering any of the Secured Liabilities (including, without limitation, the costs of any proceedings in relation to this Deed or the Secured Liabilities), together with interest, which shall accrue and be payable (without the need for any

demand for payment being made) from the date on which the relevant cost or expense arose until full discharge of that cost or expense (whether before or after judgment, liquidation, winding up or administration of the Company) at the rate and in the manner specified in the Trust Deed.

17.2 The Company acknowledges that the legal fees referred to in clause 17.1 may include third party legal fees as well as fees which reflect the time spent by members, employees and consultants of the Trustee. In providing advice to the Trustee those members, employees and consultants shall be entitled to charge the Company at their standard hourly rate.

## 18 **DEMANDS AND NOTICE**

Any demand for payment and any other demand, notice, consent or communication made or given on or to the Company under or in connection with this Deed may be left at the registered office or sent there by first class post. Any such demand shall be validly made whether or not it contains an accurate statement of the amount of the Secured Liabilities. In proving service of a document it shall be sufficient to prove that it was left at the relevant location or that it was properly addressed, stamped and posted. Any demand or notice shall be deemed given, if left at the relevant address when so left and if sent by post, when it would be delivered in the normal course of post.

## 19 **RIGHTS CUMULATIVE**

The rights and powers which this Deed confers on the Trustee are cumulative, may be exercised as often as the Trustee considers appropriate, and are in addition to its rights and powers under the general law. The rights of the Trustee (whether arising under this Deed or under the general law) shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing; and, in particular, any failure to exercise or any delay in exercising any such right shall not operate as a variation or waiver of that or any other such right; any defective or partial exercise of any such right shall not preclude any other or further exercise of that or any other such right; and no act or course of conduct or negotiation on its part or on its behalf shall in any way preclude the Trustee from exercising any such right or constitute a suspension or variation of any such right.

## 20 **CONSOLIDATION**

The restriction on the right of consolidating mortgages contained in section 93 of the Law of Property Act 1925 shall not apply to this Deed.

## 21 **PARTIAL INVALIDITY**

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provisions under the law of any other jurisdiction will in any way be affected or impaired.

## 22 **TRANSFERS**

### 22.1 **Transfer by the Trustee**

The Trustee may without restriction assign, transfer or declare a trust in respect of the whole or any part of its rights and obligations under or in respect of this Deed.

**22.2 Transfer by the Company**

The Company may not assign or transfer any of its rights and obligations under or in respect of this Deed or enter into any transaction which would result in any of those rights and obligations passing to another person.

**22.3 Disclosure of Information**

The Trustee may disclose to any person related to the Trustee and/or any person to whom it is proposing to assign, transfer or declare a trust in respect of the whole or any part of its rights and obligations under or in respect of this Deed or has already done so, any information about the Company

**23 THIRD PARTY RIGHTS**

Save as permitted in this Deed, a person who is not a Party to this Deed has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed. This clause 23 does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

**24 COUNTERPARTS**

This Deed may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, and all the counterparts together shall constitute one and the same instrument.

**25 GOVERNING LAW AND JURISDICTION**

26.1 This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

26.2 The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

**26 SET-OFF**

All payments made by the Company to the Trustee under this Deed shall be made in full without any set-off, counterclaim, deduction or withholding (other than any deduction or withholding of tax as required by law).

**In witness** of which this Deed has been entered into and has been caused to be delivered on the date first stated.

**EXECUTION PAGE**

**EXECUTED** (but not delivered until the date hereof) and delivered as a **DEED** by **BURLINGTONS LEGAL LLP** acting by two members

Member

Signature: .....

Name (in block capitals) .....

Member

Signature: .....

Name (in block capitals) .....

**EXECUTED** (but not delivered until the date hereof) and delivered as a **DEED** by **CHANCERY & STONE PLC** acting by one director in the presence of a witness

Director

Signature: .....

Name (in block capitals) .....

Witness

Signature: .....

Name (in block capitals) .....

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## **APPENDIX 5 – TRUST DEED**

Dated 15<sup>th</sup> September 2017

### **Trust Deed**

relating to the issue by Chancery & Stone Plc of up to £250,000,000 7% bonds due five years after the issue date of the very first such bond issued

- (1) Burlingtons Legal LLP**  
as Trustee
- (2) Chancery & Stone Plc**  
as Company

**THIS TRUST DEED** is dated 15<sup>th</sup> September 2017

## **PARTIES**

- (1) **BURLINGTONS LEGAL LLP** a limited liability partnership incorporated and registered in England and Wales with number OC360876 whose registered office is at 5 Stratford Place, London, W1C 1AX (**Trustee**).
- (2) **CHANCERY & STONE PLC** a company incorporated and registered in England and Wales with number 10193129 whose registered office is at Somerset House, 6070 Birmingham Business, Park Birmingham, West Midlands, B37 7BF (**Company**).

## **BACKGROUND**

- (A) By a resolution of the Directors passed on 15<sup>th</sup> May 2017 the Company authorised the issuance of up to £250,000,000 7% bonds due on the Maturity Date (as defined below) constituted pursuant to this Deed.
- (B) The Trustee has agreed to act as trustee for the Registered Stockholders (as defined below) in respect of the Stock (as defined below) in accordance with the provisions of this Deed.

## **TERMS AGREED**

### **1. DEFINITIONS AND INTERPRETATION**

#### **1.1 In this Deed (with the exception of Schedule 1) where the context so admits**

<b>Appointee</b>	means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Trustee under, or pursuant to, the Conditions, this Deed or the Security Deed;
<b>Auditors</b>	means the auditors for the time being of the Company (or in the case of joint auditors any one of them) or in the event of their being unable or unwilling to carry out any action requested of them under this Deed such other firm of accountants as may be nominated or approved by the Trustee for that purpose;
<b>Charged Assets</b>	means all the assets for the time being subject to the security interests created by the Security Deed and/or such other replacement or additional security as may be granted by the Company to the Trustee from time to time (and references to Charged Assets include references to any part of them);
<b>Conditions</b>	means, with respect to the Original Stock, the terms and conditions of the Original Stock attached hereto as Schedule 1 and, with respect to any Further Stock, the terms and conditions of such Further Stock.
<b>CREST</b>	mean the central securities depository system for Guernsey, Ireland, the Isle of Man, Jersey and the United Kingdom operated by Crestco Limited;

<b>Deed</b>	means this Trust Deed (as amended from time to time) and any deed supplemental to this trust deed (as such supplemental deed is amended from time to time);
<b>Directors</b>	means the directors for the time being of the Company;
<b>Events of Default</b>	has the meaning given to such term in the Conditions;
<b>Extraordinary Resolution</b>	has the meaning given to such term in Schedule 1;
<b>Further Stock</b>	means any further stock which may be created and issued by the Company pursuant to clause 3 or (as the case may be) the amount of such stock for the time being issued and outstanding;
<b>Maturity Date</b>	has the meaning given to such term in Schedule 1;
<b>Offer</b>	the issuance by the Company of the Original Stock;
<b>Original Stock</b>	means up to £250,000,000 7% bonds due on the Maturity Date constituted by this Deed or as the case may be the amount of such stock for the time being issued and outstanding;
<b>Permitted Security</b>	has the meaning given to such term in the Security Deed;
<b>Powers of Conversion</b>	means the powers of the Trustee to sell, call in, collect and convert into money or otherwise deal with all or any part of the Charged Assets in such manner and for such consideration as the Trustee shall think fit;
<b>Register</b>	has the meaning given to such term in clause 29;
<b>Registered Stockholders</b>	means the persons for the time being entered in the Register as holders of the Stock;
<b>Registrar</b>	means Reyker Securities PLC or such other registrar for the time being of the Company responsible for maintaining the Register;
<b>Registered Office</b>	means the registered office for the time being of the Company;
<b>Reserved Matter</b>	has the meaning given to such term in the Conditions;
<b>Security Deed</b>	means the security deed dated on or about the date of this Deed granted by the Company in favour of the Trustee as security for its obligations in respect of the Stock and any additional or replacement security deed that may be granted in favour of the Trustee by the Company from time to time as security for its obligations in respect of the Stock;
<b>Stock</b>	the Original Stock and any Further Stock or as the case may be the amount of such stock for the time being issued and outstanding;
<b>Trustee</b>	means the Original Trustee or any replacement trustee appointed for the time being of this Deed.

1.2 In this Deed unless the context requires otherwise:

- (a) terms defined in the Companies Act 2006 have the same meanings;
- (b) reference to any statute or statutory provision includes a reference to:



- (i) that statute or statutory provision as from time to time amended extended or re-enacted or consolidated, and
  - (ii) all statutory instruments or orders made pursuant to it;
- (c) references to costs, charges and expenses shall unless otherwise provided include any VAT or similar tax charged or chargeable in respect of such costs charges and expenses;
- (d) any register, index, minute book of account or accounting record required to be kept by this Deed shall be kept and inspection of such documents shall be allowed and copies shall be supplied in such form and manner and subject to such precautions as would from time to time be permissible or required if it were a register index minute book of account or accounting record required to be kept by the Companies Act 2006 and references to such records in this Deed shall be construed accordingly;
- (e) words denoting the singular shall include the plural and vice versa; and
- (f) words denoting any gender include all the genders and words denoting persons shall include firms and corporations and vice versa.
- 1.3 References in this Deed to 'clauses' are to the clauses of this Deed and references to the 'schedule' is to the schedule to this Deed. References in Schedule 1 to 'Conditions' are to the Conditions of Schedule 1.
- 1.4 Clause headings do not form part of this Deed and are for convenience only and shall not be taken into account in its construction or interpretation.
- 1.5 The schedule forms part of this Deed and shall have effect as if set out in full in the body of this Deed. Any reference to this Deed includes the schedule.
- 1.6 A reference to a **subsidiary** means a subsidiary (as defined in section 1159 of the Companies Act 2006) of the Company.
- 2. ORIGINAL STOCK**
- 2.1 The Company hereby constitutes the Original Stock, which shall be issued in denominations and integral amounts of £10,000 in nominal amount. The terms and conditions applicable to the Original Stock are attached hereto as Schedule 1.
- 2.2 The Trustee holds the benefit of the Charged Assets on trust for the Registered Stockholders in accordance with the terms of this Deed.
- 3. CREATION OF FURTHER STOCK**
- 3.1 Subject to clauses 3.2 to 3.4, the Company has the power, without the consent of the Registered Stockholders, to create and issue Further Stock ranking *pari passu* with the Original Stock and carrying the same rights in all respects as the Original Stock and forming one class with the Original Stock.

- 3.2 Any Further Stock shall be constituted by a deed in favour of the Trustee and such deed shall be expressed to be supplemental to this Deed and in such form as the Trustee shall approve, and the Company shall cause the deed to be executed.
- 3.3 The Trustee shall endorse, on its copy of this Deed, a memorandum of each such supplemental deed that is entered into pursuant to clause 3.2
- 3.4 Upon any issue of Further Stock under this clause the Further Stock so constituted and the Original Stock shall from the date of issue rank pari passu in point of security and shall be equally and rateably secured by and upon the Charged Assets unless such Further Stock is expressed to be junior in point of security to the Original Stock.
- 3.5 The Company shall not issue any Further Stock that is expressed to be and rank senior in point of security to the Original Stock.

#### **4. ISSUE OF ORIGINAL STOCK**

The Original Stock may be issued to such persons and on such terms and for such consideration and either at par or at a discount or at a premium as the Directors shall from time to time determine, and the proceeds of issue of such Original Stock shall be receivable by the Company and shall be applicable as the Directors in their absolute discretion shall determine.

#### **5. COVENANT FOR PAYMENT**

- 5.1 The Company covenants with the Trustee that it will unconditionally pay, or procure to be paid, to the Trustee (or to the Trustee's order) the Stock or any of them or any part thereof becoming due for redemption or repayment in accordance with the Conditions as and when:

- (a) the Stock or any of them become due to be redeemed; or
- (b) any principal on the Stock or any of them becomes due to be repaid.

- 5.2 Until all payments are duly made under clause 5.1, the Company covenants with the Trustee that it shall pay or procure to be paid to the Trustee (or to the Trustee's order) on the dates provided for in the Conditions (after as well as before any judgment or other order of any court of competent jurisdiction), interest on the amount outstanding of the Stock or any of them outstanding from time to time, subject to the provisions of the Conditions.

- 5.3 Every payment to the Registered Stockholders on account of principal or interest in respect of the Original Stock held by them shall be equivalent satisfaction of the covenants by the Company contained in clause 5.1 and clause 5.2.

#### **6. NO STOCK CERTIFICATES; STOCK RECORDED IN CREST; CONDITIONS**

- 6.1 The Company shall not issue certificates for the Stock. The Stock shall be recorded within CREST and the date of issue of the Original Stock and any Further Stock shall in the absence of manifest error be the date of first entry into CREST.
- 6.2 The Company shall comply with the Conditions applicable to the Original Stock and any Further Stock, and such Conditions shall be binding on the Company, the Trustee, the

applicable Registered Stockholders and all persons claiming through or under them respectively.

**7. ENJOYMENT OF CHARGED ASSETS**

Notwithstanding the charges upon the Charged Assets granted pursuant to the Security Deed, the Trustee shall subject to the provisions of this Deed and the Security Deed permit the Company to hold and enjoy the Charged Assets and to receive and apply as it thinks fit all income arising from the Charged Assets and to carry on in and with any property comprised in the Charged Assets any of the businesses for the time being authorised by its constitution including the sale or disposal of any such asset on arm's length terms in the ordinary course of business until the security granted pursuant to the Security Deed becomes enforceable and the Trustee determines or becomes bound to enforce such security, provided that the Company shall not create or permit to subsist any mortgage or charge on the whole or any part of the Charged Assets ranking in priority to the security granted pursuant to the Security Deed except by way of grant of Permitted Security.

**8. COVENANTS BY THE COMPANY**

The Company covenants with the Trustee that it will so long as any part of the Stock remains outstanding, give notice in writing to the Trustee forthwith upon becoming aware of the happening of any of the Events of Default.

**9. POWERS OF THE TRUSTEE TO DEAL WITH THE CHARGED ASSETS**

At any time after the security granted by the Security Deed shall have become enforceable, the Trustee may at its discretion (without any request) and shall (subject to the provisions of the Security Deed) upon the request in writing of Registered Stockholders holding or representing in aggregate not less than 75 per cent in principal amount of the Stock for the time being outstanding (but in any case without any further consent of or demand upon the Company) enter upon or take possession of all or any part of the Charged Assets or otherwise exercise its rights under the Security Deed.

**10. TRUST OF PROCEEDS OF REALISATION**

- 10.1 The Trustee or any Appointee shall hold the money arising from any sale, calling in, collection or enforcement under the Security Deed, or conversion under the Powers of Conversion, upon trust to apply the money in accordance with the order of payments prescribed in the Conditions.

**11. NOTICE OF DISTRIBUTION**

The Trustee or any Appointee shall give not less than seven days' notice in accordance with clause 32 below to the Registered Stockholders of the day, place and time fixed for any payment to the Registered Stockholders under clause 10 and, after the day so notified, the Registered Stockholders shall (subject to the proviso in clause 10) be entitled to interest on the balance only (if any) of the principal due on the Stock after deducting the amount (if any) payable in respect of such principal on the day so fixed.

**12. RECEIPT OF REGISTERED STOCKHOLDERS A GOOD DISCHARGE**

The receipt of each Registered Stockholder or in the case of joint Registered Stockholders, of any one of such joint holders, for any principal or interest payable in respect of the Stock held by such Registered Stockholder or joint Registered Stockholders shall be a good discharge to the Trustee or any Appointee and to the Company of their obligation to pay the sum in question.

**13. ENDORSEMENT OF PAYMENTS MADE**

Upon any payment to the Registered Stockholders by the Trustee or any Appointee on account of any principal or interest owing upon the Stock, the Registrar shall cause a memorandum of the amount and date of payment to be endorsed on the Register.

**14. MONEY DUE TO REGISTERED STOCKHOLDERS**

14.1 If any money should remain due to any Registered Stockholder in respect of any of the Stock after the due date for redemption of those Stock because it has not been claimed or because any cheque or warrant in respect of it has not been presented, then, after the expiry of 6 months from the due date for redemption of the Stock concerned the Trustee may place such money in the name of the Trustee or such custodian as the Trustee may appoint for this purpose in such bank as they shall think fit, but shall not be obliged (nor shall any custodian be obliged) to earn any interest with such money or pay any interest on such money.

14.2 After deposit of such money in a bank under clause 14.1, neither the Trustee, any custodian nor the Company shall be responsible for the safe custody of such money or interest on such money except (in the case of the Trustee) such interest (if any) as such money may earn on deposit less any expenses incurred and charges made by the Trustee including the expenses and costs of any custodian.

14.3 All such money (and any interest on such money) referred to in clause 14.2 shall revert to the Company after the expiry of 3 years from the date on which the Stock is due to be redeemed.

**15. ADVANCING MONEY TO COVER EXPENSES OF THE TRUSTEE**

15.1 The Trustee may advance, raise and borrow such money at such rates of interest and generally on such terms and conditions as the Trustee shall think fit (including for the purpose of defraying any costs, charges, losses and expenses which shall be paid or incurred by the Trustee in relation to this Deed (including remuneration of the Trustee and of any Appointee) or which the Trustee anticipates may be paid or incurred in the exercise of the powers authorities and discretions vested in it under this Deed), and may secure the repayment of the money so advanced, raised or borrowed with interest on such money by mortgaging or otherwise charging all or any part of the Charged Assets and either in priority to the Security Deed or otherwise and generally in such manner and form as the Trustee shall think fit.

15.2 For the purposes referred to in clause 15.1 the Trustee may execute and do all such assurances, deeds, acts and things as they shall think fit, and no person lending any such money shall be concerned to inquire as to the propriety or purpose of the exercise of this power or to see to the application of any money so raised or borrowed.

**16. POWER OF ATTORNEY**

- 16.1 The Company irrevocably and by way of security appoints the Trustee and any Appointee severally to be its attorney in its name and on its behalf to execute and do all assurances, deeds, acts and things which it ought to execute and do under the covenants and provisions contained in this Deed, and generally to use its name in the exercise of all or any of the powers conferred by this Deed on the Trustee or any Appointee.
- 16.2 The Company ratifies and confirms and agrees to ratify and confirm whatever the Trustee and any such Appointee referred to in clause 16.1 shall do in the exercise of all or any of the powers referred to in clause 16.1

**17. REMUNERATION TO TRUSTEE**

- 17.1 The Company shall pay to the Trustee remuneration as shall be agreed between the Trustee and the Company from time to time.
- 17.2 The Company shall in addition pay to the Trustee on demand an amount equal to the amount of any VAT or any similar tax chargeable in respect of its remuneration under this Deed.
- 17.3 The Company shall also pay on demand all pre-agreed costs, charges and expenses of external advisers (including lawyers) and an amount equal to all stamp, documentary and other taxes and duties and other expenses which the Trustee may properly and reasonably incur in relation to this Deed, and to the preparation and execution of this Deed, and to the carrying out of the trusts of this Deed and the exercise by the Trustee of the powers, authorities and discretions vested in it under this Deed, together with any VAT or similar tax thereon, if not recoverable by the Trustee.
- 17.4 The Company acknowledges that the costs, charges and expenses of external advisers referred to in clause 17.3 may include third party legal fees as well as fees which reflect the time spent by members, employees and consultants of the Trustee. In providing advice to the Trustee those members, employees and consultants shall be entitled to charge the Company at their standard hourly rate.

**18. POWERS, RELIEFS AND INDEMNITIES OF TRUSTEE**

- 18.1 By way of supplement to the Trustee Act 1925 it is expressly declared that (subject to clause 18.2 below):
- (a) the Trustee may, in relation to any of the provisions of this Deed, act on the opinion or advice of or any information obtained from any lawyer, valuer, surveyor, broker, auctioneer, accountant or other expert, whether obtained by the Company or by the Trustee or otherwise, and shall not be responsible for any loss occasioned by so acting;
  - (b) any such opinion, advice or information referred to in clause 18.1(a) above may be sent or obtained by letter, email, telephone or other means, and the Trustee shall not be liable for acting on any opinion, advice or information purporting to be so conveyed, although such opinion, advice or information shall contain some error or shall not be authentic;

- (c) the Trustee shall be at liberty to accept and rely on (and the Trustee shall have no liability for accepting and relying on):
- (i) a certificate signed by any two Directors as to any fact or matter on which the Trustee may need or wish to be satisfied as sufficient evidence of such fact or matter; and
  - (ii) a certificate signed by any two Directors that any properties or assets in the opinion of the persons so certifying have a particular value or produce a particular income or are suitable for such company's purposes as sufficient evidence that they have that value or produce a particular income or are so suitable; and
  - (iii) a certificate signed by any two Directors to the effect that any particular dealing or transaction or step or thing is in the opinion of the persons so certifying expedient as sufficient evidence that it is expedient,

and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by their failing to do so or by their acting on any such certificate;

- (d) the Trustee shall not be bound to give notice to any person of the execution of this Deed nor shall they be liable for any failure omission or defect in perfecting security created by the Security Deed including (without prejudice to the generality of the foregoing) failure to obtain any licence, consent or other authority for the execution of this Deed or failure to register the security created by the Security Deed in accordance with the provisions of any of the documents of title of the Company to any of the Charged Assets;
- (e) with a view to facilitating sales, leases and other dealings under any provisions of this Deed, the Trustee shall have full power prospectively to consent to any specified transaction conditionally on the transaction conforming to any specified conditions laid down or approved by the Trustee;
- (f) the Trustee shall, as regards all the trusts, powers, authorities and discretions vested in it by this Deed, be entitled to use their discretion as to the manner and time of exercise of such trusts, powers, authorities and discretions and, provided they shall not have acted fraudulently or without the care and diligence required of it as Trustee, they shall be in no way responsible for any loss, costs, damages, expenses or inconveniences that may result from the exercise or non-exercise of such trusts, powers, authorities and discretions;
- (g) the Trustee shall be at liberty to place all title deeds and other documents certifying, representing or constituting the title to any of the Charged Assets for the time being in their hands in any safe deposit box, safe or receptacle selected by the Trustee; or with any bank or company whose business includes undertaking the safe custody of documents and may, at their discretion, make any such arrangements as they think fit for allowing the Company or its solicitors or auditors access to or possession of such

title deeds or other documents when necessary or convenient, and the Company shall pay all sums required to be paid on account of or in respect of any such deposit;

- (h) the Trustee shall have full power to determine as between itself and the Registered Stockholders all questions and doubts arising in relation to any of the provisions of this Deed, and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind all persons interested under this Deed;
- (i) the Trustee may (except in the conduct of the internal management of the trusts of this Deed) instead of acting personally employ and pay an agent to transact or concur in transacting any business and to do or concur in doing any acts required to be done by the Trustee including the receipt and payment of money, and any trustee being a solicitor, broker or other person engaged in any profession or business shall be entitled to be paid all usual professional and other charges for business transacted and acts done by him or any partner of his in connection with the trusts of this Deed, including matters which ought to or should have been attended to in person by a trustee not being engaged in any profession or business;
- (j) the Trustee shall not be bound to take any steps to monitor, enquire or ascertain whether any Event of Default has happened upon the happening of which the security created by the Security Deed becomes enforceable;
- (k) the Trustee shall not be responsible for acting upon any resolution purporting to have been passed at a meeting of the Registered Stockholders or signed by Registered Stockholders which the Trustee believe to have been properly passed or signed, even should it afterwards be found that such resolution is not binding or valid by reason of a defect in the convening of the meeting or the proceedings at such meeting or by reason of the requisite number of Registered Stockholders not having signed the resolution or any other error;
- (l) the Trustee shall not incur any liability in respect of the money subscribed by applicants for the Stock or be bound to see to the application of such money;
- (m) the Company shall on demand (subject to clause 18.2) indemnify the Trustee against any claim, demand, loss, damage, proceeding or other liability whatsoever (including without limitation in respect of any tax or duty) arising in any manner from the preparation and execution of this Deed, or from the exercise of its powers and the performance of its duties under this Deed, or from considering or taking any action, or enforcing, or determining any question in relation to, any provision of this Deed.

18.2 Nothing in clause 18.1 or elsewhere in this Deed shall exempt the Trustee from, or indemnify it against, any liability for breach of trust in any case in which the Trustee have failed to show the degree of diligence and care required of it as trustee having regard to the provisions of this Deed conferring on it any powers authorities or discretions.

18.3 Unless the Trustee has actual knowledge or has received express written notice of default or other breach by the Company of any covenant, condition, provision or obligation contained in

this Deed, the Trustee will be entitled to assume that no such default or other breach has occurred.

18.4 The Trustee shall not be liable for action taken by it under or pursuant to this Deed or for any loss or damage (including consequential loss and damage) arising out of the exercise of (or failure to exercise) its rights under this Deed.

18.5 No action shall be taken against any members or employees of the Trustee whether in respect of the actions or omissions by them or otherwise.

#### 19. **POWER TO RECOUP MONEY OWING TO THE TRUSTEE AND APPOINTEES**

19.1 Without prejudice to the rights of indemnity given to Trustee by law and by this Deed, and subject to the provisions of the Companies Act 2006 Section 750, the Trustee and every Appointee shall be entitled to be indemnified out of the Charged Assets in respect of:

- (a) all liabilities, costs, charges and expenses incurred by them or him in relation to this Deed or to the preparation and execution or purported execution of this Deed;
- (b) the carrying out of the trusts of this Deed;
- (c) the exercise of any trusts, powers or discretions vested in them or him pursuant to this Deed;
- (d) all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in anywise relating to this Deed; and
- (e) any remuneration or other amount payable by the Company under this Deed,

in each case, in priority to any payments to the Registered Stockholders, and the Trustee and any Appointee may retain and pay out of any money in their or his hands arising from the trusts of this Deed all sums necessary to effect such indemnity.

#### 20. **INTEREST ON PAYMENTS**

The Company shall, on demand by the Trustee or any Appointee, pay every sum of money (other than the principal amount of the Stock and the interest on such amount) which shall from time to time be payable to any such person under any provisions of this Deed, together with interest at the rate of 2 per cent per year above the base rate from time to time of HSBC Bank plc or such other clearing bank in London as the Trustee may from time to time stipulate (or if there is at any time no such base rate such other rate as in the reasonable opinion of the Trustee is the nearest equivalent to such base rate) calculated on a daily basis and on the basis of a 365 day year from the date when the money shall have been advanced or paid or become payable or due to the date of payment by the Company, and compounded on the last day of December in each year.

#### 21. **TRUSTEE NOT BOUND TO ENFORCE COVENANTS**

21.1 The Trustee is authorised and it is intended to assume without inquiry (in the absence of knowledge by or an express notice to it to the contrary) that the Company is properly performing and observing all the covenants and provisions contained in this Deed.



21.2 Notwithstanding knowledge by or notice to the Trustee of any breach by the Company of any covenant, condition, provision or obligation in this Deed, it shall be in the discretion of the Trustee whether to take any action or proceedings or to enforce the performance of such covenant, condition, provision or obligation.

21.3 Notwithstanding that the Security Deed shall have become enforceable and that it may be expedient to enforce the Security Deed, the Trustee shall not be bound to enforce the Security Deed or any of the covenants, conditions, provisions or obligations of this Deed unless and until in any of such cases the Trustee is requested to do so by an Extraordinary Resolution or in writing by the Registered Stockholders of not less than 75 per cent of the nominal amount of the Stock for the time being outstanding, and then only if the Trustee shall be indemnified to its satisfaction against all actions, proceedings, costs, claims and demands to which it may render itself liable, and all costs, charges, damages and expenses which it may incur by so doing.

## 22. **DELEGATION OF POWERS OF TRUSTEE**

Any Trustee being a corporation may in the execution and exercise of any of the trusts, powers and discretions vested in it by this Deed act by a duly authorised officer or employee, and the Trustee may whenever it thinks it expedient in the interests of the Registered Stockholders delegate by power of attorney or otherwise or in any other manner to any person or persons all or any of the trusts, powers and discretions vested in the Trustee by this Deed, and any such delegation may be made upon such terms and conditions (including power to sub-delegate) and subject to such regulations as the Trustee may in the interests of the Registered Stockholders think fit.

## 23. **DEALINGS WITH THE COMPANY AND IN ITS SHARES AND SECURITIES**

23.1 Notwithstanding its fiduciary position, the Trustee and any director or officer of any corporation being a Trustee or any company or person in any other way associated with a Trustee may enter into or be otherwise interested in any banking, financial, insurance or business contracts or any other transactions or arrangements with the Company or any subsidiary or in connection with any part of the Charged Assets or the Stock which it could have entered into had it not been a trustee of this Deed.

23.2 Without prejudice to the generality of clause 23.1 it is expressly declared that the contracts transactions or arrangements referred to in clause 23.1 may include:

- (a) any contract for the purchase by, or leasing to, all or any of the Trustee of the whole or any part of the Charged Assets, or of any property or assets formerly included in such Charged Assets; or any contract for the sale, or leasing by the Trustee of any property or assets, on the basis that such property or assets will become part of the Charged Assets or will be paid for out of capital money or exchanged for all or part of the Charged Assets or otherwise; or any other dealing with or in relation to property or assets subject to the trusts of this Deed whether similar to those contracts or not;
- (b) any contract, transaction or arrangement for or in relation to the placing, underwriting, purchasing, subscribing for or dealing with or lending money upon the Stock or any

other Stock, shares, debentures or other securities of the Company or any subsidiary or any contract of insurance with the Company or any subsidiary; and

- (c) the Trustee acting as trustee of any other securities or obligations of the Company or subsidiary.

23.3 The Trustee shall not be accountable to the Company or any subsidiary or to the Registered Stockholders for any profits or benefits resulting or arising from any contract, transaction or arrangement as is mentioned in this clause 23 and the Trustee shall also be at liberty to retain for its own benefit and shall be in no way accountable to the Company or any subsidiary or to the Registered Stockholders for any benefits or profits or any fees, commissions, discounts or share of brokerage allowed to it by bankers, brokers or other parties in relation to or otherwise arising out of any contract, transaction or arrangement (including any dealing with the Stock or the Charged Assets) permitted by or effected under or in connection with this Deed.

#### 24. **MODIFICATION OF TERMS OF THE DEED**

In addition and without prejudice to the powers of the Registered Stockholders exercisable by Extraordinary Resolution, the Trustee may at any time agree, without the consent of the Registered Stockholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of this Deed, the Security Deed or any other agreement relating to the Stock to which the Trustee is a party, or determine, without any such consent as aforesaid, that any Potential Event of Default or Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Registered Stockholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or necessary to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Any such modification, waiver, authorisation or determination shall be in writing, shall be binding on the Registered Stockholders and shall be notified to the Registered Stockholders in accordance with clause 32 (*Notices*) as soon as practicable thereafter (unless the Trustee determines such notice is unnecessary).

#### 25. **DISCRETION OF THE TRUSTEE**

Where under this Deed provision is made for the giving of any consent or the exercise of any discretion by the Trustee, any such consent may be given and any such discretion may be exercised on such terms and conditions (if any) as the Trustee may think fit, and the Company shall observe and perform any such terms and conditions, and the Trustee may at any time waive or agree a variation in such terms and conditions. Any such consent may be given retrospectively.

#### 26. **RELEASE OF THE CHARGED ASSETS**

Upon proof being given to the satisfaction of the Trustee that all the Stock has been paid off or satisfied or that provision for its payment off or satisfaction has been made to the satisfaction of the Trustee, and upon payment of or provision for the payment of all costs, charges and expenses incurred by and remuneration due to the Trustee or any Appointee in relation to this Deed, and any other money intended to be secured by or payable under this Deed, the Trustee shall at the request and cost of the Company execute and do all such deeds, acts and things as

may be necessary to release all or such part of the Charged Assets as may remain vested in the Trustee or subject to the charges securing the Stock from the trusts contained in this Deed and the Security Deed.

27. **RETIREMENT OF TRUSTEE**

The Trustee may at any time, on giving six months' notice, retire from the trusts of this Deed without giving any reason and without being responsible for any expenses in doing so.

28. **POWERS TO APPOINT NEW TRUSTEE AND POWERS OF THE MAJORITY OF TRUSTEE**

The statutory power of appointing a new trustee of this Deed shall be vested in the Company. A trust corporation may be a sole trustee of this Deed. Whenever there shall be more than two trustees of this Deed a majority of trustees shall be competent to exercise all the powers authorities and discretions vested in the Trustee under this Deed.

29. **COMPANY TO KEEP REGISTER**

The Company shall ensure that, at all times, there is maintained at the specified office of the Registrar or (subject to the provisions of the Companies Act 2006 Section 743) at some other place approved by the Trustee an accurate register showing the amount of the Stock for the time being issued and the date of issue and the names and addresses of the current holders of such Stock (**Register**). Any of the Trustee and any Appointee and the Registered Stockholders and any person authorised in writing by any of such persons shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of and extracts from the Register. The Register may be closed at such times and for such periods (not exceeding 30 days in any year) as the Company may from time to time determine.

30. **PERFORMANCE OF OBLIGATIONS OF THE COMPANY**

The Company covenants with the Trustee that it will duly perform and observe all the covenants, conditions, provisions and obligations on its part contained in this Deed.

31. **GENERAL LAW**

The powers conferred by this Deed upon the Trustee shall be in addition to any powers which may from time to time be vested in it by the general law as trustee or as holder of any of the Stock.

32. **NOTICES**

32.1 Notices to be given to Registered Stockholders will be deemed to be validly given if sent by first class pre-paid letters to the Registered Stockholders at their addresses entered in the Register or by means of electronic communication if a Registered Stockholder has provided electronic communication details. Any such notices will be deemed to have been given on the date two days after the date of despatch of such letters or on the same day in the case of electronic transmission.

32.2 The Company shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Stock is for the time being listed or by which they have been admitted to trading. If, in the opinion of the Trustee, publication as provided above is not practicable, a notice shall be validly given if published in a leading daily English language newspaper with general circulation in Europe.

- 32.3 In the case of joint Registered Stockholders a notice given to the holder whose name stands first in the Register in respect of such Stock shall be sufficient notice to all the joint holders of such Stock.
- 32.4 Notices to be given by any Registered Stockholder shall be in writing and will be deemed to be validly given if sent by first class pre-paid letters to the then-current registered office of the Registrar.
- 32.5 Any notice given under this clause shall be deemed to have been served in the case of post 24 hours after the date of posting and in proving such service it shall be sufficient to prove that the envelope containing the notice was properly addressed, stamped and posted and in the case of email at the time of transmission if sent during normal business hours of the recipient with proof of transmission.

33. **GOVERNING LAW AND JURISDICTION**

- 33.1 This Deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.
- 33.2 The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Deed or its subject matter or formation (including non-contractual disputes or claims).

**In witness** of which this Deed has been entered into and has been caused to be delivered on the date first stated.

## SCHEDULE 1

### Terms and Conditions of the Original Stock

The following are the terms and conditions applicable to the Original Stock (these “**Conditions**”).

CHANCERY & STONE PLC incorporated and registered in England and Wales with company number 10193129 whose registered office is at Somerset House, 6070 Birmingham Business, Park Birmingham, West Midlands, B37 7BF (the “**Company**”) has, by a resolution of its board passed on 15<sup>th</sup> May 2017 resolved to create the Bonds (as defined below).

#### 1 DEFINITIONS AND INTERPRETATION

##### 1.1 Definitions

In this Schedule 1 unless the context requires otherwise:

**"Bonds"** means up to £250,000,000 7% per annum fixed rate secured bonds due on the Maturity Date, constituted by this Deed or, as the case may be, the amount of such bonds for the time being issued and outstanding;

**"Bondholders"** means the persons for the time being entered in the Register on or after the date of this Deed as the holders of the Bonds;

**"Business Day"** means a day, other than a Saturday or a Sunday or a public holiday, on which banks are open for general business in England and Wales;

**"Certificate"** means a certificate evidencing title to the Bonds substantially in the form set out in the Annex to this Schedule 1;

**"Default Interest Rate"** means 2 per cent per annum above the Interest Rate;

**"Directors"** means the board of directors of the Company from time to time or a duly appointed committee of the board of directors;

**"Early Redemption Amount"** means, in respect of any Bonds, its principal amount or such other pre-specified amount;

**"Early Redemption Date"** means the relevant date on which the whole or part of the Bonds may be redeemed in accordance with clause 5.1;

**"Effective Date"** means, in respect of the Bond concerned, the issue date;

**"Extraordinary Resolution"** means either:

- (a) a resolution in writing signed by the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding; or
- (b) a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions herein contained by a majority consisting of not less than three-fourths of the persons present and entitled to vote, voting upon a show of hands or if a poll is demanded then by a majority consisting of not less than three-fourths of the votes given on such poll.

**"First Issue Date"** means the issue date of the very first Bond issued;

**"GSX"** means the Gibraltar Stock Exchange;

**"Interest Commencement Date"** means the issue date of the Bonds;

**"Interest Payment Dates"** means the dates falling six months and 12 months after the First Issue Date, and each yearly anniversary of those dates up to (and including) the Maturity Date;

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date (whichever is later) and ending on (but excluding) the next Interest Payment Date or an Early Redemption Date;

**"Interest Rate"** means in respect of the Bonds 7 per cent per annum;

**"Listing Member"** means Kession Capital Limited;

**"Maturity Date"** means the date falling five years after the First Issue Date;

**"Paying Agent"** means Avenir Registrars Limited;

**"Principal Banker"** means the principal banker of the Company for the time being;

**"Register"** means the register of Bonds and their holders maintained by or on behalf of the Company in accordance with Clause 13;

**"Registered Office"** means the registered office of the Company from time to time;

**"Security"** means a mortgage, charge, pledge, trust, assignment by way of security, lien, hypothecation or other encumbrance, arrangement or security interest securing any obligation of any person or any other agreement or arrangement having a similar effect or any title retention rights or set-off rights created by agreement; and

**"Security Trustee"** means Burlingtons Legal LLP.

## 1.2 Interpretation

In these Conditions, unless otherwise specified or the context requires otherwise:

- (a) references to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof from time to time in force;
- (b) words denoting persons shall include corporations, the masculine gender shall include the feminine and the singular shall include the plural and vice versa;
- (c) the headings are for convenience only and shall not affect the interpretation of the Conditions;
- (d) references to Clauses or the Annex are to the clauses or annex of this Schedule 1;
- (e) a reference to:
  - (i) **"redemption"** includes purchase and repayment and the words **"redeem"** and **"redeemed"** shall be construed accordingly; and
  - (ii) **"sterling"** and **"£"** denote the lawful currency of the United Kingdom and will be the currency of the issue.
- (f) any action required to be performed under the Conditions which falls to be performed on a day which is not a Business Day shall be performed on the immediately following Business Day.

## 2 ISSUE, FORM OF BONDS.

### 2.1 Amount of the Bonds

The aggregate principal amount of the Bonds constituted by this Deed shall not exceed £250,000,000. Bonds that have been redeemed by the Company under any provision of these Conditions shall be cancelled and shall not be available for re-issue.

### 2.2 Issue

Bonds shall be issued within ten working days of payment received by transfer to the bank account of the Company held with the Principal Banker details of which shall be provided upon request being made to the Listing Member. Each Bond shall be issued credited as fully paid at par in denominations of any amount being an integral multiple of £10,000.

### 2.3 Repayment of principal and interest due on the Bonds shall be secured by a floating charge over all the assets of the Company.

### 3 **INTEREST**

3.1 The Company shall pay to the Bondholders interest (subject to the deduction of tax at the applicable rate, if applicable) at the Interest Rate on the principal amount of each of the Bonds then in issue and outstanding, from the Effective Date of such Bond until the date of redemption of that Bond.

3.2 Interest shall:

- (a) be calculated on the basis of a 365 day year;
- (b) accrue on a daily basis with effect from the Effective Date on the principal amount of the Bonds; and
- (c) be payable in arrears on each Interest Payment Date for the Interest Period ending on such Interest Payment Date (the "**Relevant Date**") to those persons who are registered as the holders of Bonds at close of business on the date that is five Business Days prior to the Relevant Date.

3.3 If the Company fails to pay any amount payable by it under these Conditions on the due date (the unpaid balance being an "**Overdue Amount**"), default interest will be payable by the Company on any such Overdue Amount (subject to the deduction of tax, if applicable) at the Default Interest Rate from the due date until the date of the payment by the Company of the Overdue Amount.

3.4 The Company may, at its sole option, elect to satisfy any payment of interest due under this Clause 3 by the issue to the Bondholders of further Bonds (credited as fully paid and having an aggregate principal amount equal to the amount of such interest) on identical terms to the Bonds (save as to their nominal value).

### 4 **REDEMPTION ON THE MATURITY DATE**

Unless previously redeemed, the Company shall redeem the Bonds in full at par on the Maturity Date together with any interest accrued thereon up to, and including, the Maturity Date (subject to any requirement to deduct tax therefrom).

### 5 **EARLY REDEMPTION BY THE COMPANY**

5.1 The Company may at any time on giving not less than 30 nor more than 60 days' prior notice in writing to the Bondholders and the Paying Agent, redeem on the expiry date of such notice (which day shall be a Business Day) the whole or part of the Bonds, at the Early Redemption Amount, together with interest (after deduction of any income or other tax required by law to be deducted) accrued on the Bonds to be redeemed up to, but excluding, their Early Redemption Date. Any notice of redemption given by the Company shall be irrevocable.

5.2 The Company may, by prior agreement with the relevant Bondholders, purchase Bonds from the Bondholders or any of them at any time and at any price by tender (available to all Bondholders alike), private treaty or otherwise.

### 6 **EARLY REDEMPTION AT THE INSTANCE OF THE BONDHOLDERS**

The Bondholders shall not be entitled to require the redemption of any Bonds prior to the Maturity Date without the Company's consent, which consent shall not be unreasonably withheld, provided that the relevant Bondholders have given the Company not less than 14 days' notice to consider the request for early redemption, and the cash-flow of the Company is sufficient in the view of the Company to consent to the early redemption. The Company has the ability to defer the redemption if, in the Director's opinion, it would lead to the serious detriment of the Company.

### 7 **PROCEDURE ON REDEMPTION OF BONDS**

7.1 In the case of redemption, each Bondholder, any part of whose Bonds is due to be redeemed, shall, not later than the due date for such redemption, lodge with the Company at the Registered Office the Certificate(s) (or an appropriate indemnity in respect of the Certificate(s)) for the Bonds which are due to be redeemed.

- 7.2 In the case of a redemption of part of the total principal amount represented by a Bond, the Company shall, without charge, issue as soon as possible a new Certificate for the balance of the principal amount not repaid to the Bondholder.
- 7.3 If any Bondholder any part of whose Bonds is liable to be redeemed under these Conditions fails or refuses:
- (a) to deliver the necessary Certificate(s) to the Registered Office at the time fixed for redemption; or
  - (b) to accept payment of the redemption monies payable,
- the monies payable to such Bondholder shall be set aside by the Company and paid into a separate bank account and held by the Company in trust for such Bondholder with a reasonable rate of interest as shall be determined by the Directors.
- 7.4 Money set aside pursuant to Clause 7.3 shall be deemed for all the purposes of these Conditions to be a payment to the Bondholder and the Company shall thereby be discharged from all obligations to pay such redemption monies or purchase monies.
- 7.5 If, after reasonable enquiry made at such intervals as are reasonable, the person entitled to any money set aside pursuant to Clause 7.3 has not been found and a period of three years has elapsed from that deposit being made, that money shall revert to the Company notwithstanding that in the intervening period the obligation to pay the same may have been provided for in the books, accounts and other records of the Company.
- 7.6 No Bondholder shall have the right to require the Company to redeem any Bond and the Company shall have no obligation to redeem any Bond, other than in accordance with the express provisions of these Conditions.

7.7 Any Bonds redeemed pursuant to these Conditions shall be cancelled immediately.

7.8 The Issuer shall notify the GSX (where applicable) of any redemption of Bonds.

## 8 PAYMENTS

- 8.1 Save as otherwise expressly provided in these Conditions, any payment made to a Bondholder shall be made without set-off or counterclaim and each payment (other than any sum in respect of interest) shall be made without deductions for any taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any nature unless the Company is required by law to make such a deduction. If required to make such a deduction, the Company shall issue to the Bondholder a certificate of deduction of tax in respect of that tax so deducted or withheld.
- 8.2 On the making of any payment of interest by the Company, the Company shall furnish each Bondholder with a certificate showing the gross amount of the payment, the amount of tax deducted and the actual amount paid.
- 8.3 Any payment in respect of the Bonds may be paid by cheque or warrant sent by post at the risk of the Bondholder or Bondholders to:
- (a) the registered address of the Bondholder; or
  - (b) in the case of joint registered holders, the registered address of joint Bondholder who is first named on the register in respect of such holding; or
  - (c) to such person and to such address as the Bondholder or the joint Bondholders may in writing direct.
- 8.4 Any payment due to a Bondholder in respect of the Bonds may be paid by telegraphic transfer or such other means as the Company and such Bondholder may agree in writing.
- 8.5 Every payment shall be made payable to the person to whom it is sent and payment of the cheque or warrant by the bank upon which it is drawn shall be a satisfaction of the monies represented by that cheque or warrant.



## 9 **TRANSFER**

- 9.1 The Bonds shall be freely transferable by instrument in writing in any usual or common form (or in such other form as the Directors may approve) in any amount being an integral multiple of £10,000 provided that (if applicable) every transfer is conditional upon the transferee first having acceded to any ranking arrangements in accordance with its terms.
- 9.2 Every instrument of transfer must be signed by the transferor and the transferor shall be deemed to remain the owner of the Bonds to be transferred until the name of the transferee is entered in the Register. Subject to compliance with the terms of the Bonds, the Directors shall be bound forthwith to approve and arrange registration of a transfer of Bonds made pursuant to this Clause.
- 9.3 Every instrument of transfer must be left for registration with the Company at its Registered Office accompanied by the Certificate for the Bonds to be transferred and such other evidence as the Directors may reasonably require. Every transfer shall be processed in such manner as the Directors may approve.
- 9.4 No fee shall be charged for the registration of any transfer or for the registration of any other document relating to or affecting the title to any Bonds.

## 10 **TRANSMISSION**

- 10.1 On the death of a Bondholder the executors or administrators of a deceased registered holder of a Bond (not being one of several joint Bondholders) and, in the case of the death of one of several joint registered holders, the survivor or survivors of such joint registered holders, shall be the only person or persons recognised by the Company as having any title to that Bond.
- 10.2 Any person becoming entitled to a Bond in consequence of:
- (a) the death or bankruptcy of a holder of a Bond; or
  - (b) any other event giving rise to the transmission of that Bond by operation of law,
- may, upon producing such evidence of his title as the Company, acting reasonably, shall think sufficient, be registered himself as the holder of such Bond.

## 11 **PRESCRIPTION**

Claims in respect of principal and interest will become void unless presentation for payment is made within a period of 10 years in the case of principal and five years in the case of interest from the date upon which the payment becomes due.

## 12 **APPOINTMENT OF THE AGENT AND THE SECURITY TRUSTEE**

The Company and each Bondholder (upon becoming a Bondholder by any means) agrees to and acknowledges the appointment of the Security Trustee to act as their trustees in connection with the Bonds and this Deed.

## 13 **CERTIFICATES**

### 13.1 **Certificates**

- 13.1.1 Each Bondholder shall be entitled without charge to receive one Certificate for each of the Bonds held by him. Each Certificate shall be substantially in the form set out in the Annex to this Schedule 1.
- 13.1.2 Bonds and the Certificate representing such Bonds may not be split.
- 13.1.3 If any Certificate is defaced, lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Directors may require but so that in the case of defacement the defaced Bond shall be surrendered before the new Certificate is issued.

### 13.2 **Joint Bondholders**

- 13.2.1 The Company shall not be bound to register more than four persons as joint Bondholders of Bonds.

13.2.2 The Company shall not be bound to issue more than one Certificate in respect of Bonds held jointly by several persons. It shall constitute sufficient delivery to all for the Company to deliver a Certificate to the joint Bondholder whose name stands first in the Register in respect of the joint holding or to such other person as the joint holders may in writing direct.

### **13.3 Certificates on transfer or redemption of Bonds**

Where part of a holding of Bonds has been transferred or redeemed, the Company shall issue, free of charge to the Bondholder concerned, a fresh Certificate for the balance of the Bonds retained by him.

## **14 REGISTER OF BONDS**

### **14.1 Form of Register**

The Company shall at all times keep at its Registered Office, a Register showing:

- (a) the principal amount of the Bonds held by every Bondholder;
- (b) the serial number of each Bond issued;
- (c) the date of issue, the Effective Date and all subsequent transfers and changes of ownership thereof; and
- (d) the names and addresses of the Bondholders.

### **14.2 Change of details**

Any change of name or address on the part of any Bondholder shall be notified to the Company in writing as soon as practicable and on receipt of that notification the Register shall be altered accordingly.

### **14.3 Inspection of Register**

Any Bondholder may at all reasonable times during office hours inspect the Register at the Registered Office and take copies of or extracts from the Register or any part thereof.

### **14.4 Bonds held in trust**

Except as required by law or as ordered by a court of competent jurisdiction, the Company shall recognise the registered holder of any Bonds as the absolute owner of those Bonds and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Bonds may be subject. The Company shall not be bound to enter notice of any trust whether express, implied or constructive on the Register in respect of any Bonds.

### **14.5 Discharge**

The receipt of the registered holder for the time being of any Bonds or, in the case of joint registered holders, the receipt of any of them for the interest accruing on or for any other monies payable in respect thereof shall be a good discharge to the Company notwithstanding any notice it may have whether express or otherwise of the right, title, interest or claim of any other person to or in such Bonds, interest or monies.

### **14.6 Closure**

The Register may be closed by the Company for such periods and at such times as it may think fit provided that it shall not be closed for more than thirty days in any calendar year.

## 15 COVENANTS BY THE COMPANY

The Company hereby covenants with the Bondholders and each of them that:

- (a) it shall duly perform and observe the obligations imposed on it by this Deed;
- (b) it shall comply with the provisions of the Certificates; and
- (c) so long as any of the Bonds remain outstanding, it shall at all times carry on and conduct its affairs in a proper and efficient manner.

## 16 LISTING

Application has been made for the Bonds to be listed on the Gibraltar Stock Exchange and may be made, at the Company's absolute discretion, for the Bonds to be listed on an alternative recognised securities exchange. In such case, the Company shall use its reasonable endeavours to seek a listing for all the Bonds then in issue. The Company shall not be liable or responsible for any failure to obtain such listing or, if such listing is made, for any subsequent cancellation, revocation or termination of that listing.

## 17 FURTHER LOAN CAPITAL

17.1 The Company reserves its power to create and issue at its discretion from time to time further loan capital ranking in priority to or *pari passu* or subordinate to the Bonds whether secured or unsecured for cash or otherwise at par or at a premium or at a discount and with or without rights of conversion into or subscription for shares of the Company and carrying such rights as to interest, maturity, repayment or otherwise as the Company shall think fit. For the avoidance of doubt, any further bond capital may comprise Bonds forming part of an existing class of Bonds and ranking *pari passu* with the Bonds of that class.

17.2 The Company may from time to time by resolution of its board of directors issue further Bonds pursuant to this Deed.

## 18 EVENTS OF DEFAULT

18.1 If any of the following events occur, the principal monies outstanding on the Bonds registered in the name of any Bondholders (so far as not previously repaid) shall become immediately repayable:

18.1.1 **Non-Payment** the Company fails to pay the principal of or interest on any of the Bonds when due and such failure continues for a period of 60 days in the case of principal and 30 days in the case of interest; or

18.1.2 **Breach of Other Obligations** the Company does not perform or comply with any one or more of its other obligations under these terms and conditions which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been served by any Bondholder on the Company at its registered office; or

18.1.3 **Enforcement Proceedings** a distress, attachment, execution, sequestration or other legal process is levied, enforced or sued out on or put in force against the whole or any part of the property, assets or revenues of the Company and is not discharged or stayed within 14 days or any encumbrancer takes possession of the whole or part of the property, assets or revenues of the Company; or

18.1.4 **Insolvency** the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company; or

- 18.1.5 **Winding-up** if (1) proceedings are initiated against the Company or any of its subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Company or any of its subsidiaries or, as the case may be, in relation to the whole or a part of the undertaking or assets of any of them, and (2) in any case (other than the appointment of an administrator) is not discharged within 14 days; or if the Company or any of its subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation.

## 19 **AMENDMENT OF CONDITIONS**

These Conditions shall not be amended, abrogated or added to except with the prior approval of the Bondholders given by an Extraordinary Resolution and the consent in writing of the Company. Any amendment, abrogation or addition made pursuant to this Clause 19 shall be binding on all of the Bondholders, each of whom shall, on the request of the Company, surrender his Certificate to the Company in order that the memorandum of that amendment, abrogation or addition may be endorsed on that Certificate.

## 20 **MEETINGS AND RESOLUTIONS OF THE BONDHOLDERS**

Meetings of the Bondholders may be convened and held in accordance with the provisions of this Clause 20.

### 20.1 **Calling of meetings**

The Company may at any time, and shall upon the request in writing signed by the registered holders of not less than one-tenth in principal value of the Bonds for the time being outstanding, convene a meeting of the Bondholders by giving at least 21, and not more than 28, days' notice thereof and specifying the place, day and time of the meeting. Any such notice shall specify the general nature of the business to be transacted at the meeting thereby convened, but except in the case of a resolution to be proposed as an Extraordinary Resolution, it shall not be necessary to specify the terms of any resolutions to be proposed. The non-receipt of notice by or the accidental omission to give notice to any Bondholder shall not invalidate any resolution passed at any such meeting.

### 20.2 **Chairing of meetings**

In the case of a meeting convened by the Company, a Bondholder nominated by the Company shall be entitled to take the chair at every such meeting and, in the case of a meeting convened by the Bondholders, the Bondholders present shall choose one of their number to be Chairman. The Directors and officers of the Company and any other person authorised in that behalf by the Directors may attend any such meeting and speak but not vote.

### 20.3 **Quorum**

At any such meeting convened, at least two persons holding or representing by proxy one-tenth majority in principal amount of the Bonds for the time being outstanding shall form a quorum (except where only one person holds the entire nominal amount of the Bonds for the time being outstanding in which case the quorum shall be one). No business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business.

#### 20.4 **Absence of quorum**

If within fifteen minutes from the time appointed for any meeting of the Bondholders a quorum is not present the meeting shall if convened upon the requisition of the Bondholders be dissolved. In any other case it shall stand adjourned to such day and time (being not less than 14 days or more than 28 days thereafter) and to such place as may be appointed by the Chairman and at such adjourned meeting the Bondholders present in person or by proxy and entitled to vote whatever the principal amount of the Bonds held by them shall form a quorum provided that at least 7 days' notice shall be given of such adjourned meeting. Such notice shall state that the Bondholder or Bondholders present in person or by proxy at the adjourned meeting will form a quorum.

#### 20.5 **Resolution on show of hands**

Every question submitted to a meeting of Bondholders shall be decided in the first instance on a show of hands.

#### 20.6 **Demand for poll**

At any meeting of Bondholders (unless a poll is demanded by the Chairman or by one or more Bondholders present in person or by proxy and holding or representing in the aggregate not less than one-twentieth in principal amount of the Bonds then outstanding), a declaration by the Chairman that a resolution has been carried, or carried by a particular majority, shall be conclusive evidence of the fact.

#### 20.7 **Manner of taking poll**

20.7.1 If at any such meeting a poll is so demanded it shall be taken in such manner and either at once or after such adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

20.7.2 Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

#### 20.8 **Persons entitled to vote**

The registered holders of any of the Bonds or in the case of joint holders any of them shall be entitled to vote in respect thereof either in person or by proxy and in the latter case as if such joint holder were solely entitled to such Bonds. If more than one joint holder is present at any meeting either personally or by proxy the vote of the senior who tenders a vote (seniority being determined by the order in which the joint holders are named in the register) shall be accepted to the exclusion of the votes of the other joint holders.

#### 20.9 **Instrument appointing proxy**

Every instrument appointing a proxy must be in writing signed by the appointor or his attorney or in the case of a corporation by a director, secretary or authorised representative of the corporation and shall be in any usual or common form or in such other form as the Directors may approve. Such instrument of proxy shall, unless the contrary is stated thereon, be valid as well for an adjournment of the meeting as for the meeting to which it relates and need not be witnessed. A proxy need not be a Bondholder.

#### 20.10 **Deposit of instrument appointing proxy**

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a copy of such power of attorney or authority certified as a true copy shall be deposited at the Registered Office of the Company not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named

in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy is given or transfer of the Bonds in respect of which it is given unless previous intimation in writing of such death, insanity, revocation or transfer shall have been received at the Registered Office.

#### 20.11 **Votes**

On a show of hands every Bondholder who (being an individual) is present in person or (being a corporation) is present by a representative shall have one vote and on a poll every Bondholder present in person or by proxy shall have one vote for every one pound principal amount of the Bonds (rounded down to the nearest whole number) of which he is the holder.

#### 20.12 **Powers of meetings of Bondholders**

20.12.1 The Bondholders, in addition to all other powers, may by Extraordinary Resolution and with the consent in writing of the Company:

(a) sanction any modification or compromise in any respect of the provisions of these Conditions or the rights of the Bondholders as Bondholders against the Company, whether such rights shall arise under these Conditions or otherwise and in particular (but without limitation) sanction any agreement for postponing or advancing the time for the payment of the principal moneys or interest payable in respect of the Bonds or reducing the rate of interest or for the capitalisation thereof or for the exchange of Bonds for other securities of the Company or any other company formed or hereafter to be formed; and

(b) assent to any modification of the provisions contained in these presents which shall be proposed by the Company.

20.12.2 Subject to Clause 19 of these Conditions, an Extraordinary Resolution shall be binding upon all the Bondholders and each of the Bondholders shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing of such resolution.

#### 20.13 **Participation by telephone conference etc**

Any Bondholder or his proxy may validly participate in a meeting of the Bondholders by conference telephone or other form of communication equipment if all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the chairman of the meeting is.

#### 20.14 **Minutes of meetings**

Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Company and any such minutes purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings held or by the Chairman of the next succeeding meeting of the Bondholders shall be conclusive evidence of the matters therein contained and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been signed shall be deemed to have been duly convened and held and all resolutions passed at such meeting to have been duly passed.

## 21 **AUDIT**

The accounts of the Company are subject to an annual mandatory audit and will be audited, and Bondholders of 10% (by value) or more of issued Bonds can require an audit of the Company's latest annual accounts, at their own expense.

## 22 **NOTICES**

### 22.1 **Notices given by the Company**

Any notice or other document (including Certificates) may be given or sent to any Bondholder by sending it by pre-paid recorded delivery or registered post (or registered airmail in the case of an address outside of the country of incorporation of the Company) addressed to such Bondholder at his registered address. In the case of joint registered holders of any Bonds, a notice given to the Bondholder whose name stands first in the Register in respect of such Bonds shall be sufficient notice to all joint holders. Notice may be given to the persons entitled to any Bonds in consequence of the death or bankruptcy of any Bondholder by sending the same to them by name or by the title of the representative or trustees of such holder, at the address (if any) in the country of incorporation of the Company supplied for the purpose by such persons or (until such address is supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.

### 22.2 **Notices given to the Company**

Any notice, demand or other document may be served on the Company either personally or by sending it by pre-paid recorded delivery or registered post (or registered airmail in the case of a notice, demand or other document sent from an address outside of the country of incorporation of the Company) addressed to the Company at its Registered Office (marked for the attention of the Company Secretary) or to such other address in Company's country of incorporation as the Company may from time to time notify to Bondholders.

### 22.3 **Deemed receipt**

Any notice given or document sent by pre-paid recorded delivery or registered post shall be deemed to be served or received at the expiry of 48 hours (in the case of registered airmail, five days) after the time when it is posted.

## 23 **GOVERNING LAW AND JURISDICTION**

This Deed and the Bonds shall be governed by and construed in accordance with laws of England and Wales. The Company irrevocably agrees that the Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Deed and the Bonds and irrevocably submits to the jurisdiction of such courts.

**SCHEDULE 1**

**Annex. Form of Certificate**

Certificate No.	Issue Date	Effective Date	Amount
•	•	•	•

**Chancery & Stone Plc (the "Company")**  
**(Registered in England and Wales under number 10193129)**  
**7% fixed rate secured Bonds due [] 2022**

**THIS IS TO CERTIFY THAT** the undermentioned is/are the registered holders of the amount shown below of the Bonds constituted by a trust deed between Burlingtons Legal LLP (as trustee) and the Company on 15<sup>th</sup> September 2017 (the "**Instrument**"). The Bonds are issued subject to and with the benefit of the provisions contained in the Instrument.

Interest will accrue and is payable from [date] (subject to any required deduction or withholding of tax) on the Bonds in accordance with the terms and conditions contained in the Instrument. The Interest Rate in respect of the fixed rate secured Bonds due [] 2022, are as set out in Clause 3 of the Conditions.

SIGNED

on the [ • ] day of [ • ] [ • ] by [ • ]

acting by

..... Director  
..... Full Name

in the presence of

..... Witness  
..... Full Name  
..... Address

**BONDS:**

1. Unless the context otherwise requires, or as is otherwise expressly provided below, words and expressions used in this certificate shall have the same meanings as set forth in the Instrument.
2. The Bonds are repayable in accordance with the terms and conditions set out in the Instrument.
3. A copy of the Instrument is available for inspection at the Company's registered office and will also be filed with the Gibraltar Financial Service Commission.
4. No transfer of the whole or any part of the Bonds represented by this certificate can be registered or a new certificate issued unless accompanied by this certificate or a certificate of indemnity in a form approved by the directors of the Company.



**SIGNATURE PAGE**

**EXECUTED** (but not delivered until the date hereof) and delivered as a **DEED** by **BURLINGTONS LEGAL LLP** acting by two members

Member

Signature: .....

Name (in block capitals) .....

Member

Signature: .....

Name (in block capitals) .....

**EXECUTED** (but not delivered until the date hereof) and delivered as a **DEED** by **CHANCERY & STONE PLC** acting by one director in the presence of a witness

Director

Signature: .....

Name (in block capitals) .....

Witness

Signature: .....

Name (in block capitals) .....