

**SUPPLEMENT DATED 22 MARCH 2016 TO THE BASE PROSPECTUS DATED 5 NOVEMBER 2015**



**KENNEDY WILSON EUROPE REAL ESTATE PLC**

*(a public limited company incorporated in Jersey under the Companies (Jersey) Law 1991, as amended, with registered no. 114680)*

**£2,000,000,000 Euro Medium Term Note Programme**

This Supplement (the “**Supplement**”) to the Base Prospectus (the “**Base Prospectus**”) dated 5 November 2015 which comprises a base prospectus constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 and is prepared in connection with the £2,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by Kennedy Wilson Europe Real Estate Plc (the “**Issuer**”). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Purpose of the Supplement**

The purpose of this Supplement is (a) to incorporate by reference (i) the Issuer's audited annual financial statements for the period from 1 January 2015 to 31 December 2015 (the “**2015 Annual Financial Statements**”) and (ii) certain other sections from the Issuer's 2015 annual report and accounts published on 22 March 2016 (the “**2015 Annual Report**”), (b) to update the “Selected Historical Key Financial Information” set out in the Base Prospectus and (c) to update certain statements set out in the Base Prospectus.

**Documents Incorporated by Reference**

- (i) The 2015 Annual Financial Statements, which have previously been published as part of the 2015 Annual Report and have been filed with the FCA, shall, by virtue of this Supplement, be incorporated in, and shall form part of, the Base Prospectus. The 2015 Annual Financial Statements comprise the information set out at the following pages of the 2015 Annual Report:

Independent auditors' report to the members of Kennedy Wilson Europe Real Estate Plc	Pages 82 to 84
Consolidated income statement	Page 85
Consolidated statement of comprehensive income	Page 86

Consolidated balance sheet	Page 87
Consolidated statement of changes in equity	Pages 88 to 89
Consolidated cash flow statement	Pages 90 to 91
Notes to the consolidated financial statements	Pages 92 to 144

- (ii) The information under the following headings in the 2015 Annual Report, which has previously been published and has been filed with the FCA, shall, by virtue of this Supplement, be incorporated in, and shall form part of, the Base Prospectus:

Performance review - Investment activity	Pages 39 to 41
Performance review - Portfolio management	Pages 42 to 47
Finance review	Pages 48 to 53
Additional Information - Portfolio statistics and EPRA disclosures	Pages 147 to 149

Copies of all documents incorporated by reference in the Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Issuing and Paying Agent as described on page 182 of the Base Prospectus. Copies of documents incorporated by reference in the Base Prospectus may also be viewed free of charge on the website of the Issuer at [www.kennedywilson.eu](http://www.kennedywilson.eu) and the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement. “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measures in the Relevant Member State.

Any non-incorporated parts of a document referred to in this Supplement are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement.

### **Selected Historical Key Financial Information**

The section titled “Selected Historical Key Financial Information” on pages 45-49 of the Base Prospectus is updated to include the tables set out in the Annex to this Supplement.

### **Statements**

#### *Share Capital*

Save as disclosed in the Base Prospectus:

- (a) since the date of its incorporation, no share or loan capital of the Issuer has been issued or agreed to be issued, or is now proposed to be issued, either for cash or any other consideration;

- (b) no commissions, discounts, brokerages or other special terms have been granted by the Issuer in connection with the issue or sale of any such capital; and
- (c) no share or loan capital of the Issuer is under option or has been agreed, conditionally or unconditionally, to be put under option.

*Directors' and Other Interests*

- (i) The Directors have the following shareholdings in the Issuer.

<i>Name</i>	<i>Shares held as at 21 March 2016</i>	
	<i>Number of Shares</i>	<i>% of share capital</i>
William McMorrow	80,916	0.06
Mark McNicholas	–	–
Simon Radford	–	–
Mary Ricks	120,916	0.09
Charlotte Valeur	–	–

Except as disclosed in this paragraph “*Statements – Directors' and Other Interests*”, the Issuer is not aware of interests of any Director, including any connected person of that Director, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Issuer, together with any options in respect of such capital as at 21 March 2016.

- (ii) As at 21 March 2016, except as set out below, in so far as is known to the Issuer, no person is directly or indirectly interested in 5% or more of the Issuer's capital or voting rights.

<b>Name</b>	<i>As at 21 March 2016</i>	
	<b>Number of Ordinary Shares</b>	<b>% of Issued Share Capital</b>
KW	27,550,731	20.27
Wellington <sup>(1)</sup>	20,423,658	15.02
Quantum	15,171,750	11.16
Franklin Templeton Portfolio Advisory <sup>(2)</sup>	10,243,000	7.53

(1) Held through various investment advisory clients of Wellington.

(2) Held through various funds and accounts managed by Franklin Templeton Portfolio Advisory.

The Shareholders listed in the table above do not have different voting rights to other Shareholders. The Companies Law imposes no requirement on Shareholders to disclose holdings of 5% (or any greater limit) or more of any class of the share capital of the Issuer. However, the Disclosure and Transparency Rules provide that certain persons (including Shareholders) are obliged to notify the Issuer if the proportion of the Issuer's voting rights which they own reaches, exceeds or falls below specific thresholds (the lowest of which is currently 5%).

- (iii) At the date of this Supplement:
  - (a) none of the Directors has any convictions in relation to fraudulent offences for at least the previous five years;

- (b) none of the Directors was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings; and
- (c) none of the Directors has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

*No significant change*

There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2015.

### **General Information**

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

## ANNEX

### Selected Historical Key Financial Information

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the 2015 Annual Financial Statements and should also be read in conjunction with the finance review on pages 48-53 of the 2015 Annual Report which has, by virtue of this Supplement, been incorporated in, and shall form part of, the Base Prospectus.

The financial information in this section has been extracted without material adjustment from the 2015 Annual Financial Statements.

#### Consolidated Income Statement

The table below shows the Issuer's consolidated income statement for the year ended 31 December 2015 and the period from incorporation on 23 December 2013 to 31 December 2014.

#### Consolidated income statement

	For the year ended 31 December 2015	For the period from incorporation on 23 December 2013 to 31 December 2014
	Audited	Audited
	<i>£m</i>	<i>£m</i>
<b>Revenue</b>		
Rental income	138.8	51.4
Hotel revenue	20.0	8.4
Interest income from loans secured by real estate	13.4	6.6
	<b>172.2</b>	<b>66.4</b>
Property related expenses	(22.7)	(8.3)
Hotel cost of sales	(14.4)	(4.3)
	(37.1)	(12.6)
<b>Gross profit</b>	<b>135.1</b>	<b>53.8</b>
Gain on sale of investment property and loan collateral	14.6	0.4
Net change in fair value of investment and development property	208.0	49.3
Net change in fair value of loans secured by real estate	5.1	6.0
Other gains	0.8	-
Gain on purchase of a business	-	1.8
	<b>363.6</b>	<b>111.3</b>
<b>Expenses</b>		
Administrative expenses	(15.9)	(14.6)
Investment management fee	(15.2)	(8.4)
Performance fee	(29.7)	-

	(60.8)	(23.0)
<b>Results from operating activities before financing income and costs</b>	<b>302.8</b>	<b>88.3</b>
Interest income from cash and cash equivalents	0.6	1.3
Finance costs	(36.8)	(9.2)
Net finance expense	(36.2)	(7.9)
<b>Profit before taxation</b>	<b>266.6</b>	<b>80.4</b>
Taxation	(7.6)	(1.9)
<b>Profit for the period after taxation</b>	<b>259.0</b>	<b>78.5</b>

## Consolidated Balance Sheet

The table below shows the Issuer's consolidated balance sheet as at 31 December 2015 and 31 December 2014.

### Consolidated balance sheet

	As at 31 December 2015	As at 31 December 2014
	Audited	Audited
	£m	£m
<b>Non-current assets</b>		
Investment and development property	2,500.2	1,218.3
Loans secured by real estate	179.2	211.0
Property, plant and equipment	59.2	59.7
Derivative financial assets	10.6	7.5
Deferred tax asset	1.5	-
	<b>2,750.7</b>	<b>1,496.5</b>
<b>Current assets</b>		
Inventories	0.3	0.3
Rent and other receivables	28.4	48.2
Assets held-for-sale	51.0	-
Cash and cash equivalents	326.5	441.9
	<b>406.2</b>	<b>490.4</b>
<b>Total assets</b>	<b>3,156.9</b>	<b>1,986.9</b>
<b>Current liabilities</b>		
Trade and other payables	(68.6)	(32.5)
Borrowings	(0.3)	-
Deferred income	(31.4)	(16.2)
	<b>(100.3)</b>	<b>(48.7)</b>
<b>Non-current liabilities</b>		
Trade and other payables	(3.3)	(2.4)
Borrowings	(1,414.0)	(545.9)
Derivative financial liabilities	(10.1)	-
	<b>(1,427.4)</b>	<b>(548.3)</b>
<b>Total liabilities</b>	<b>(1,527.7)</b>	<b>(597.0)</b>
<b>Net assets</b>	<b>1,629.2</b>	<b>1,389.9</b>
<b>Equity</b>		
Stated capital	1,322.2	1,314.9
Foreign currency translation reserve	(8.7)	(0.4)

Revaluation reserve	1.3	2.6
Share-based payments reserve	31.8	1.7
Retained earnings	282.6	71.1
<b>Equity attributable to owners of the Issuer</b>	<b>1,629.2</b>	<b>1,389.9</b>
Non-controlling interests <sup>(1)</sup>	-	-
<b>Total equity</b>	<b>1,629.2</b>	<b>1,389.9</b>

**Notes**

1. Non-controlling interests relate to certain development properties in Spain. At this time, such amounts are not material.



## Consolidated Cash Flow Statement

The table below shows the Issuer's consolidated cash flow statement for the year ended 31 December 2015 and the period from incorporation on 23 December 2013 to 31 December 2014.

### Consolidated cash flow statement

	For the year ended 31 December 2015	For the period from incorporation on 23 December 2013 to 31 December 2014
	Audited	Audited
	£m	£m
<b>Cash flows from operating activities</b>		
Profit for the period	259.0	78.5
<i>Adjustments for:</i>		
Net change in fair value of investment and development property	(208.0)	(49.3)
Net change in fair value of loans secured by real estate	(5.1)	(6.0)
Other gains	(0.8)	-
Gain on purchase of a business	-	(1.8)
Gain on sale of loan collateral	(5.0)	-
Gain on sale of investment property	(9.6)	(0.4)
Disposal of property, plant and equipment	0.2	-
Net finance cost	16.6	1.3
Amortisation of lease incentive	(1.6)	(1.5)
Amortisation of loan fees	3.4	-
Amortisation of bond discount	0.3	-
Taxation	7.6	1.9
Depreciation	2.2	0.7
Provision for impairment of accounts receivable	(0.3)	0.5
Performance fee	29.7	-
Investment management fee	5.6	4.2
<b>Operating cash flows before movements in working capital</b>	<b>94.2</b>	<b>28.1</b>
(Increase) in inventories	-	(0.1)
(Increase) in rent and other receivables	(11.9)	(10.6)
Increase in deferred rental income	13.9	16.2
Increase in trade and other payables	24.1	26.9
<b>Cash generated from operations</b>	<b>120.3</b>	<b>60.5</b>
Interest received	17.2	4.5
Interest paid	(21.1)	(4.7)
Derivative instruments	5.6	(2.9)
Tax paid	(1.4)	-

<b>Cash flows generated from operating activities</b>	<b>120.6</b>	<b>57.4</b>
<b>Investing activities</b>		
Acquisition/improvement of investment and development property	(1,065.7)	(905.6)
Deposits paid on investment and development property	(1.7)	(30.8)
Disposal of investment property	95.7	0.4
Purchase of property, plant and equipment	(4.0)	(0.1)
Acquisition of loans secured by real estate	(130.4)	(241.4)
Disposal of loans secured by real estate	28.7	36.4
Acquisition of business/subsidiary, net of cash acquired	-	(54.8)
<b>Cash flows used in investing activities</b>	<b>(1,077.4)</b>	<b>(1,195.9)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	-	1,282.4
Share issue costs	-	(39.5)
Proceeds from borrowings	925.7	519.0
Repayments of borrowings	(50.6)	(163.6)
Transaction costs related to loans and borrowings	(6.2)	(10.2)
Dividends paid	(47.5)	(7.4)
<b>Cash flows from financing activities</b>	<b>821.4</b>	<b>1,580.7</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(135.4)</b>	<b>442.2</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>441.9</b>	<b>-</b>
Foreign exchange movements	20.0	(0.3)
<b>Cash and cash equivalents at the reporting date</b>	<b>326.5</b>	<b>441.9</b>