



SELECT PROPERTY GROUP FINANCE PLC

proposed issue of
Sterling denominated 6.00 per cent. Bonds due 2023

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. YOU SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN SECTION 2 (*RISK FACTORS*) OF THIS PROSPECTUS. YOU SHOULD ALSO READ CAREFULLY SECTION 11 (*IMPORTANT LEGAL INFORMATION*)

Lead Manager

Cenkos Securities plc

PROSPECTUS DATED 22 September 2017

IMPORTANT NOTICES

About this document

This document (the “**Prospectus**”) has been prepared in accordance with the Prospectus Rules of the United Kingdom Financial Conduct Authority (the “**FCA**”) and relates to the offer by Select Property Group Finance plc (the “**Issuer**”) of its sterling denominated 6.00 per cent. bonds due 2023 (the “**Bonds**”) at a price of 100 per cent. of their nominal amount.

The Issuer’s payment obligations under the Bonds will be guaranteed (the “**Guarantee**”) by Select Property Group (Holdings) Limited (the “**Guarantor**”).

The Bonds are freely transferable debt instruments and are due to be issued by the Issuer on 13 October 2017. The nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100; however, the minimum subscription amount per investor is £2,000 of the Bonds in the initial distribution. The aggregate nominal amount of the Bonds to be issued will be specified in the Sizing Announcement published by the Issuer *via* the Regulatory News Service of the London Stock Exchange plc (“**RNS**”) on or around 6 October 2017.

The Bonds have not been and will not be registered under the United States Securities Act of 1933. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States.

This Prospectus contains important information about the Issuer, the Guarantor, the Bonds, the Guarantee and details of how to apply for the Bonds. This Prospectus also describes certain risks relevant to the Issuer and the Guarantor and also risks relating to an investment in the Bonds generally. You should read and understand fully the contents of this Prospectus before making any investment decisions relating to the Bonds.

Responsibility for the information contained in this Prospectus

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

Where information has been sourced from a third party, this information has been accurately reproduced and as far as each of the Issuer and the Guarantor is aware and is able to ascertain from information published by that 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.

Use of defined terms in this Prospectus

Certain terms or phrases in this Prospectus are defined in “**Double Quotation**” marks and subsequent references to that term are designated with Initial Capital Letters.

In this Prospectus, references to the “**Issuer**” are to Select Property Group Finance plc, which is the issuer of the Bonds and a wholly-owned subsidiary of the Guarantor. References to the “**Guarantor**” are to Select Property Group (Holdings) Limited. All references to the “**Group**” are to Select Property Group (Holdings) Limited and its consolidated subsidiaries taken as a whole. See Section 6 (*Description of the Issuer*) and Section 7 (*Description of the Guarantor and the Group*) for further details.

The Bonds and the Guarantee are unsecured

The Bonds constitute unsecured debt obligations (i.e. Bondholders will not have the benefit of any security) of the Issuer and the Guarantee constitutes an unsecured obligation of the Guarantor. The payment obligations of the Issuer and the Guarantor under the Bonds and the Guarantee will rank *pari passu* (i.e. equally

in right of payment) with all other outstanding unsecured and unsubordinated debt obligations of the Issuer and Guarantor, as the case may be.

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 (the “FSCS”). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer, the Guarantor or the Group as a whole.

Therefore (unlike in the case of a bank deposit), if the Issuer or the Guarantor were to become insolvent or go out of business, the Bondholders could lose all or part of their investment in the Bonds and no governmental body would be required to compensate them for such loss.

How to apply

Applications to purchase Bonds cannot be made directly to the Issuer or to the Guarantor. Bonds will be issued to you in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you.

After the closing time and date of the Offer Period, which is expected to be 12 noon (London time) on 5 October 2017 or such earlier time as may be communicated by the Issuer *via* RNS announcement, no Bonds will be offered for sale by or on behalf of the Issuer or the Guarantor or by or on behalf of any of the authorised financial intermediaries described in this Prospectus.

See Section 4 (*Timetable of the Offer and Key Dates*) and Section 5 (*How to Apply for the Bonds*) for more information.

Questions relating to this Prospectus and the Bonds

If you have any questions regarding the content of this Prospectus and/or the Bonds or the

actions you should take, you should seek advice from your independent financial adviser or other professional adviser before making any investment decisions.

HOW DO I USE THIS PROSPECTUS?

You should read and understand fully the contents of this Prospectus before making any investment decisions relating to any Bonds. An overview of the various sections comprising this Prospectus is set out below:

The “**SUMMARY**” section sets out in tabular format standard information which is arranged under standard headings and which the Issuer and Guarantor are required, for regulatory reasons, to include in a prospectus summary for a prospectus of this type.

The “**RISK FACTORS**” section describes the principal risks and uncertainties that may affect the Issuer’s and Guarantor’s respective abilities to fulfil their obligations in relation to the Bonds and the Guarantee.

The “**INFORMATION ABOUT THE BONDS**” section provides an overview of certain key features of the Bonds and the Guarantee in order to assist the reader.

The “**TIMETABLE OF THE OFFER AND KEY DATES**” section illustrates the key dates relating to the offer for the Bonds, the issue of the Bonds and payments to be made under the Bonds.

The “**HOW TO APPLY FOR THE BONDS**” section sets out important information relating to the application process for the Bonds.

The “**DESCRIPTION OF THE ISSUER**” section describes the Issuer.

The “**DESCRIPTION OF THE GUARANTOR AND THE GROUP**” section describes the Guarantor and the Group’s businesses and sectors in which they operate.

The “**MARKET OVERVIEW**” section given an overview of the markets in which the Group operates.

The “**SUBSCRIPTION AND SALE**” section contains a description of the material provisions of the subscription agreement, which includes the selling restrictions applicable to the Bonds.

The “**TAXATION**” section provides a brief outline of certain taxation matters that may be applicable in relation to the Bonds and the Guarantee.

The “**ADDITIONAL INFORMATION**” section sets out further information which the Issuer is required to include under applicable rules.

The “**IMPORTANT LEGAL INFORMATION**” section contains some important legal information regarding the basis on which this Prospectus may be used for the purposes of making offers of the Bonds.

The “**TERMS AND CONDITIONS OF THE BONDS**” section sets out the terms and conditions which apply to the Bonds and the Guarantee.

The “**SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM**” section is a summary of certain parts of those provisions which apply to the Bonds while they are held in global form by the clearing systems, some of which include minor and/or technical modifications to the terms and conditions of the Bonds as set out in the preceding section in this Prospectus.

The “**FINANCIAL STATEMENTS**” section sets out important historical financial information relating to the Group.

A “**TABLE OF CONTENTS**” section, with corresponding page references, appears on the following page.

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SECTION 1 - SUMMARY

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 issuer. 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 issuer, 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 - Introduction and warnings	
A.1	<p>This summary must be read as an introduction to this Prospectus. Any decision to invest in the sterling denominated 6.00 per cent. bonds due 2023 (the “Bonds”) of Select Property Group Finance plc (the “Issuer”) should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this 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 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 Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such Bonds.</p>
A.2	<p>Each of the Issuer and Select Property Group (Holdings) Limited (the “Guarantor”) consents to the use of this Prospectus in connection with any Public Offer (as defined below) of Bonds, including any subsequent resale or final placement of Bonds by financial intermediaries, in the United Kingdom during the period commencing from the date of this Prospectus until 12 noon (London time) on 5 October 2017 (the “Offer Period”), or such earlier time and date as may be agreed between the Issuer, the Guarantor and Cenkos Securities plc (the “Lead Manager”), by:</p> <ul style="list-style-type: none"> (i) the Lead Manager; and (ii) any financial intermediary (an “Authorised Offeror”) which satisfies the Authorised Offeror Terms and other conditions as set out below. <p>The “Authorised Offeror Terms” are that the relevant financial intermediary represents and agrees that it:</p> <ul style="list-style-type: none"> (a) is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (“MiFID”) (in which regard, you should consult the register of authorised entities maintained by the Financial Conduct Authority (“FCA”) at www.fca.org.uk/firms/systems-reporting/register). MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors; (b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “Rules”), including the Rules published by the FCA (including its guidance for distributors in “<i>The Responsibilities of Providers and Distributors for the Fair Treatment of Customers</i>”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential investor; (c) complies with the restrictions set out under Section 9 (“<i>Subscription and Sale</i>”) in this Prospectus which would apply as if it were the Lead Manager;

- (d) ensures that any fee (and any commissions, rebate or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and is fully and clearly disclosed to investors or potential investors;
- (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under the Financial Services and Markets Act 2000 (“FSMA”) and/or the Financial Services Act 2012;
- (f) complies with and takes appropriate steps in relation to applicable anti-money laundering, anti-bribery and “know your client” Rules, and does not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the Lead Manager, the Issuer and the Guarantor or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Guarantor and/or the Lead Manager in order to enable the Issuer and/or the Guarantor and/or the Lead Manager to comply with anti-money laundering, anti-bribery and “know your client” Rules applying to the Issuer and/or the Guarantor and/or the Lead Manager;
- (h) does not, directly or indirectly, cause the Issuer, the Guarantor or the Lead Manager to breach any Rule or subject the Issuer, the Guarantor or the Lead Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (i) agrees and undertakes to indemnify each of the Issuer, the Guarantor and the Lead Manager (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel’s fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor or the Lead Manager;
- (j) will immediately give notice to the Issuer, the Guarantor and the Lead Manager if at any time such Authorised Offeror becomes aware or suspects that they are or may be in violation of any Rules or the Authorised Offeror Terms, and will take all appropriate steps to remedy such violation and comply with such Rules and the Authorised Offeror Terms in all respects;
- (k) will not give any information other than that contained in this document (as may be amended or supplemented by the Issuer and the Guarantor from time to time) or the information booklet prepared by the Issuer, the Guarantor and the Lead Manager or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Bonds;
- (l) agrees that any communication in which it attaches or otherwise includes the Prospectus or any announcement published by the Issuer *via a* Regulatory Information Service at the end of the Offer Period will be consistent with the Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and the Guarantor and must expressly

- confirm that neither the Issuer nor the Guarantor accepts any responsibility for content of any such communication;
- (m) will not use the legal or publicity name of the Lead Manager, the Issuer, the Guarantor (other than to describe such entity as a Manager, the Issuer or the Guarantor of the Bonds (as applicable)) or any other name, brand or logo registered by the Guarantor or any of its subsidiaries or any material over which any member of the Guarantor or its subsidiaries retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Bonds; and
- (n) agrees and accepts that:
- (i) the contract between the Issuer, the Guarantor and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Agreement**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Agreement, shall be governed by, and construed in accordance with, English law;
 - (ii) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Agreement) and accordingly submits to the exclusive jurisdiction of the English courts; and
 - (iii) the Lead Manager will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Agreement which are, or are expressed to be, for its benefit, including the agreements, representations, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any financial intermediary who wishes to use this Prospectus in connection with a Public Offer as set out above is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Issuer and the Guarantor and the conditions attached thereto in the following form (with the information in square brackets completed with the relevant information):

*"We, [specify name of financial intermediary], refer to the offer of sterling denominated 6.00 per cent. bonds due 2023 (the "**Bonds**") described in the Prospectus dated 22 September 2017 (the "**Prospectus**") published by Select Property Group Finance plc (the "**Issuer**") and Select Property Group (Holdings) Limited (the "**Guarantor**"). In consideration of the Issuer and Guarantor together offering to grant their consent to our use of the Prospectus in connection with the offer of the Bonds in the United Kingdom during the Offer Period in accordance with the Authorised Offeror Terms (as specified and as defined in the Prospectus), we hereby accept the offer by the Issuer and the Guarantor. We confirm that we are authorised under MiFID to make, and are using the Prospectus in connection with, the Public Offer accordingly. Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Prospectus."*

A Public Offer may only be made, subject to the conditions set out above, during the Offer Period by the Issuer, the Guarantor, the Lead Manager or the Authorised Offerors. A "**Public Offer**" in this context means any offer of Bonds that does not fall within an exemption from the requirement to publish a Prospectus under Directive 2003/71/EC, as amended (the "**Prospectus Directive**").

Other than as set out above, neither the Issuer nor the Guarantor has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this

Prospectus in connection with any offer of Bonds. Any such offers are not made on behalf of the Issuer, the Guarantor, the Lead Manager or any Authorised Offeror and none of the Issuer, the Guarantor, the Lead Manager or any Authorised Offeror has any responsibility or liability for the actions of any person making such offers.

If you intend to acquire or do acquire any Bonds from an Authorised Offeror, you will do so, and offers and sales of the Bonds to you by such an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and you including as to price, allocations and settlement arrangements at the time the offer and sale is made.

Neither the Issuer nor the Guarantor will be a party to any such arrangements with you in connection with the offer or sale of the Bonds and, accordingly, this Prospectus does not contain such information.

The information relating to the procedure for making applications and the terms and conditions of the offer by the Lead Manager or by any financial intermediary will be provided by the Lead Manager or the relevant financial intermediary (as applicable) to you at the time of such offer.

Section B – The Issuer and the Guarantor		
B.1 (B.19)	Legal and commercial names	The Issuer’s legal and commercial name is Select Property Group Finance plc. The Guarantor’s legal and commercial name is Select Property Group (Holdings) Limited.
B.2 (B.19)	Domicile and legal form	The Issuer is a public limited company incorporated and registered in England and Wales under the Companies Act on 19 July 2017 with registered number 10874449. The Guarantor is a private limited company incorporated and registered in England and Wales under the Companies Act on 25 March 2014 with registered number 08958577.
B.4b (B.19)	Description of any known trends affecting the Issuer and the Guarantor	The Group believes that the United Kingdom managed residential real estate market in which the Group operates has experienced a growing trend of positive investor sentiment. The Group considers that this trend has been supported by factors, including: <ul style="list-style-type: none"> (i) the availability of bank debt financing to borrowers / developers helped by government initiatives and measures that the banks have taken to re-capitalise and re-finance themselves; and (ii) a relatively attractive investment yield opportunity that the United Kingdom managed residential real estate market presently offers as an asset class to institutional investors. <p>The sentiment is supported by structural growth in the underlying market driving demand for the type of properties that the Group is developing:</p> <ul style="list-style-type: none"> (a) UK university student numbers growing 3 per cent. between 2012 and 2016 and particularly growth in top universities (9.6

		<p>per cent. growth in Russell Group during the same period)¹; and</p> <p>(b) Government research suggests that there is a residential property under-supply in the UK and further, that an increasing number of 25-34 year olds are renting rather than buying properties. In the years between 2005 and 2016 the number of 25-34 year olds living in the private rented sector grew by 22 per cent.²</p>
B.5 (B.19)	Description of the Group	<p>The Issuer is a special purpose company established to raise money for the corporate purposes of the Group. The Issuer is a wholly-owned subsidiary of the Guarantor.</p> <p>The Guarantor is the ultimate holding company of the Group. Its principal assets are its shares in certain subsidiaries within the Group, as well as inter-company loans outstanding with certain subsidiaries within the Group. The Guarantor is responsible for the overall business strategy and performance of the Group.</p> <p>The Guarantor had 87 wholly-owned UK subsidiary companies as at 31 August 2017 (excluding the Issuer, which the Guarantor incorporated as a UK subsidiary in July 2017) and three overseas-registered subsidiaries which operate its representative offices. The Group had 351 members of staff in the UK and 76 members of staff outside the UK as at 31 August 2017. As at 31 August 2017, the Group had developed and delivered to practical completion 2,855 student units³ across sites in Liverpool, Manchester, Bristol, Exeter, Southampton, Sheffield, Newcastle, York and Glasgow. As at 31 August 2017, a further 846 student units were due to be delivered by the end of 2017 across sites in York, Newcastle and Manchester. The Group has a further 241 serviced apartments in operation in Manchester under the CitySuites brand. As at 12 September 2017, the Group had a further 941 student units under construction with planning consent scheduled for completion in 2018 and aims to have a total of approximately 3,087 further student units delivered and operational by 2020.⁴</p> <p>This would bring the total size of the Group’s student property estate under management to approximately 6,788 lettable residential units (but there can be no assurance that these units will be completed as scheduled). The principal activities of the Group are in the development, sales and marketing and management/operation of residential property brands, including in the purpose-built student accommodation, build-to-rent and luxury serviced apartment sectors.</p>
B.9 (B.19)	Profit forecasts or estimates	Not applicable; neither the Issuer nor the Guarantor has made any public profit forecast or profit estimate.

¹ HESA Data 2012 – 2016

² DCLG English Housing Survey – Private Rented Sector 2015-16

³ A “student unit” means a studio apartment, twin/double room, triple room, or a room within a four to six bedroom cluster apartment.

⁴ 1029 student units at sites in Cardiff, Brighton and Leeds Portland Crescent are subject to planning.

<p>B.10 (B.19)</p>	<p>Qualifications in the audit reports</p>	<p>Not applicable; none of the audit reports on the Guarantor’s audited consolidated financial statements for the financial years ended 31 December 2015 or 31 December 2016 included any qualifications.</p>
<p>B.12 (B.19)</p>	<p>Selected historical financial information</p>	<p>The following summary financial data as of, and for each of the financial years ended, 31 December 2015 and 31 December 2016 has been extracted, without any material adjustment, from the Guarantor’s financial statements (the “Guarantor’s Financial Statements”) in respect of those dates.</p> <p>The Guarantor’s Financial Statements are attached as Section 15 to the Prospectus.</p> <p>As at the date of this Prospectus, no financial statements have been prepared in respect of the Issuer since its date of incorporation (i.e. 19 July 2017).</p> <p>Save as described in the following paragraph, there has been no significant change in the financial or trading position of the Guarantor or of the Guarantor and its consolidated subsidiaries taken as a whole (together, the “Group”) since the end of the last period covered by the financial information (i.e. 31 December 2016). There has been no material adverse change in the prospects of the Guarantor or the Group since 31 December 2016.</p> <p>As at 31 December 2016, total borrowings of the Group (being borrowings included in Non-Current Liabilities and borrowings included in Current Liabilities of the financial statements of the Guarantor) were £176.4 million compared with £34.7 million as at 31 December 2015 and as at 30 June 2017 (unaudited), borrowings of the Group were £273.5 million. As at 31 December 2016 total property assets (being Property included within Property Plant and Equipment, Investment Property and Inventories as set out in the financial statements of the Guarantor (calculated on the basis of the sum of the property values of each individual subsidiary of the Guarantor, on an aggregate basis)) were £265.8 million compared with £74.1 million as at 31 December 2015 and total property assets of the Group as at 30 June 2017 (unaudited) were £347.3 million. Therefore, as at 31 December 2016 property assets represented approximately 151 per cent. of total borrowings of the Group (214 per cent. as at 31 December 2015) and as at 30 June 2017 (based on unaudited numbers) total property assets represented approximately 127 per cent. of total borrowings of the Group and the Group expects this percentage figure to increase when properties are revalued at their completion.</p> <p>There has been no significant change in the financial or trading position of the Issuer, and there has been no material adverse change in the prospects of the Issuer, in either case since the date of its incorporation. The Issuer has no subsidiaries.</p> <p>Key consolidated financial information of Select Property Group (Holdings) Limited</p>

Consolidated Income Statement

	Audited year ended 31 December 2016 £'000	Audited year ended 31 December 2015 £'000
Revenue	105,384	66,487
EBITDA before exceptionals, fair value adjustments, interest and share-based payments*	15,354	3,397
EBITDA*	8,014	(1,800)
Operating profit/(loss)	7,534	(2,189)
Profit/(loss) before tax	2,692	(4,257)
Profit/(loss) after tax	1,941	(3,766)

Consolidated Balance sheet

	Audited year ended 31 December 2016 £'000	Audited year ended 31 December 2015 £'000
Non-current assets	201,078	62,873
Current Assets	107,254	54,378
Current liabilities	(134,911)	(64,470)
Net current liabilities	(27,657)	(10,092)
Total assets less current liabilities	173,421	52,781
Non-current liabilities	(162,214)	(42,265)
Net Assets	11,207	10,516

Consolidated Cash flow statement

	Audited year ended 31 December 2016 £'000	Audited year ended 31 December 2015 £'000
Cash flows from operating activities	4,626	7,377
Net cash from operating activities	5,505	7,360
Net cash from investing activities	(124,987)	(32,320)
Net cash from financing activities	119,883	21,714
Increase/(decrease) in cash in year	401	(3,246)

***EBITDA** is a non-IFRS profit measure which is defined as operating profit before interest, taxation, depreciation and amortisation. EBITDA (before exceptional items, fair value adjustments, interest and share based payments) is defined as operating profit before exceptional items, fair value adjustments, share based payments, interest, depreciation and amortisation. Each of the constituent parts of EBITDA and EBITDA (before exceptional items, fair value adjustments, interest and share based payments) appears in the consolidated income statement of the Guarantor's Financial Statements or the Notes to the Financial Statements.

Since not all companies calculate EBITDA (before exceptional items, fair value adjustments, interest and share based payments) or EBITDA in the same way, the presentation of EBITDA (before exceptional items, fair value adjustments, interest and share based payments) or EBITDA may not be consistent with similar profit measures used in other companies.

The board of the Guarantor believes that the presentation of EBITDA (before exceptional items, fair value adjustments, interest and share based payments) and EBITDA provides useful information to enable investors to compare the performance of the business from period to period. Measures broadly similar to EBITDA (before exceptional items, fair value adjustments, interest and share based payments) and EBITDA are used by

		<p>analysts and investors in assessing historic performance. The IFRS measure most directly comparable to EBITDA is operating profit from continuing operations (as shown in the Guarantor’s consolidated income statement). The IFRS measure most directly comparable to EBITDA (before exceptional items, fair value adjustments, interest and share based payments) is operating profit from continuing operations before exceptional items, fair value adjustments, interest and share based payments.</p> <p>The following table sets forth the reconciliation of operating profit to EBITDA and EBITDA (before exceptionals, fair value adjustments, interest and share based payments):</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;">Year ended 31 December 2016 £'000</th> <th style="text-align: right; width: 20%;">Year ended 31 December 2015 £'000</th> </tr> </thead> <tbody> <tr> <td>Operating profits/(loss).....</td> <td style="text-align: right;">7,534</td> <td style="text-align: right;">(2,189)</td> </tr> <tr> <td>Add back:</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">426</td> <td style="text-align: right;">363</td> </tr> <tr> <td style="padding-left: 20px;">Amortisation</td> <td style="text-align: right; border-bottom: 1px solid black;">54</td> <td style="text-align: right; border-bottom: 1px solid black;">26</td> </tr> <tr> <td>EBITDA.....</td> <td style="text-align: right; border-bottom: 1px solid black;">8,014</td> <td style="text-align: right; border-bottom: 1px solid black;">(1,800)</td> </tr> <tr> <td>Add back:</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Exceptionals</td> <td style="text-align: right;">1,919</td> <td style="text-align: right;">714</td> </tr> <tr> <td style="padding-left: 20px;">Fair value adjustments</td> <td style="text-align: right;">262</td> <td style="text-align: right;">(2,799)</td> </tr> <tr> <td style="padding-left: 20px;">Interest and share based payments</td> <td style="text-align: right; border-bottom: 1px solid black;">5,159</td> <td style="text-align: right; border-bottom: 1px solid black;">7,282</td> </tr> <tr> <td>EBITDA (before exceptionals, fair value adjustments, interest and share based payments)</td> <td style="text-align: right; border-bottom: 3px double black;">15,354</td> <td style="text-align: right; border-bottom: 3px double black;">3,397</td> </tr> </tbody> </table>		Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000	Operating profits/(loss).....	7,534	(2,189)	Add back:			Depreciation	426	363	Amortisation	54	26	EBITDA.....	8,014	(1,800)	Add back:			Exceptionals	1,919	714	Fair value adjustments	262	(2,799)	Interest and share based payments	5,159	7,282	EBITDA (before exceptionals, fair value adjustments, interest and share based payments)	15,354	3,397
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B.13 (B.19)	Recent events relevant to the evaluation of the Issuer’s and/or the Guarantor’s solvency	Not applicable; there have been no recent events particular to the Issuer or the Guarantor which are to a material extent relevant to the evaluation of either the Issuer’s and/or the Guarantor’s solvency.																																	
B.14 (B.19)	Description of the Group	<p>Please see Element B.5 above.</p> <p>The Issuer is a wholly-owned subsidiary of the Guarantor. The Issuer’s only material assets will be the loans advanced by the Issuer to the Guarantor’s subsidiaries and the obligation of the Guarantor and/or the relevant subsidiaries to repay funds that the Issuer on lends to the Guarantor’s subsidiaries back to the Issuer. The Issuer is therefore dependent on the Guarantor and the Group to satisfy its obligations in full and on a timely basis.</p> <p>The Guarantor is the ultimate holding company of the Group. Its principal assets are its shares in subsidiaries within the Group that it directly owns, as well as inter-company loans outstanding with those Group subsidiaries. The Guarantor is responsible for the overall business strategy and performance of the Group, conducts the majority of its operations through its subsidiaries, and is dependent on the financial performance of its subsidiaries and payments of dividends and intercompany payments (both advances and repayments) from these subsidiaries to meets its debt obligations - including its ability to fulfil its</p>																																	

		obligations under its guarantee of the Bonds (were that guarantee to be called upon).
B.15 (B.19)	Issuer's and Guarantor's principal activities	<p>The Issuer is a special purpose company established for the purpose of issuing publicly traded debt and making the proceeds thereof available to the Guarantor and its other subsidiaries within the Group, the majority of which are registered and undertaking activities in the UK (the Group had 87 wholly-owned UK subsidiaries (not including the Issuer) as at 31 August 2017). The Group also has three overseas-registered subsidiaries to support representative offices in Singapore, China and Australia, their activities principally involving the sales and lettings of the Group's own UK situated property assets, as well as a sales and marketing office in Dubai from which the Group operates its sales and marketing initiatives throughout the Middle East region.</p> <p>The Guarantor is the ultimate holding company of the Group. Its principal assets are its shares in various subsidiaries within the Group and a number of inter-company loans made to certain subsidiaries within the Group. The Guarantor is responsible for the overall business strategy and performance of the Group.</p> <p>The principal activities of the Group are in the development, sales and marketing and management/operation of properties run under its residential property brands, including in the purpose-built student accommodation, build-to-rent and luxury serviced apartment sectors. The Group either holds these assets on its balance sheets or sells the properties through its international retail sales platform.</p>
B.16 (B.19)	Whether the Issuer and/or the Guarantor are directly or indirectly owned or controlled	<p>The entire share capital of the Issuer is owned by the Guarantor.</p> <p>The ultimate controlling shareholder of the Guarantor, and therefore the Group, is Mark Stott, who is a Director of both the Issuer and the Guarantor. Mark Stott currently owns approximately 77 per cent. of the ordinary shares in the Guarantor (which attract 77 per cent. of the voting rights and 58 per cent. of the economic rights in the Guarantor).</p>
B.17 (B.19)	Credit ratings	Not applicable; neither the Issuer nor the Guarantor nor any of their respective debt securities (if any) has been assigned any credit ratings by any credit rating agency.
B.18	Guarantee	The Guarantor will guarantee the payment of all sums payable by the Issuer in respect of the Bonds. Therefore, if the Issuer fails to make payment due to the Bondholders in respect of the Bonds, the Guarantor will be legally bound to make such payment.

Section C – Securities		
C.1	Type and class of the Bonds	The sterling denominated 6.00 per cent. bonds due 2023 will be issued in registered form on 13 October 2017 (the “ Issue Date ”). The nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100.

		The International Securities Identification Number (ISIN) for the Bonds is XS1691802703 and the Common Code is 169180270.
C.2	Currency of the Bonds	Pounds sterling
C.5	Restrictions on transferability of the Bonds	Not applicable; there are no restrictions on the free transferability of the Bonds.
C.8	Rights attached to the Bonds	<p><i>Status of the Bonds and the Guarantee</i></p> <p>The Bonds constitute unsecured debt obligations of the Issuer. The Bonds will rank <i>pari passu</i> (i.e. equally in right of payment), without any preference between themselves, with all other outstanding unsecured and unsubordinated debt obligations of the Issuer.</p> <p>The Guarantee constitutes an unsecured obligation of the Guarantor. The payment obligations of the Guarantor under the Guarantee will rank <i>pari passu</i> with all other outstanding unsecured and unsubordinated debt obligations of the Guarantor.</p> <p><i>Negative Pledge</i></p> <p>The Bonds contain a negative pledge provision with respect to the Guarantor and its subsidiaries. Under the negative pledge provision set out in the Terms and Conditions of the Bonds, the Guarantor is not permitted to create or at any time have outstanding, and shall procure that its subsidiaries may not create or have outstanding, any security interest over any of its or their present or future business, undertakings, assets or revenues to secure certain financial indebtedness without securing the Bonds equally, subject to certain exceptions.</p> <p><i>Financial Covenants</i></p> <p>The Guarantor has, pursuant to covenants contained in the Conditions of the Bonds, undertaken to maintain certain financial ratios with respect to certain entities in its Group for so long as the Bonds are outstanding.</p> <p>Pursuant to these covenants, the Guarantor has agreed that each relevant member of the Group which borrows directly or indirectly from the Issuer must ensure that its Net Available Properties Value is not less than its external unsecured debt (i.e. debt which is not non-Issuer intra-group debt and which is not secured on such borrower's property assets). If (after having borrowed Bond proceeds from the Issuer) any relevant member of the Group ceases to comply with this minimum ratio, then the Guarantor must ensure that, across the remaining Group members (i.e. across all subsidiaries of the Guarantor who are not for the time being borrowing Bond proceeds from the Issuer, on an aggregate individual basis), the aggregate Net Available Properties Value of such non-borrowing Group members is not less than 130 per cent. of the aggregate of (i) any unsecured debt (excluding non-Issuer intra group debt) not covered by the relevant borrowers' own Net Available Properties Value and (ii) the external unsecured debt (excluding non-Issuer intra group debt) of such non-borrowing Group members.</p> <p>“Net Available Properties Value” is for these purposes defined in the Conditions of the Bonds to mean the total properties value of the relevant Group entity (or</p>

	<p>entities), less the total debt secured on the property assets of such entity (or entities).</p> <p><i>For example:</i></p> <p>In order for a relevant member of the Group (i.e. a potential borrower) to borrow £10 million of Bond proceeds from the Issuer, that borrower, to the extent that it has no other outstanding debt, must at that time have at least £10 million of Net Available Properties Value. If for any reason that ceases to be the case in respect of any borrower (after having borrowed Bond proceeds from the Issuer), and a particular borrower has, for example, only £9 million of Net Available Properties Value, then the Group’s non-borrowing members aggregated as a whole must have at least £1.3 million of Net Available Properties Value (assuming they have no other outstanding external debt – excluding non-Issuer intra group debt).</p> <p>The covenant is intended to limit security granted over property assets of the Guarantor’s subsidiaries on an individual, borrower-by-borrower (as opposed to consolidated), basis; and the covenant is also designed to restrict the ability of the Guarantors’ subsidiaries to incur excess external borrowings relative to unsecured debt obligations owing to the Issuer in connection with the Bonds.</p> <p>However, investors should be aware that this covenant does not ensure that there will be funds available to pay amounts due under the Bonds on a timely basis as they fall due. Furthermore, the Guarantor is not restricted from incurring significant amounts of additional indebtedness (including indebtedness to fund acquisitions), which may include indebtedness of its subsidiaries which are not guarantors under the Bonds and indebtedness which can be secured over the assets of the Group. The Guarantee provided by the Guarantor in respect of the Bonds will be structurally subordinated to creditors of any subsidiaries of the Guarantor, meaning that, in an insolvency scenario, creditors of such subsidiaries (which creditors could include the Issuer however, in the case of members of the Group who are borrowing Bond proceeds from the Issuer) would be expected to be paid first before remaining funds (if any) are distributed up to the Guarantor to be made available to Bondholders in the event that the Guarantee were called upon.</p>
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		<p><i>Optional early repayment by Issuer for tax reasons</i></p> <p>In the event that the Issuer or Guarantor becomes required to increase the amounts payable in respect of the Bonds on account of tax as a result of any change in, amendment to, or change in the application or official interpretation of, the laws or regulations of a Relevant Jurisdiction (which includes the United Kingdom), which change or amendment becomes effective after the Bonds have been issued, the Bonds may be redeemed (i.e. repaid early) if the Issuer chooses to do so in whole, but not in part, at any time. The redemption price in these circumstances is at the nominal amount of the Bonds plus accrued interest (if any) as at the relevant time.</p> <p><i>Optional early repayment by the Issuer</i></p> <p>The Bonds may be redeemed (i.e. repaid to investors) early, at any time, if the Issuer chooses to do so, at 100 per cent. of their nominal amount or, if higher, an amount calculated by reference to the then current yield of the UK 2.25 per cent. Treasury Gilt due 2023 plus a margin of 0.50 per cent., together with any accrued interest.</p> <p><i>Meetings of Bondholders</i></p> <p>The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting the interests of the Bondholders. These provisions permit certain majorities to bind all Bondholders including Bondholders who did not vote on the relevant resolution and Bondholders who did not vote in the same way as the majority did on that resolution.</p>
C.9	<p>Rights attached to the Bonds</p>	<p><i>Interest rate</i></p> <p>The Bonds will accrue interest from and including the Issue Date at the fixed rate of 6.00 per cent. per annum. The interest on the Bonds is payable twice a year at the end of the interest period to which the payment relates. It is payable in equal instalments of £3.00 per £100 in nominal amount of the Bonds on 13 April and 13 October in each year (each, an “Interest Payment Date”). The final payment of interest will be made on the Maturity Date (as defined below).</p> <p><i>Interest Service Reserve Account</i></p> <p>On the Issue Date, the Guarantor will pay a cash amount (defined in the Conditions of the Bonds as, the “Required Account Balance”) into a designated bank account held in the name of the Issuer. The Issuer has undertaken to maintain the Required Account Balance in such bank account until the first anniversary of the Issue Date (and therefore, until the second Interest Payment Date). The ‘Required Account Balance’ is defined in the Conditions of the Bonds to mean a sterling cash amount which, (i) up until the first Interest Payment Date (falling on 13 April 2018), is equal to the first two interest payments that are due to be paid on the Bonds and, (ii) following the first Interest Payment Date up until the second Interest Payment Date (falling on 13 October 2018), is an amount equal to the interest payment due to be paid on that second Interest Payment Date.</p> <p>After the second interest payment has been paid by the Issuer, the balance (if any) of this designated bank account will be reduced to zero and the account closed. This Interest Service Reserve Account provision is designed to ensure that, until</p>

		<p>the first anniversary of the Issue Date, the Issuer has sufficient cash in hand to service interest payments as they fall due under the Bonds. Investors should note that no similar arrangement exists following the second Interest Payment Date up until the Maturity Date (as defined below) however; and therefore, following that second Interest Payment Date on the first anniversary of the Issue Date, the Issuer will be wholly dependent on receiving amounts from other members of the Guarantor’s Group in order to meet the Issuer’s payment obligations to Bondholders as they fall due. Accordingly, Bondholders are exposed to the risk that members of the Guarantor’s Group are unable to pay amounts owing to the Issuer as they fall due.</p> <p><i>Maturity Date</i></p> <p>The Bonds will mature and become fully repayable on 13 October 2023 (the “Maturity Date”).</p> <p><i>Indication of yield</i></p> <p>On the basis of the Bonds originally being issued at a price of 100 per cent. of their nominal amount, the initial yield of the Bonds on the Issue Date is 6.00 per cent. on an annual basis. This initial yield is not an indication of future yield.</p> <p><i>Trustee acting on behalf of the Bondholders</i></p> <p>U.S. Bank Trustees Limited</p>
C.10	Derivative component of the Bonds	Not applicable; the interest rate on the Bonds is fixed and there is not a 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.
C.11	Listing and admission to trading	Application will be made to the United Kingdom Financial Conduct Authority for the Bonds to be admitted to its Official List and to the London Stock Exchange plc for such Bonds to be admitted to trading on its regulated market and through its order book for retail bonds (ORB) market. It is expected that admission will occur on or about 16 October 2017.

Section D – Risks		
D.2	Key risks that are specific to the Issuer and the Guarantor	<p>Summary of key risks that may affect the Issuer and/or the Group:</p> <ul style="list-style-type: none"> • The Issuer is a special purpose company established to issue the Bonds (and any further bonds issued in accordance with the Terms and Conditions of the Bonds) and is dependent on the Guarantor and other subsidiaries of the Guarantor to make payments under the Bonds. • Save for the shares it owns in its subsidiaries and the benefit of any inter-company loans made by the Guarantor to those subsidiaries, the Guarantor does not own substantial assets of its own, therefore is dependent on other subsidiaries within its Group. • The Guarantor and its subsidiaries have various creditors who, in a winding-up scenario, would be paid first before any amounts were made available to the Guarantor for the purposes of meeting its obligations to Bondholders

		<p>under the Guarantee (if the Guarantee were called upon). In the event that there are insufficient assets available to the Guarantor after all prior ranking creditors of the Guarantors' other subsidiaries had been paid out in full in an insolvency scenario, the Guarantor would be unable to pay back all amounts owing to Bondholders were the Guarantee called upon, and accordingly Bondholders would not receive all amounts owing to them under the Guarantee.</p> <ul style="list-style-type: none"> • The Group is exposed to a number of general risks relating to the nature of investment in property, including but not limited to: <ul style="list-style-type: none"> • Fall in property valuation due to market forces and/or regulatory changes; • Fall in net revenue due to market forces and/or regulatory changes; • Increased competition from other developers (for sites) and operators (for tenants); • Legal and regulatory changes, including changes to statutory rights of tenants, impacting business model; • Deterioration in investment appetite or liquidity; • Dependence on factors outside of the Group's control; • Impact of acts of terrorism or cyber-related crime; • Environmental risks such as flooding and adverse weather conditions; and • Uninsured financial losses. • Real estate valuations may fall or valuations may be difficult to realise due to market forces as a result of political policy, legal or regulatory changes, or economic uncertainty. • The Group's business faces risks associated with cost inflation, cost overruns of development projects and delays to completion, and which delays may in turn impact lettings. • Members of the Group may be impacted by legal and or regulatory changes affecting corporate activities, property development activities, investment activities and/or lettings and management activities. • The Group faces risks associated with the continuing availability of access to funding on favourable commercial terms.
D.3	Key risks that are specific to the Bonds	<p>Summary of key risks that are specific to the Bonds to be issued:</p> <ul style="list-style-type: none"> • Unlike a bank deposit, the Bonds are not protected by the Financial Services Compensation Scheme ("FSCS"). Therefore (unlike in the case of a bank deposit), if the Issuer or the Guarantor were to become insolvent or go out of business, the Bondholders may lose all or part of their investment in the Bonds and no governmental body would be required to compensate them for such loss.

		<ul style="list-style-type: none"> • Defined majorities may be permitted to bind all the Bondholders with respect to modification and waivers of the Conditions of the Bonds, even if they did not attend or vote. Therefore, for instance, if a significant majority of Bondholders were to vote to amend a Condition of the Bonds (for example, if they voted to change the final maturity date of the Bonds) then that amendment would be binding on all Bondholders (even if they voted against the change in the maturity date). • A market for the Bonds may not develop, or may not be very liquid and such illiquidity may have a severely adverse effect on the market value of the Bonds. • Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If interest rates rise, then the rate of income payable on the Bonds may become relatively less attractive to investors.
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Section E – Offer		
E.2b	Reasons for the offer and use of proceeds	<p>The offer of the Bonds is being made in order to increase the number of sources from which the Group obtains its funding and to extend its debt maturity profile (i.e. to extend the length of time before it is required to repay its debt). The proceeds of the issue (after deduction of expenses incurred in connection with the issue) will be lent by the Issuer to other members of the Guarantor’s Group for their general corporate purposes. General corporate purposes may include, but are not limited to, repayment of existing borrowings (which could be short- or long-term borrowings), refinancing of existing sites and developments, acquisition of new sites and developments and working capital. There are no specific or definite intended uses of proceeds at this time.</p>
E.3	Terms and conditions of the offer	<p>The offer is expected to open on the date of this Prospectus and close at 12 noon on 5 October 2017, or such earlier time and date as may be announced by the Issuer by Regulatory News Service (“RNS”) operated by the London Stock Exchange during the Offer Period.</p> <p>Investors will be notified by their relevant distributor of their allocation of Bonds and instructions for delivery of and payment for the Bonds. You may not be allocated all (or any) of the Bonds for which you apply.</p> <p>The Bonds will be issued at the issue price (which is 100 per cent. of the nominal amount of the Bonds), and the aggregate nominal amount of the Bonds to be issued will be specified in a Sizing Announcement to be published by the Issuer by RNS at the end of the Offer Period. Authorised Offerors may offer the Bonds at the issue price (i.e. 100 per cent. of the nominal amount of the Bonds) or, if such Authorised Offeror charges you any expenses, then it may offer you the Bonds at a corresponding amount more than the issue price in order to reflect its expenses charged to you. For example, if your stockbroker or financial adviser charges you total dealing expenses of, for instance, 1 per cent., then he would offer the Bonds to you at 101 per cent. of the nominal amount of the Bonds (i.e. a price to you of £101 per £100 Bond). You must check with your stockbroker or financial adviser what expenses he will charge to you, and therefore what the offer price to you will be. Any such expenses charged by an Authorised Offeror</p>

		<p>are beyond the control of the Issuer or the Lead Manager, are not knowable by the Issuer, and must be disclosed to any potential investor by the relevant Authorised Offeror at the relevant time.</p> <p>The issue of the Bonds is conditional upon a subscription agreement being signed between the Issuer, the Guarantor and the Lead Manager prior to the Issue Date. The subscription agreement will include certain conditions customary for transactions of this type (including the delivery of a legal opinion from an independent law firm which is satisfactory to the Lead Manager).</p> <p>The minimum subscription amount per investor is for a nominal amount of £2,000 of the Bonds in the initial distribution. Following their issue, the Bonds are tradable in nominal amounts of £100.</p>
E.4	Interests material to the offer	Not applicable; so far as the Issuer and Guarantor are aware, no person involved in the issue/offer of the Bonds has an interest material to the offer, including any conflicting interests.
E.7	Estimated expenses charged to the investor	<p>Neither the Issuer, the Guarantor nor the Lead Manager will charge you any expenses or taxes relating to an application for or purchase of any Bonds.</p> <p>However, expenses may be charged to you by an Authorised Offeror. These expenses are beyond the control of the Issuer or the Lead Manager, are not knowable by the Issuer, and must be disclosed to any potential investor by the relevant Authorised Offeror at the relevant time.</p>

SECTION 2 - RISK FACTORS

*Each of Select Property Group Finance plc (the “**Issuer**”) and Select Property Group (Holdings) Limited (the “**Guarantor**”) believes that the following factors represent the principal risks that may affect their ability to fulfil their respective obligations in relation to the Bonds. Factors which the Issuer and the Guarantor believe may be material for the purposes of assessing market risks associated with the Bonds are also described below. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*If any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Issuer and the Guarantor think are immaterial at the date of this Prospectus, actually occur, then these could have a material adverse effect on the Issuer’s and/or Guarantor’s respective abilities to fulfil their obligations to pay interest, principal or other amounts owing in connection with the Bonds or the guarantee of the Guarantor (the “**Guarantee**”), as the case may be. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

Risks relating to the Group and its business

FACTORS THAT MAY AFFECT THE ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE BONDS

The Issuer is a special purpose company established to issue the Bonds and is wholly dependent on the Guarantor and the Guarantor’s consolidated subsidiaries (together, the “Group”)

The Issuer is a special purpose vehicle with no business operations other than the issuance of the Bonds, the lending of the proceeds of the Bonds to the Guarantor’s Group and exercising its rights and meeting its obligations under certain ancillary arrangements relating to the Bonds. As at the date of this Prospectus, the Issuer has no assets and liabilities. On the issue date of the Bonds, the Issuer will receive the cash proceeds of the Bonds and will hold in an account and subsequently on-lend the proceeds to other members of the Group from time to time. On and after the issue date of the Bonds, the only liabilities of the Issuer will be its obligations to pay interest, principal under or any other amounts owing in connection with the Bonds when due and the only assets of the Issuer will be (i) cash amounts that it may hold from time to time in its bank account and/or (ii) its rights to receive repayment of the proceeds of the Bonds which it has on-lent to other members of the Group and income from those loans which it has on-lent to subsidiaries. Other than the foregoing amounts, the Issuer will not have any other funds available to it to meet its obligations under the Bonds because it has no other revenue generating assets of its own. Therefore, the Issuer is dependent upon and subject to all the risks that the Guarantor is subject to (see the risk factors below under the heading, “*Factors that may affect the Guarantor’s ability to fulfil its obligations under the Guarantee*”).

The Bonds will not be secured on any of the assets of the Issuer or the Guarantor or any other member of the Group, and the bondholders will not have any direct claim against any other subsidiary of the Guarantor

The Bonds will not be secured on any of the assets of the Issuer or the Guarantor and the holders of the Bonds (the “**Bondholders**”) will not have any direct claim for any outstanding amount against any member of the Group other than the Guarantor (in the event that the Guarantee is called). In the event of a default by any member of the Group to whom the Issuer has on-lent all or part of the issue proceeds from the Bonds, the Issuer will have an unsecured claim against such member of the Group and, in the event that it does not recover sufficient funds from such member, Bondholders will be reliant upon payments by the Guarantor under the Guarantee. Those unsecured claims against the Guarantor will rank behind the claims of any secured creditors of the Guarantor and will rank behind the claims of any secured and also any unsecured creditors of any other subsidiary of the Guarantor, both current and future.

FACTORS THAT MAY AFFECT THE GUARANTOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE

The Guarantor does not own substantial assets of its own. Therefore, in a default scenario, it would be dependent on other members of its Group

If the Issuer defaults on its obligations to make payments on or to repay the Bonds when due, Bondholders will have an unsecured claim for any outstanding amount against the Guarantor under the Guarantee. Bondholders will not have any direct claim for such outstanding amount against any other subsidiary of the Guarantor (i.e., other than the Issuer) and accordingly Bondholders have no direct claim to the properties owned by the Group's subsidiaries. As the Group's subsidiaries are not guaranteeing the Bonds or the performance of the Issuer of the Guarantor, in certain circumstances (i.e. if the Guarantor has not received sufficient amounts from its subsidiaries to service its debts as they fall due) the guarantee provided by the Guarantor in respect of the Bonds could be insufficient to ensure that Bondholders receive amounts owing to them. The Bondholders' capital is therefore at risk if the Guarantor has insufficient funds to make payments. See also the risk factor below headed, "*The Guarantor and its Subsidiaries have other creditors, including but not limited to secured creditors, who in a winding-up scenario would be paid first before any amounts were made available to the Guarantor for the purposes of meeting its obligations under the Guarantee (if the Guarantee were called upon)*". See "*The Issuer is a special purpose company established to issue the Bonds and is wholly dependent on the Guarantor and the Guarantor's other subsidiaries*" above for a description of the risk in relation to the Issuer.

The Guarantor's principal business is that of holding shares in its subsidiaries. As a holding company, the Guarantor conducts the majority of its operations through its subsidiaries and is dependent on the financial performance of its subsidiaries and their businesses, and payments of dividends and intercompany payments (both advance and repayments) from these subsidiaries to meet the Guarantor's debt obligations including its ability to fulfil its obligations under the Guarantee if it were called upon.

Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary and preferred shareholders (such as employees, if any) of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to its direct or indirect shareholders (including the Guarantor, being the ultimate parent company of the Group) upon its liquidation or winding up. The Group had 351 members of staff (including part time employees) in the UK as at 31 August 2017. The majority of those staff are based at the Head Office in Cheshire, along with a second office in London and employed by Select Property Group Limited. The balance are employed by subsidiaries Project Laundrette Ltd., City Suites Management Ltd or Vita Student Management Ltd in specific roles within operational premises. The Guarantor's subsidiaries may and do have other liabilities, including secured liabilities and contingent liabilities, which could be substantial. Since Bondholders are not creditors to these subsidiaries, their claims to the assets of the subsidiaries that generate the Guarantor's income (and consequently, their right to receive payments under the Conditions of the Bonds) would, if the Guarantor were required to be called upon, be structurally subordinated to the creditors of these subsidiaries. In the event that members of the Group are unable to remit funds to the Guarantor, the Guarantor's ability to fulfil its commitments to Bondholders to make payments under the Guarantee may be adversely affected. The section of the Prospectus headed Section 7 (*Description of the Guarantor and the Group – Borrowings and Capital Funding*) summarises levels of borrowings in various subsidiaries of the Group as at 31 December 2016 and 30 June 2017 (unaudited) that the Guarantor (and accordingly the Guarantee, were it required to be called upon) is structurally subordinate to all such borrowings.

As a holding company, the Guarantor is also completely dependent on cash flow from its operating subsidiaries to service its indebtedness, including any indebtedness in connection with the Bonds

The Guarantor is a holding company, and its primary assets consist of its shares in its subsidiaries and loans to its subsidiaries. The Guarantor has no revenue generating operations of its own, and therefore the Guarantor's cash flow and ability to service its indebtedness, including any indebtedness in connection with the Bonds, will

depend primarily on the operating performance and financial condition of its operating subsidiaries and the receipt by the Guarantor of funds from such subsidiaries in the form of interest payments, dividends, loan repayments or otherwise, and on a timely basis. The operating performance and financial condition of the Guarantor's operating subsidiaries and the ability of such subsidiaries to provide funds to the Guarantor by way of interest payments, dividends or otherwise will in turn depend, to some extent, on general economics, financial, competitive, market and other factors, many of which are beyond the Guarantor's control. The Guarantor's operating subsidiaries may not generate income and cash flow sufficient to enable the Issuer to meet the payment obligations on the Bonds when they fall due. Details of the Guarantor's historic financial performance, including profit and losses are set out in Section 14 – Financial Statements. See also “-*The Guarantor and its Subsidiaries have other creditors, including but not limited to secured creditors, who in a winding-up scenario would be paid first before any amounts were made available to the Guarantor for the purposes of meeting its obligations under the Guarantee (if the Guarantee were called upon)*” below.

The Issuer has established two separate bank accounts for the purposes of making payments as they fall due under the Bonds; an ‘interest account’ and a ‘principal account’. The net proceeds of the Bond issuance will be received into the Issuer's principal account on the date that the Bonds are issued and will then be on-lent by the Issuer to the borrowers (i.e. the Guarantor or other subsidiaries of the Guarantor) from this account.

Any repayments of principal made by the borrowers will be made into this principal account (so that the balance of this account represents the available cash to be on-lent by the Issuer to other borrowers or else to be repaid to Bondholders when the Bonds are due to be repaid).

Interest on these loans, as advanced from the Issuer to borrowers, will accrue corresponding to the interest accruing under the terms of the Bonds, and will be paid into the Issuer's interest account on a six-monthly basis (i.e. in advance of the bond interest payment dates). Interest due to be paid to Bondholders will be paid from the interest account. Any shortfall in interest between borrower interest paid and the amount to be paid to Bondholders on any interest payment date will be charged to the Guarantor as a group financing charge in advance of the relevant interest payment date.

Any other costs of the Issuer (such as audit and professional fees from time to time) will also be charged out to the Guarantor as group financing costs, the intention being that the Issuer should never end up in a loss-making position and will at all times have sufficient cash, loan assets or interest receivable assets to cover its liabilities.

This summary of cash flows and the foregoing risk factors illustrate the extent to which the Issuer and the Guarantor are dependent on other members of the Group in order to make payments when falling due to be paid under the Bonds.

The terms of other agreements to which the Guarantor and its subsidiaries may be or may become subject may restrict the ability of its subsidiaries to provide funds to the Guarantor. In addition, the Guarantor and its subsidiaries may incur other debts in the future that may contain financial or other covenants more restrictive than those contained in the Conditions of the Bonds.

If the Guarantor's future cash flows from operations and other capital resources are insufficient for the Issuer to pay its obligations as they mature or to fund liquidity needs of the Guarantor and its subsidiaries, the Guarantor and its subsidiaries may be forced, among other things, to: reduce or delay business activities and capital expenditure; sell assets; obtain additional debt or equity capital; restructure or refinance all or a portion of their debt on or before maturity; or forego opportunities such as development opportunities or acquisitions of other businesses.

There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. In addition, the terms of the Guarantor's and its subsidiaries' existing and future debt, including the Bonds, may limit their ability to pursue any of these alternatives.

Some of the Guarantor's subsidiaries have sold properties subject to a contractual assured minimum level of net rental return for an initial period of up to five years following their completion. Whilst such contractual assurances have been provided at levels commensurate with what the Directors believe to be reasonable estimates of the actual operating performance of these properties, under circumstances where the actual net rental performance of these properties was lower than the minimum assured level, the Guarantor's subsidiaries which have provided the minimum rent assurances would be liable to subsidise the actual rental income from the proceeds of the sale of the properties concerned. Accordingly, were any such guarantees to be called upon this would have the effect of reducing the profitability of the relevant development subsidiary or subsidiaries and therefore adversely affecting the financial performance of the Group.

The Guarantor and its Subsidiaries have other creditors, including but not limited to secured creditors, who in a winding-up scenario would be paid first before any amounts were made available to the Guarantor for the purposes of meeting its obligations under the Guarantee (if the Guarantee were called upon)

The risk factor headed, "*The Guarantor does not own substantial assets of its own. Therefore, in a default scenario, it would be dependent on other members of its Group*" above discusses the position of the Guarantor within the Group.

In addition, as at 31 December 2016 total borrowings of the Group (being borrowings included in Non-Current Liabilities and borrowings included in Current Liabilities of the financial statements of the Guarantor) were £176.4 million compared with £34.7 million as at 31 December 2015 and as at 30 June 2017 (unaudited), borrowings of the Group were £273.5 million. As at 31 December 2016 total property assets (being Property included within Property Plant and Equipment, Investment Property and Inventories as set out in the financial statements of the Guarantor⁵) were £265.8 million compared with £74.1 million as at 31 December 2015 and total property assets of the Group as at 30 June 2017 (unaudited) were £347.3 million. Therefore, as at 31 December 2016 property assets represented approximately 151 per cent. of total borrowings of the Group (214 per cent. as at 31 December 2015) and as at 30 June 2017 (based on unaudited numbers) total property assets represented approximately 127 per cent. of total borrowings of the Group and this will increase when properties are revalued at completion. Furthermore, if by way of example, the Group were to raise an additional £30 million to £70 million of borrowings in the bond issue proposed in this Prospectus, immediately following the bond issue, assuming all bond proceeds were used to fund new property assets, total property assets may represent between approximately 124 per cent. and 121 per cent. of the total borrowings of the Group. (Investors should note that this is illustrative only and should not be taken as any assurance as to the potential size of the proposed bond issue or the level of borrowings to total property assets, which will, in part, be dependent on the demand received for the Bonds during the Offer Period and the circumstances at the time).

All of the £34.7 million of total borrowings of the Group as at 31 December 2015 represented secured borrowings, with security being granted over corresponding property assets of the Group and/or shares of Group companies. Of the £176.4 million of total borrowings of the Group as at 31 December 2016, £173.9 million (98.6 per cent.) represented secured borrowings and, of the £273.5 million (unaudited) of total borrowings of the Group as at 30 June 2017, £265.7 million (97.1 per cent.) represented secured borrowings, in each case with security being granted over corresponding property assets of the Group and/or shares of Group companies. Accordingly, as at 31 December 2016 the Group had a surplus of approximately £91.9 million of property assets over borrowings, based on their valuation in the year-end financial statements (at 31 December 2015: £39.4 million) and as at 30 June 2017 (based on unaudited numbers) the Group had a surplus of approximately £81.6 million of property assets over borrowings.

In the event that there are insufficient assets available to the Guarantor after all prior ranking creditors (e.g. trade creditors, secured creditors, unsecured creditors and preferred shareholders (such as employees)) of the Guarantors' other subsidiaries have been paid out in an insolvency scenario, the Guarantor would be unable to

⁵ This is the sum of the property values in each individual entity, on an aggregate basis

pay back all amounts owing to Bondholders were the Guarantee to be called upon, and accordingly Bondholders would not receive all amounts owing to them under the Guarantee. See also the risk factors headed “*The Guarantor does not own substantial assets of its own. Therefore, in a default scenario, it would be dependent on other members of its Group*” and “*As a holding company, the Guarantor is also completely dependent on cash flow from its operating subsidiaries to service its indebtedness, including any indebtedness in connection with the Bonds*” above.

On account of this and other risk factors described in this document, the Bonds are high risk securities and potential investors should read these risk factors carefully before making any investment decision relating to the Bonds.

Financial covenants may not protect investors and the Guarantor is permitted under the Conditions to incur a significant amount of additional indebtedness through its subsidiaries. The Guarantor’s subsidiaries do not act as guarantors of the Bonds and accordingly payments under the Guarantee (should the Guarantee be called upon) will be structurally subordinated to all indebtedness (including unsecured indebtedness) incurred by such subsidiaries

The financial covenant contained in the Conditions (at Condition 5.3 (*Financial Covenants*)) is intended to limit the debt obligations (relative to property assets) of members of the Group to whom the proceeds of the Bonds are on-lent by the Issuer from time to time. The covenant seeks to prevent these borrowing members of the Group from incurring excess secured debt relative to their individual debt obligations connected to the Bond proceeds lent to them by the Issuer and their individual property assets. The covenant is measured on an individual borrower-by-borrower basis and not on a consolidated Group basis. As such, the covenant will not necessarily limit the amount of secured debt obligations within the Group relative to all financial indebtedness of the Group measured on a consolidated basis and intra-group liabilities (i.e. financial liabilities of one member of the Group to another member of the Group) will not be captured by the covenant.

Investors should also be aware that the financial covenant does not ensure that there will be funds available to pay amounts due under the Bonds as they fall due. Furthermore, there is no assurance that the Guarantor itself will not incur substantially more debt which is ranked as senior secured debt and which on a winding-up would be paid out before Bondholders (in the event that the Guarantee were called upon).

The Guarantor is able to incur significant amounts of additional indebtedness (including indebtedness to fund acquisitions), which may include indebtedness of its subsidiaries (which are not guarantors under the Bonds) and indebtedness which can be secured by the assets of the Group. The Guarantor (and accordingly the Guarantee, were it required to be called upon) will be structurally subordinated to creditors of any such subsidiaries meaning that, in an insolvency scenario, should the Guarantee be called upon, both secured creditors and unsecured creditors of the Guarantor’s various subsidiaries (noting however that the Issuer could itself be an unsecured creditor of certain subsidiaries to whom it has on-lent Bond proceeds at the relevant time) would be expected to be paid first before remaining funds (if any) are distributed up to the Guarantor to be made available to Bondholders pursuant to the Guarantee.

Certain of the Guarantor’s subsidiaries have incurred debt on a secured basis and they may continue to do so in the future. The Guarantor and its subsidiaries will be permitted to incur a substantial amount of debt on a secured basis under the Conditions, subject to the limitations set forth in Condition 5.3 (*Financial Covenants*). The Issuer may not have a direct contractual relationship with the ultimate borrower subsidiary and payments to the Issuer under the terms of any loans made by the Issuer to such borrower entities will effectively be subordinated to such indebtedness to the extent of the collateral over which security has been given to other lenders by any such subsidiary of the Guarantor. The Issuer will not have the benefit of any security over property or other assets of any member of the Group.

See also “*As a holding company the Guarantor is also completely dependent on cash flows from its operating subsidiaries to service its indebtedness including the Bonds*”.

General property investment risks

The Group is exposed to a number of general risks relating to the nature of investment in property, including but not limited to:

- (a) Falls in property valuation due to market forces and/or regulatory changes, which may in turn adversely affect the value of the Group's assets;
- (b) Falls in net revenue due to market forces and/or regulatory changes, which may in turn adversely affect the Group's financial performance;
- (c) Increased competition from other developers (for sites) and operators (for tenants) which may make it more difficult for the Group to implement its strategy, leading to increased costs (whether land costs to acquire development sites or marketing costs to attract lettings) and therefore impair financial performance of the Group;
- (d) Legal and regulatory changes, including changes to statutory rights of tenants, which may impact the Group's ability to implement its strategy and business model referred to in more detail in Section 7 (*Description of the Guarantor and the Group*) of this document;
- (e) Deterioration in investment appetite or liquidity, which could restrict the Group's ability to implement its strategy;
- (f) Dependence on factors outside of the Group's control which could restrict the Group's ability to implement its business strategy;
- (g) Potential impact of acts of terrorism or cyber-related crime could cause business interruption which adversely affects the Group's financial performance and, in certain circumstances, could lead to uninsured losses by the Group;
- (h) Environmental risks such as flooding and adverse weather conditions, which could lead to delays in the Group completing and/or cost overruns which adversely impact the Group's financial performance; and
- (i) Uninsured financial losses, which could expose the Group to financial claims which harm the Group's reputation and adversely affect the Group's financial performance;

More detail related to these risks is given in the following risk factors.

Rental income and occupancy rates, and therefore asset values, may fall for reasons outside the Group's control

Real estate valuations may fall or valuations may be difficult to realise due to market forces as a result of political policy, legal or regulatory changes, or economic uncertainty.

Rent and levels of demand may fluctuate and impact on the income of the Group. The Group's occupancy rates⁶ have historically been between 99 per cent. and 100 per cent.⁷ (between 2013 and 2016), and average rental income has historically been at the higher end of the range of rental rates in each of the cities the Group operates in.

Specifically, any material reduction in the number of students, both domestic and in particular international students, studying in the UK could reduce the Group's occupancy rates and/or restrict the Group's ability to maintain or increase rental rates. The majority of the Group's existing properties are dependent on year-long rentals by students and are not held on long-term leases and are therefore subject to market fluctuations.

⁶ Occupancy Rate based on all available lettable units that are subject to a letting agreement

⁷ Occupancy rate quoted is calculated by taking the number of available lettable units that are or have been subject to a letting agreement during the academic year in question as a percentage of all available lettable units in the same academic year.

The Group is reliant on the collection of rent from tenants in the buildings it manages and operates. Whilst the Group focusses on properties and accommodation that is more likely to attract more affluent tenants with higher levels of disposable income, the Group may be affected by any increase in rent payment defaults. The Group obtains tenancy guarantees where the Group considers these to be necessary. Tenant default rates represented less than 0.75 per cent. of rental income in the period from 2015 to 2017. Past rental income and occupancy rates are not necessarily an indication of future rental income and occupation rates, both of which may fall⁸.

Cost inflation, cost overruns and/or delays to completion may impact lettings income and/or profitability and impact the ability to refinance or sell developed properties.

Development and/or operating costs may increase which may adversely impact the Group's profitability and affect the Group's ability to refinance or sell developed properties. Factors which could increase these costs include: shortages in supply of material construction assets or delays in the supply of the same, changes in interest rates and inflation; increases in costs of materials and labour affecting construction costs; increased competition for construction resource as a result of continually increasing demand; increased staff costs as a result of labour market changes and increased demand; increased energy costs; increased transport costs and risks involved with transport, changes to property taxes and other statutory property and business charges; and increased insurance premiums. Such events may also impact building rental receipts (partly or wholly), operating costs, and could also significantly increase the cost of debt for relevant projects, including refinancing costs.

The Group faces construction and other specific risks associated with the acquisition, development and redevelopment of sites

The Group faces certain risks associated with both the acquisition and development, and the acquisition and redevelopment of its sites including risk relating to unforeseen and/or uncontrollable planning, regulatory, environmental or construction/location challenges, actions being brought against the Group in connection with defects, action, delays, directions or costs in relation to third-party stakeholders (e.g. owners of neighbouring property or land) and liabilities which can lead to cost overruns and cause material delays to the completion of fully operational and income-generating property assets or even failure to complete a project or projects. Such delays due to unforeseen or uncontrollable events during the construction of property developments may have a material adverse impact on the Group's profitability derived from some of its property developments, and/or delay cashflows generated from some of its property developments, and or harm to the reputation of the Group.

For example, in September 2017 the Group completed the acquisition of a partially developed hotel site in Leeds city centre (out of insolvency) for approximately £7.5 million, with the purpose of redeveloping that site for use as student accommodation under its Vita Student brand. Specific risks relating to this site include the risk that the local planning authority will not grant the necessary change of use to enable the intended hotel site to be developed out for use as student accommodation; the risk that additional time delays and costs may be incurred if for example the integrity of the existing building is found to be deficient (either due to the methods, materials and standards used in its construction, or due to it having been exposed to the elements for a number of years since the site went into administration before the construction works had been completed); the risk that the existing structure should need to be demolished resulting in additional time delays and significant costs for the Group; and the risk that the Group will not be possible to import all or some of the warranties relating to the existing works for the benefit of its redevelopment project. Therefore, it is possible that uncertainty in relation to risk factors associated with the site like those listed above may result in increased costs of obtaining development finance, limitations on the amount of debt that can be obtained, or a refusal of banks to provide debt on favourable terms, or possibly at all.

⁸ Default rate represents the proportion of all rental income due under contracted tenancies for tenants who have taken occupancy which, as at the end of the 2016/17 academic year, remains unpaid. Some, but not all of this unpaid rent may subsequently be received following enforcement proceedings which continue after the end of the academic year in question.

By way of further example, in January 2017 the Group completed the unconditional acquisition of an office building in Cardiff with a view to redeveloping it as purpose-built student accommodation. There is a risk that the local planning authority will refuse to give planning consent for the Group's intended use, or that it will attach onerous or costly conditions to any consent that it does grant. The directors believe that there is no specific reason why the Group would not be successful in obtaining planning consent for this site, however, no assurances can be given. If planning permission was refused, the Group would seek to sell the site on the open market (potentially at a loss). In the meantime, the Group is incurring costs to hold the site for future development.

Development of the Group's student accommodation building at Circle Square in Manchester was delayed by one of the sub-contractors to the main contractor going into administration, resulting in delays to glazing and cladding works being carried out in accordance with the contractor's programme. Whilst the insolvency risk of sub-contractors is ultimately the responsibility of the main contractor under the building contract, this has resulted in the building being put under pressure to be completed on time and in accordance with the agreed contract price.

An escape of water occurred in the same building shortly before it was due to become operational in early September 2017. This has resulted in water damage to certain residential units within the building, as well as to electrical equipment forming part of the building infrastructure. Whilst the resulting repairs are covered by the contractor's all risks insurance, the remedial works necessary to reinstate the building fully will cause a delay to occupation. This not only poses a risk to brand reputation, but will also lead to additional costs being incurred to provide temporary alternative city centre accommodation to a number of affected students.

Whilst this kind of incident is an inherent risk in the nature of the Group's construction activities, management of the business have taken steps to minimise the disruption to tenants and therefore the reputational harm resulting from this event, and have no reason to believe that it will result in any material loss of rental income. However, no absolute assurances can be given that such disruption may not have an adverse effect on rental income and/or costs.

The Group may go on to acquire sites with similar specific construction related challenges (and any resulting additional delays and costs) to those in the examples above.

From time to time, the Group engages in property redevelopment and improvement which requires substantial capital expenditure for land acquisition and construction. Similar to challenges that the Group faces in the acquisition and development process, the redevelopment process may take considerable time before projects are completed and begin to generate positive cash flows. Construction and other project costs may exceed the Group's original estimates for reasons including increases in material and labour costs, potentially making the project less profitable. The Group may not obtain, or may face delays in obtaining, necessary administrative permits and planning permissions. Failure by the Group to secure all the necessary planning consents and / or statutory agreements, or failure to complete an existing or future property development, redevelopment or improvement project in line with the original proposals and timescales may have a material adverse effect on the Group's business, financial condition or results of operations.

In addition, and despite insurance coverage, property redevelopment and improvement may also give rise to actions being brought against the Group in connection with defects in the property.

The Group's operating and other expenses could increase for other reasons outside the Group's control without a corresponding increase in turnover or rents. Factors which could increase operating and other expenses (in relation to all operations, including acquisition, development and redevelopment) include increases in:

- the rate of inflation;
- staff, utilities and energy costs;

- property taxes and other statutory charges;
- insurance premiums; and
- the costs of maintaining properties.

Such increases could have a material adverse effect on the Group's business, financial conditions and results of operations.

Risks relating to the implementation of the Group's business strategy

There can be no certainty that the Group will be able to implement the business strategy set out in this Prospectus successfully. No representation is or can be made as to the future performance of the Group, and there can be no assurance that the Group will achieve its stated objectives.

Prior to 2016, the Group's growth was funded using its retail sales model, whereby units were sold to individual investors to fund site developments. Since 2016, the Group has extended its business model to include a build-to-hold model as a means of owning its real estate assets and with a view to long-term income generation. The Group has a less developed track record in the performance of this build-to-hold model, meaning that less historical evidence is available to investors to evaluate the success of the build-to-hold model as compared to the past performance of the retail sales model.

The Group's ability to implement its stated business strategy may be adversely affected by factors that the Issuer and the Guarantor cannot currently foresee, such as unanticipated costs and expenses, technological change, severe economic downturn, the level of interest rates, governmental policy, inflation rates, sector conditions or other changes in economic, political, judicial, administrative, taxation, or regulatory factors (some of which are discussed in more detail in other risk factors in this section). All of these factors may necessitate changes to the business strategy described in this Prospectus, or materially adversely affect the Group's business, financial condition or results of operations, both in the short- and long-term.

Risks associated with the macro UK political and economic environment in which the business operates

A downturn in business conditions or the general economy in the UK may adversely affect various aspects of the Group's business. Geographical concentration of credit risk is centered on the UK, making the Group sensitive to adverse changes in the UK economy, as a whole.

Accordingly, the Group may be susceptible to changes in the Bank of England's base rate, London Interbank Offered Rate, interest rates, employment levels, property prices, property supply, taxation and other factors that determine disposable income of current and potential customers of the Group.

The UK Government exercised its right under Article 50 of the Lisbon Treaty to leave the EU at the end of March 2017 ('Brexit'). While Article 50 of the Lisbon Treaty envisages a two-year timeframe for negotiating a withdrawal from the EU, the exact timing and the manner of the UK's withdrawal from the EU is currently unknown and may not become clear in the short-term. The timescale and outcome of negotiations to agree terms with the remaining member states of the EU may impact on the Group's business plans in a number of ways, including but not limited to:

- uncertainty and reduced confidence in the ability of the UK's higher education sector to continue to provide the current/historic quality of education and experience to international students;
- uncertainty and reduced confidence in the labour market in some of the UK's major cities, which may in turn adversely impact rental demand and/or disposable income of tenants and therefore could depress rent levels; and
- the same labour market factors could also adversely affect the availability and cost of construction resources.

Exposure to international markets may have an adverse impact on the Group. The Group is reliant on its ability to generate sales and lettings in overseas markets, especially in China, including specifically its ability to let student property to Chinese students coming to the UK to study via the Group's Chinese located offices and / or marketing platforms. The Group is therefore exposed to the risk of any political policy, legal or regulatory changes, or economic uncertainty in such markets, which may adversely impact the Group's ability to carry on business in these markets in the same way as it has done historically. The Group may also engage in development, sales or lettings activities in new international markets, however no assurances can be given about its ability to do so, were political policy, legal or regulatory changes to prevent it from doing so.

The Group is exposed to risks in relation to the ability to continue to sell its property assets to institutional and private property investors. Investor appetite and/or liquidity may be adversely affected by factors including general global and domestic economic conditions, the performance of the UK economy generally, and the availability of sources of funding for property investment such as income from other investments and the availability of credit. Real estate is an illiquid asset and can be harder to sell at times of economic stress, which may impact the Group's ability to raise cash to fund its developments and/or realise cash from its investment in assets.

There could be changes that impact on the Group's international offices and businesses

A downturn in the economy or changes in Government policies could impact on the ability of the Group to trade successfully (or potentially at all) through its international offices or via its international subsidiaries (as the case may be) in China, Singapore, the UAE and Australia. Similarly, the ability to trade and/or the success of such trade in these foreign locations could also be impacted by local changes to higher education policy, economic uncertainty or political instability as well as the unavailability of the necessary sites and a lack of availability of suitable contractors, sub-contractors, consultants, employees, other third parties or appropriate debt or equity finance.

The risks highlighted in connection with the Group's international offices and businesses may also impact on the ability of the Group to secure development sites and or funding for secured development sites in any of the overseas markets it is intending on developing in, this could specifically impact the Australian office and business where the Group is actively looking for sites to develop, and it should be noted full investigations have not been completed as regards the Group's ability to trade or trade successfully in Australia or any of the other international destinations it may desire to do business in.

There could be changes to Government policies on higher education and immigration that are material to the Group's business

Changes in Government policies on higher education, such as tuition fee increases or changes in relation to immigration and student visa rules, may reduce the disposable income of students (and therefore the amount available to be spent on accommodation) and may also reduce the number of domestic or overseas students seeking accommodation offered by the Group. There may also be other factors that depress rental incomes and/or occupancy rates, including local factors relating to particular properties/locations (such as increased competition in a particular location) or damage to the reputation of universities or of the Group. This could reduce the Group's occupancy rates and/or restrict the Group's ability to maintain or increase rental rates.

Legal and regulatory risks affecting property development, investment, sales and letting

Members of the Group may be impacted by legal and/or regulatory changes affecting corporate activities, property development activities, investment activities and/or lettings and management activities.

The risks incidental to the ownership of real estate include changes to the law in relation to tax and landlord/tenant, environmental protection (for example protected species, plants or archaeological/historic features), contaminated land issues, safety and planning, as well as land use, building regulation standards and licensing requirements (for example in relation to road closures, access, rights to oversail neighbouring land)

and possible objections from interested parties such as owners and occupiers of neighbouring properties, utilities providers and interest groups. The Group is subject to laws and regulations enacted by national, regional and local governments and institutions.

New laws may be introduced which may be retrospective and affect existing planning consents. In addition, investors should note that changes in the legal framework concerning planning rules in the UK may negatively influence the values of properties. The Group has limited and sometimes no control over the willingness of third parties to grant licences to the Group that are necessary for its development processes. There is a risk that a failure to obtain a specific licence in relation to a development may result in the project being delayed or even aborted, and to additional costs being incurred by the Group as a result.

For example, the Group's proposed development at 'Embankment' in Manchester comprises the construction of three towers intended for residential use. Specific risks in relation to the development include the proximity of the land to neighbouring buildings and a railway line. This has resulted in the need to negotiate various agreements and licences with the relevant railway operator. There is a risk that the negotiation of such agreements and licences will fail to reach a resolution, or that it will be a costly process, resulting in delays to the development programme. Additionally, it has been alleged that the Embankment development site may contain subterranean historic remnants. As part of the excavation works it is possible that constructions and/or artefacts relating to this historic feature may be uncovered. This could result in potentially significant delays to the construction timetable and in additional costs for the Group.

From time to time, regulations are introduced which can impact on the costs of property ownership and affect returns. If these laws and regulations are changed, or new obligations imposed, property development, investment and operation may become more difficult or costly, and therefore have an adverse effect on the income from, and value of, any properties owned by the Group, including those in which it may hold an interest through joint ventures or co-investment vehicles.

Each of the Group's buildings has been designed to meet building regulations and undergo rigorous fire and safety inspection and testing at appropriate intervals from their initial construction onwards. Once completed and occupied, each building is staffed 24-hours a day with on-site teams who work closely with tenants, the local fire authority and the Group's approved fire safety consultants to ensure that systems and procedures are regularly checked and maintained. Following the events at Grenfell Tower the Group has been undertaking an audit of cladding materials and safety procedures at all occupational buildings in order to assure tenants, investors, statutory authorities and other stakeholders of the Group's compliance with all relevant fire and safety codes. As part of this exercise, the Group has responded to all information requested by the relevant authorities and the Group's insurers. For those properties where this review has been concluded, no recommendations for further action have been received by the Group. The review process is ongoing at the remaining properties.

The repercussions of singular, high-profile, catastrophic incidents such as the Grenfell Tower fire tragedy could lead the government to introduce new legislation, change safety standards, or take other action which may impact on the activities of contractors, sub-contractors, safety consultants and any third parties with design responsibilities. This may include, for example, insistence on the removal, redesign and replacement of certain construction materials which are no longer considered to meet minimum safety standards. Additionally, an increase in the number or scale of claims may lead to increased insurance premiums and enhanced indemnity requirements due to the increased risks associated with certain contract activities in light of singular, catastrophic events. This in turn could lead a reduction in the availability of certain contractors and/or service providers and/or increased costs for the Group. In certain circumstances this may also lead to some of the Group's properties becoming temporarily un-occupiable whilst rectification works are carried out in response to such changes in legislation or statutory safety announcements or requirements of the Group's insurers.

Statutory rights of tenants may present a risk for the Group

In certain circumstances, tenants of properties within the Group's property portfolio may have legal rights which impact on the Group's desired business model, such as tenants' rights to require the member of the Group who owns the relevant property to grant them future tenancies under certain restrictive terms, pursuant to the Landlord and Tenant Act 1954 (as amended). Should such a right arise, the Group may not have its normal freedom to negotiate the terms of the new tenancies with the tenant, and this could have an adverse effect on the rental income received by the Group.

Risks associated with the continuing availability of funding on favourable commercial terms

To increase funds available and ensure the Group has sufficient funds on a day-to-day basis, the Group currently relies on financing through a variety of secured loan facilities from a number of lenders. The ability of the Group to raise funds to roll-over or refinance on similar terms to the Group's existing debt financing will be dependent on several factors including general economic, political, debt and equity capital market conditions, interest rates, funding availability and, importantly, the appetite of financial institutions to lend to the property sector.

The Group may be unable to continue to rely on existing sources of funding, in particular the ability to raise future debt financing to build and hold its property assets. Whilst the Group has been successful in financing its developments through banking facilities, in the longer term there is no guarantee that the Group will be able to continue to obtain finance for development activities on favourable terms, or that such favourable terms will be available to the Group to refinance its existing facilities. Any such inability to borrow or refinance on favourable terms in future may in turn impact the Group's development returns. The Group may be required to repay but may not be able to draw down amounts under and/or may not be able to refinance existing facilities.

The Group is also subject to interest rate risk in respect of its variable rate borrowing, although the Group's treasury management strategy seeks to reduce interest rate risk volatility and uncertainty by allowing for a balance of fixed and variable rate interest rate debt. The risk of interest rate increases is, in certain instances, reduced through entering into fixed rate interest arrangements. See also "*The Guarantor and its Subsidiaries have other creditors, including but not limited to secured creditors, who in a winding-up scenario would be paid first before any amounts were made available to the Guarantor for the purposes of meeting its obligations under the Guarantee (if the Guarantee were called upon)*" for a discussion of the Guarantor's historic levels of borrowing.

The Group faces competition in the markets in which it operates

Both rental income and the market value of properties may be affected by factors specific to individual properties, such as competition from other nearby properties and the perceptions of prospective customers of the relative attractiveness, convenience and safety of properties.

If there is an increasing availability of attractive properties to rent from existing or new public or private sector landlords in the market in which the Group operates, this may cause occupancy levels in the Group's properties to decline or may lead to a reduction in the number or quality of investment opportunities available to the Group to further invest in. This could also lead to a reduction in yield expectations that the Group can expect from its investments, which may have negative implications on the Group's ability to generate earnings and dividends.

The Group operates in a competitive market and rental income may be reduced should the Group fail to maintain brand traction associated with customer satisfaction. The Group seeks to provide customer service to very high standards in high-quality residences and in the most desirable student locations. A failure to maintain a brand associated with these high standards could cause students to look to other accommodation providers.

Additionally, the Group may face significant competition from other investors to further invest in suitable properties, including competitors who may have greater resources at their disposal to identify and pursue investor opportunities. Competition in the property market may lead to prices for properties identified by the Group as a suitable investment opportunity being driven up through competing bids by potential purchasers.

Accordingly, the existence and extent of such competition may have a material adverse effect on the Group's ability to acquire properties at satisfactory prices and otherwise on satisfactory terms.

Third-party risks relating to counterparty credit and solvency and participation in joint ventures which depends partly on the activities of co-investment partners

Whilst credit rating forms part of the Group's approach in selecting contractors and counterparties, the Group is exposed to counterparty credit and insolvency risk that is outside of its control and no assurance can be given that payment defaults by or insolvency events in relation to such counterparties will not materially adversely affect the Group's business, financial performance or ongoing operations.

The Group has participated in and may, in the future participate in, some joint ventures, the profitability of which may depend on the success of wider joint-venture projects and the ability of co-investment partners to fulfil their joint venture obligations.

Changes to the tax rules or their interpretation

(i) Changes to tax laws, interpretation or practice, or the terms of any tax treaties, (ii) the Group's tax policies or its interpretation and/or application of tax rules, or (iii) changes to the tax status of any of the Group's subsidiaries, may adversely affect the Group's ability to realise or optimise income and returns from the operation or disposal of any of its property assets, otherwise increase the amount of tax payable by members of the Group, and/or impact the trading of the Group or the results of that trading.

Management team, operational and reputational risks

The Group's future success is substantially dependent on the continued services and performance of its directors, senior management team and other key employees of the Group, and its ability to continue to attract and retain highly skilled and qualified personnel. The Group's directors, senior management team and key employees are employed by the Group's wholly-owned subsidiaries, with the majority being employed by Select Property Group Limited or Vita Student Management Limited. The Issuer does not have any employees. Although measures are in place to attract, reward and retain key individuals and to protect the Group from the impact of staff turnover, the Group's ability to meet its business plans could be delayed or harmed by the loss of any or a number of its key personnel.

Any deterioration in the Group's reputation as a high-quality property developer and accommodation service provider could have a negative impact on the Group's financial performance and future prospects. It is important that the Group retains and further enhances the image and perception of its operating brands and property management style in order to continue to achieve the occupancy level and rental rates its properties have historically and currently achieve. This reputation could be adversely affected by a number of factors including but not limited to real or perceived quality or service issues, complaints from tenants or regulatory/accreditation bodies, incidents or accidents which occur in any of its properties, or any costly and/or high-profile litigation if found liable for any regulatory breach or significant quality failings.

Notwithstanding all reasonable efforts being taken to ensure high standards of health and safety in all the Group's managed properties, as an accommodation provider there is always a risk of incident or accidents causing personal harm, injury or death at premises owned or managed by the Group, which could result in litigation against the Group and/or harm to the Group's reputation.

The Group may be exposed to risks arising under environmental laws and regulations

The Group may be liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that are located on or in a property owned or occupied by it, or that are migrating or have migrated from a property owned or occupied by it. The costs of any required removal, investigation or remediation of such substances may be substantial regardless of whether the Group originally caused the contamination. The presence of such substances, or the failure to remedy the situation properly, may also adversely affect the value

of the property or the Group's ability to sell, let develop or redevelop the property or to borrow using the property as security.

The Group may face opposition over the development of its properties

The Group both acquires and develops/redevelops properties, which involves a varying degree of construction. This may cause inconvenience, noise and pollution to residents living in the vicinity who may oppose the development and generate bad publicity surrounding the project.

Additionally, the Group may choose to develop high-rise buildings which may block out light to surrounding buildings, and overpower their surroundings. Local residents affected by such developments may launch campaigns or publicly voice objections against the proposed developments by the Group. Such actions may lead to delays in implementing the project and monetary losses which, along with the reputational harm, could have a material adverse effect on the Group's financial position. Further, certain third parties may be able to seek injunctive relief against the Group or one of its subsidiaries which could cause development works to be delayed or halted (either temporarily or indefinitely), and/or compensation to be paid to such affected third parties.

The Group may be subject to claims following the disposal of assets/properties

The Group may choose to dispose of properties and may be required to give representations and warranties about those properties and to pay damages to the extent that any such representations or warranties prove to be inaccurate. The Group may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation, which could have a material adverse effect on the Group's business, financial condition or results of operations.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE BONDS

Risks related to the Bonds

The Events of Default and Financial Covenants contained in the Conditions may not protect Bondholders in all circumstances

The Events of Default contained in the Conditions of the Bonds (Condition 11 (*Events of Default*)) contain provisions which allow the Trustee to declare the Bonds immediately due and payable upon the occurrence of the following events (and, in some cases, the Issuer has a certain limited number of days' grace period before the Bondholders (or the Trustee on behalf of the Bondholders) are able to declare the Bonds immediately due and payable) (each as fully described in Condition 11): (a) failure to make a payment of interest or principal when due to be paid under the Bonds, (b) failure of the Issuer or the Guarantor to perform any other obligations under the Conditions (for example, failure to maintain the ratios required by Condition 5.3 (*Financial Covenants*)), (c) cross-acceleration of any other present or future indebtedness of the Issuer, the Guarantor or any material subsidiaries, (d) the winding-up of the Issuer or the Guarantor, (e) the Issuer, the Guarantor or any material subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, (f) the non-payment of any debt of the Issuer, the Guarantor or any material subsidiary as it falls due, (g) any insolvency proceedings are initiated against the Issuer or the Guarantor or the Issuer, Guarantor or any material subsidiary initiates insolvency, composition or similar arrangements with creditors generally, (h) the performance of the obligations of the Issuer or the Guarantor under the Bonds becoming unlawful and (i) the Guarantee ceasing to be in full force and effect. There are certain exceptions to these Events of Default, such as in the case of solvent intra-group reorganisations, and sales of assets/businesses on arm's length terms, at full value, to third parties.

The Trustee has discretion to call an Event of Default and therefore there is no assurance that the Trustee will declare an Event of Default upon the occurrence of any of the above matters. The written request of one-fifth in nominal amount of Bondholders, or an Extraordinary Resolution of the Bondholders (as defined in the

Conditions) would be required to direct the Trustee to declare an Event of Default if the Trustee decided not to do so. Furthermore, in the case of certain events listed above, the Trustee must first certify that such event is, in its opinion, materially prejudicial to the interests of the Bondholders before declaring an Event of Default.

The Events of Default contain certain provisions that provide the Issuer with greater flexibility than it has under its other financing arrangements. If an event of default under one of the Group's other financing arrangements were to occur prior to an Event of Default occurring under the Bonds, amounts outstanding under those financing instruments would become immediately due and payable while amounts outstanding under the Bonds would not otherwise be declared immediately due and payable.

See the risk factor above headed “- *Financial Covenants may not protect investors and the Guarantor is permitted under the Conditions to incur a significant amount of additional indebtedness through its subsidiaries*” for further information in relation to the financial covenant contained in the Conditions of the Bonds.

The Bonds are not protected by the Financial Services Compensation Scheme (the “FSCS”)

Unlike a bank deposit, the Bonds are not protected by the FSCS. As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer, the Guarantor or the Group as a whole. If the Issuer or the Guarantor go out of business or become insolvent, the Bondholders may lose all or part of their investment in the Bonds.

No formal credit ratings

The Bonds will not be assigned a credit rating by any rating agency on issue and nor does the Issuer currently have any intention of applying for a credit rating from any credit rating agency. However, one or more independent credit rating agencies may, on either a solicited or unsolicited basis, assign credit ratings to the Bonds during the life of the Bonds. Any such ratings may not reflect the potential impact of all risks relating to the market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold the Bonds and may be revised or withdrawn by the relevant rating agency at any time.

Risk of early repayment

In the event that the Issuer or Guarantor becomes required to increase the amounts payable in respect of the Bonds on account of tax as a result of any change in, amendment to, or change in the application or official interpretation of, the laws or regulations of a Relevant Jurisdiction (which includes the United Kingdom), which change or amendment becomes effective after the Bonds have been issued, the Bonds may be repaid if the Issuer chooses to do so in whole, but not in part, at any time. The redemption price in these circumstances is at the nominal amount of the Bonds plus accrued interest (if any) as at the relevant time. See Section 12 (*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for taxation reasons*).

In addition, the Bonds may be repaid early, at any time, if the Issuer chooses to do so pursuant to Condition 5.3 (*Redemption at the Option of the Issuer (Make-whole)*), at 100 per cent. or, if higher, an amount calculated by reference to the then current yield of the UK 2.25 per cent. Treasury Gilt due 2023 plus a margin of 0.50 per cent., together with any accrued interest.

Upon repayment of the Bonds, you may not be able to reinvest the repayment proceeds at an effective interest rate as high as the interest rate on the Bonds being repaid and may only be able to do so at a significantly lower rate. You should consider investment risk in light of other investments available at that time.

Modification, waivers and substitution

The Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit majorities of certain sizes to bind all Bondholders,

including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a different manner than the majority did.

The Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to any modification of any of the provisions of the Bonds that in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error and certain other modifications of, and any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds if, in the opinion of the Trustee, it is not materially prejudicial to the interests of Bondholders.

Trustee indemnity

In certain circumstances, the Bondholders may be dependent on the Trustee to take certain actions in respect of the Bonds. Prior to taking such action, pursuant to the Conditions, the Trustee will require to be indemnified and/or secured and/or pre-funded in respect of all costs, claims, expenses and liabilities to or for which it may, in its opinion, thereby become liable to its satisfaction. If the Trustee is not indemnified and/or secured and/or pre-funded to its satisfaction, it may decide not to take such action and such inaction will not constitute a breach by it of its obligations under the Bonds. Consequently, the Bondholders would have to either provide such indemnity and/or security and/or pre-funding or accept the consequences of such inaction by the Trustee. Bondholders should be prepared to bear the costs associated with any such indemnity and/or security and/or pre-funding and/or the consequences of any potential inaction by the Trustee. Such inaction by the Trustee will not entitle Bondholders to take action directly against the Issuer or the Guarantor to pursue remedies for any breach by any of them of terms of the Trust Deed or the Conditions of the Bonds.

Holding CREST depository interests

You may hold interests in the Bonds through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) (“**CREST**”) through the issuance of dematerialised depository interests (dematerialised here means that they are represented by electronic interests in the records of the depository – as opposed to being represented by physical certificates), held, settled and transferred through CREST (“**CDIs**”), representing the interests in the relevant Bonds underlying the CDIs (the “**Underlying Bonds**”). Holders of CDIs (the “**CDI Holders**”) will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Bonds. The rights of CDI Holders to the Underlying Bonds are represented by the relevant entitlements against CREST Depository Limited (the “**CREST Depository**”) which through CREST International Nominees Limited (the “**CREST Nominee**”) holds interests in the Underlying Bonds. Accordingly, rights under the Underlying Bonds cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians. The enforcement of rights under the Underlying Bonds will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Bonds in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Bonds held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer, including the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (“**CREST Deed Poll**”). You should note that the provisions of the CREST Deed Poll, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the “**CREST Manual**”) and the CREST Rules contained in the CREST Manual applicable to the CREST International Settlement Links Service (the “**CREST Rules**”) contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Bonds which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service (the “**CREST International Settlement Links Service**”). These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Bonds through the CREST International Settlement Links Service.

You should note that none of the Issuer, the Guarantor, the Lead Manager, the Trustee or any Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

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:

There may not be a liquid secondary market for the Bonds and their market price may be volatile

The Bonds are the first bond to be issued by the Issuer (or by any member of the Group), therefore there is no established trading market for the Group’s Bonds.

The Bonds will have no established trading market when issued, and one may never develop. Therefore, you may not be able to sell your Bonds readily at all times or at prices that will provide you with a yield comparable to similar investments that have a developed secondary (i.e. after the issue date) market. The Bonds are sensitive to interest rate, currency or market risks and are designed to meet the investment requirements of limited categories of investors. For these reasons, the Bonds generally will have a limited secondary market. This lack of liquidity may have an adverse effect on the market value of Bonds.

The Lead Manager is expected to be appointed as a registered market-maker on the London Stock Exchange’s order book for retail bonds (ORB) in respect of the Bonds from the date of admission of the Bonds to trading. Market-making means that a person will quote prices for buying and selling the Bonds during trading hours. However, the Lead Manager may not continue to act as a market-maker for the life of the Bonds. If a replacement market-maker was not appointed in such circumstances, this could have an adverse impact on your ability to sell the Bonds.

Yield

The indication of yield (i.e. the income return on the Bonds) stated within this Prospectus (see Section 3 (*Information about the Bonds – What is the yield on the Bonds?*)) applies only to investments made at (as opposed to above or below) the issue price of (i.e. 100 per cent. of the price of) the Bonds. If you invest in the Bonds at a price other than the issue price of the Bonds, the yield on the investment will be different from the indication of yield on the Bonds as set out in this Prospectus.

Realisation from sale of the Bonds prior to their scheduled maturity date

If you choose to sell the Bonds at any time prior to their maturity, the price received from such sale could be less than the original investment you 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 Issuer and/or the Group at the relevant time.

Exchange rate fluctuations and exchange controls may adversely affect your return on your investments in the Bonds and/or the market value of the Bonds

The Issuer will pay principal and interest on the Bonds in pounds (and pence) sterling. This presents certain risks relating to currency conversions if your financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of 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 sterling would decrease: (a) the Investor’s Currency-equivalent yield on the Bonds; (b) the Investor’s Currency equivalent value of the principal payable on the Bonds; and (c) the Investor’s Currency equivalent market value of the Bonds.

Changes in interest or inflation rates may adversely affect the value of the Bonds

The Bonds bear interest at a fixed rate rather than by reference to an underlying index. Accordingly, you should note that if interest rates rise, then the income payable on the Bonds might become relatively less attractive and the price that you 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 you receive on maturity of the Bonds if you hold the Bonds until the maturity date. Further, inflation will reduce the real value of the Bonds over time, which may affect what you could buy with your investment in the future and may make the fixed rate payable on the Bonds relatively less attractive in the future, again affecting the price that you could realise on a sale of the Bonds.

The clearing systems

Because the Global Certificate may be held by or on behalf of Euroclear and Clearstream, Luxembourg and a nominee of a common depository of such clearing system entered in the register of Bondholders on your behalf, you will have to rely on their procedures for transfer, payment and communication with the Issuer.

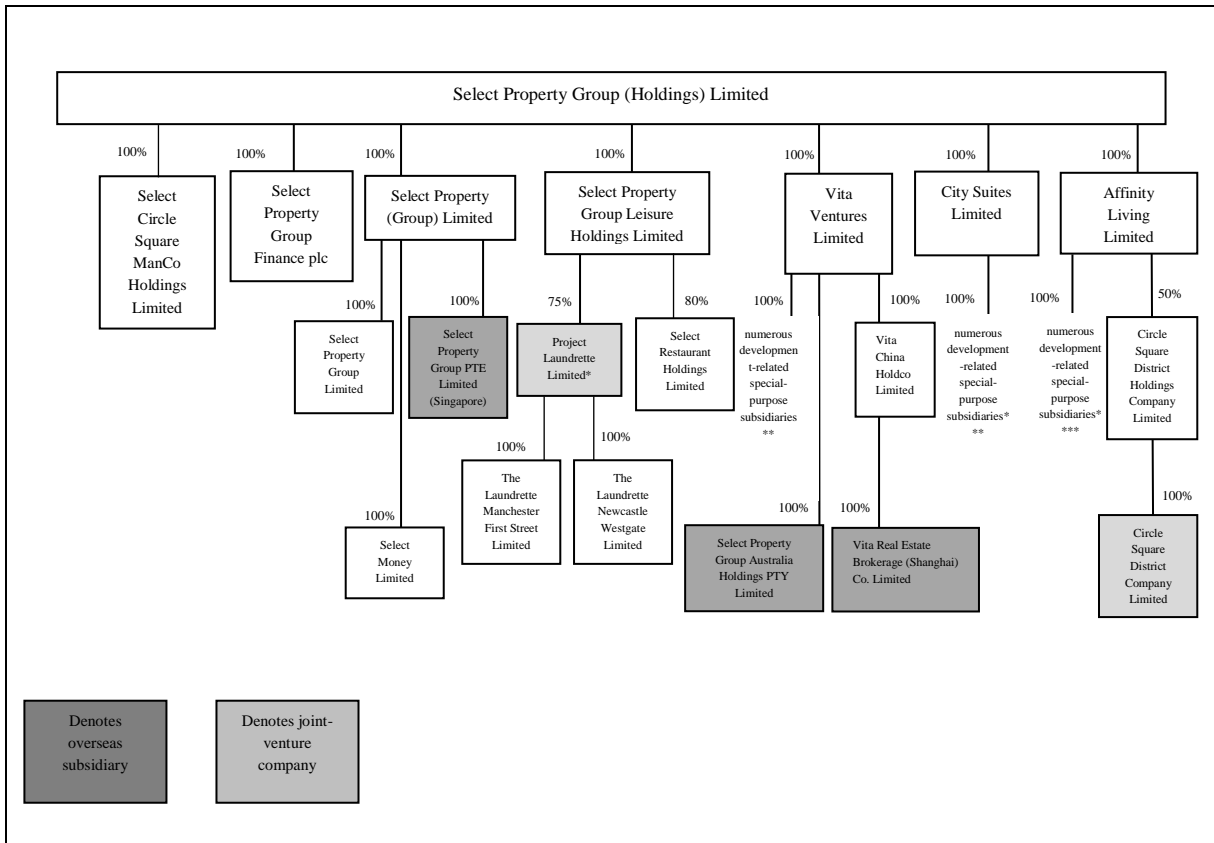
The Bonds will be evidenced by the Global Certificate. Such Global Certificate may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, you will not be entitled to receive definitive bond certificates. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Certificate. While the Bonds are represented by the Global Certificate, you will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under such Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Certificate.

Holder of interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled to do so by Euroclear or Clearstream, Luxembourg.

SECTION 3 - INFORMATION ABOUT THE BONDS

What are the Bonds?	<p>The sterling denominated 6.00 per cent. bonds due 2023 (the “Bonds”) are debt instruments issued by Select Property Group Finance plc (the “Issuer”). The Bonds will be subject to the “<i>Terms and Conditions of the Bonds</i>” which are set out in Section 12 of this Prospectus.</p> <p>The Bonds:</p> <ul style="list-style-type: none"> (a) entitle Bondholders to receive interest payments at a fixed interest rate of 6.00 per cent. per year (payable in two equal instalments on 13 April and 13 October in each year); (b) are tradable in nominal amounts of £100 per Bond (but with a minimum investment of £2,000 per investor); (c) are due to be issued on 13 October 2017 (the “Issue Date”) and to be paid back in full by the Issuer on 13 October 2023 (the “Maturity Date”); (d) in certain circumstances however, may be repaid prior to the Maturity Date if the Issuer chooses to do so or else following a default under the terms and conditions of the Bonds; and (e) are intended to be admitted to trading on the London Stock Exchange plc’s regulated market, and through its order book for retail bonds (ORB) market. <p>See Section 12 (<i>Terms and Conditions of the Bonds</i>) for further information.</p>
Who is issuing the Bonds?	<p>The Bonds will be issued by Select Property Group Finance plc.</p> <p>See Section 7 (<i>Description of the Guarantor and the Group</i>) for further information.</p>
Who is guaranteeing the Bonds?	<p>The Bonds will be guaranteed by Select Property Group (Holdings) Limited (the “Guarantor”).</p> <p>The following diagram illustrates Select Property Group (Holdings) Limited and its consolidated subsidiaries taken as a whole (the “Group”) at the date of this Prospectus. The Bonds are guaranteed by the Guarantor only and no other members of the Group are guarantors under the Bonds.</p> <p>See below box for diagram.</p> <p>See Section 7 (<i>Description of the Guarantor and the Group</i>) for further information.</p>



* Joint-venture vehicle created for the operation of a number of commercial premises under restaurant brand 'The Laundrette'

** New Co (Beith Street) Limited, New Co (Newcastle) 2 Limited, New Co (Newcastle) Limited, New Co (Satellite) 2 Limited, New Co (Satellite) Limited, Newco (First Street) 2 Limited, Newco (First Street) Limited, Richmond House (Southampton) Limited, Tinlings (Liverpool) Limited, Vita (Cardiff) 1 Limited, Vita (Man 2) Limited, Vita (Sheff) 1 Limited, Vita (Sheff) Operating Company Limited, Vita Birmingham 1 Ltd, Vita Bristol 1 Limited, Vita Bristol and Exeter Operating Company Limited, Vita Edinburgh 1 Limited, Vita Exeter 1 Limited, Vita First Street Limited, Vita First Street Retail Limited, Vita Glasgow 1 Limited, Vita Glasgow 1 Op Co Limited, Vita Glasgow Operating Company Limited, Vita Leeds 1 Limited, Vita Liverpool 1 Limited, Vita Liverpool 2 Limited, Vita Liverpool 3 Limited, Vita Liverpool Operating Company Limited, Vita Management Bristol Limited, Vita Manchester Limited, Vita Manchester Operating Company Limited, Vita Newcastle 1 Limited, Vita Newcastle 2 Limited, Vita Newcastle 2 Op Co Limited, Crosshall Developments (Liverpool) Limited, Crosshall Building (Liverpool) Limited, Vita Satellite 2 Limited, Vita Southampton 1 Limited, Vita Southampton Operating Company, Vita Student Management Limited, Vita Student Limited, Vita Student (Beith Street Limited), Vita Satellite 1 Limited, Vita Satellite 1 Op Co Limited, Westgate Road (Newcastle) Limited, Vita Newcastle Operating Company Limited, Vita York 1 Ltd, Vita Student York Holding Company Limited, Vita York Operating Company Limited, Vita Southampton Portswood Holdco 1 Limited, Vita Southampton Portswood Holdco 2 Limited, Vita Student Southampton Portswood Limited, Vita Student Portswood Holdco Limited, Vita Brighton 1 Limited, Vita Leeds 2 Limited, Vita Student Portswood Comm-Prop Company Limited

*** City Suites Holdco Limited, City Suites Manchester Limited, City Suites Operating Company Limited, City Suites Management Limited

**** Affinity Living Birmingham 1 Limited, Trinity ICP Limited, Affinity Living Riverside Operating Company Limited, Affinity Living Riverside Comm-Prop Company Limited, Affinity Living Riverside Holdco Limited, Affinity Living Trinity Holdco Limited, Embankment West Limited, Affinity Living Embankment West Limited, Affinity Living Embankment West Developments Limited, Affinity Living Riverview Holdco Limited, Affinity Living Riverview Operating Company Limited, Affinity Living Riverview Comm-Prop Company Limited, Affinity Living 2 Limited, Bruntwood Oxford Road Holdings Limited, Oxford Property Trading Limited, Circle Square Affinity Living 5 and 6 Limited, Circle Square Affinity Living 7 and 8 Limited


What will Bondholders receive upon a winding up of the Group?

The Guarantor has guaranteed that if the Issuer does not pay any sum payable by it under the Bonds by the time and date required by the Conditions of the Bonds (whether on the original due date, on early repayment of the Bonds or otherwise) then the Guarantor will pay that sum.

Structural Subordination in the context of the Bonds and the Guarantee

The Guarantor’s rights to participate in a distribution of any of its subsidiaries’ assets upon their liquidation, re-organisation or insolvency will generally be subject to any claims made against such subsidiaries, including their creditors such as any lending bank and trade creditors. The obligations of the Guarantor under the Guarantee are therefore structurally subordinated to any liabilities of the Guarantor’s subsidiaries. Structural subordination in this context means that, in the event of a winding up or insolvency of any of the Guarantor’s subsidiaries, any creditors of that subsidiary (which creditors may include the Issuer, pursuant to unsecured loans from the Issuer to the relevant subsidiary) would (subject to the following sentence) have preferential claims to the assets of that subsidiary ahead of any creditors of the Guarantor (i.e. including Bondholders, were the Guarantee required to be called upon).


A simplified diagram illustrating the structural subordination of the Guarantor’s obligations under the Guarantee to any liabilities of the Guarantor’s subsidiaries referred to above is set out below by way of example by reference to Vita Ventures Limited, which is a direct wholly-owned subsidiary of the Guarantor (as to which, see the structure diagram in Section 7 (*Description of the Guarantor and the Group*) of this Prospectus):

	Type of obligation	Examples of obligations
	Higher ranking	Proceeds of fixed charged assets
		Vita Ventures Limited has general fixed charges over shares of certain of its subsidiaries
		Expenses of the liquidation/administration
		Currently none
		Preferential creditors
	(i.e. such as employees)	
	Currently none	
	Proceeds of floating charge assets	Currently none
	Unsecured obligations, including guarantees in respect of them	For example, trade creditors and unsecured obligations, for instance any unsecured banking facilities and other

		financings including loans made by the Issuer to Vita Ventures Limited out of the net proceeds of the issue of the Bonds
Lowest ranking	Shareholders	Vita Ventures Limited's shareholders (i.e. the Guarantor)

In an equivalent diagram representing the ranking of creditors of the Guarantor entity itself, the Bondholders would be shown to rank above the shareholders of the Guarantor (but below secured creditors or preferential creditor of the Guarantor).

By way of example, if the assets of the Guarantor were to be liquidated and distributed to the Guarantor's creditors as per the example given for Vita Ventures Limited above, the equivalent diagrammatic representation of priorities of payment would look as follows:

	Type of obligation	Examples of obligations
Higher ranking	Proceeds of fixed charge assets	Fixed share charge over 12 per cent of shares held in its wholly-owned subsidiary Vita Ventures Limited
	Expenses of the liquidation/administration	Currently none
	Preferential creditors	(i.e. such as employees) Currently none
	Proceeds of floating charge assets	Currently none
	Unsecured obligations, including guarantees in respect of them	For example, trade creditors and unsecured obligations, for instance any unsecured banking facilities and other financings including the Guarantee of the Bonds
	Lowest ranking	Shareholders

The areas shaded in grey above represent the priority with which, in a default scenario, Bondholders could expect to receive surplus funds (if any) from the relevant Group entity. Investors should note from the diagrams that there could be several classes of creditor that rank higher and therefore would expect to be paid first before remaining amounts (if any) are made available to Bondholders. For further information see the following paragraphs (under the heading "Further information relating to other borrowings and prior ranking creditors within the Group (and in relation to which, the Guarantor is structurally

subordinate to”) and also the section below under the heading Section 7 (*Description of the Guarantor and the Group – Borrowings and Capital Funding*) which shows the levels of borrowings in various subsidiaries of the Group (to which, the Guarantor, and ultimately the Bondholders (if the Guarantee were called upon), would or may be structurally subordinate).

Further information relating to other borrowings and prior ranking creditors within the Group (and in relation to which, the Guarantor is structurally subordinate to)

The description of structural subordination above and also the risk factor in Section 2 (*Risk Factors*) headed “*The Guarantor does not own substantial assets of its own. Therefore, in a default scenario, it would be dependent on other members of its Group*”, describes the position of the Guarantor within the Group and the extent to which creditors of the Guarantor’s subsidiaries would or may rank in priority to the Guarantor in an insolvency scenario.

As at 31 December 2016, total borrowings of the Group (being borrowings included in Non-Current Liabilities and borrowings included in Current Liabilities of the financial statements of the Guarantor) were £176.4 million compared with £34.7 million as at 31 December 2015 and as at 30 June 2017 (unaudited), borrowings of the Group were £273.5 million. As at 31 December 2016 total property assets (being Property included within Property Plant and Equipment, Investment Property and Inventories as set out in the financial statements of the Guarantor) were £265.8 million compared with £74.1 million as at 31 December 2015 and total property assets of the Group as at 30 June 2017 (unaudited) were £347.3 million. Therefore, as at 31 December 2016 property assets represented approximately 151 per cent. of total borrowings of the Group (214 per cent. as at 31 December 2015) and as at 30 June 2017 (based on unaudited numbers) total property assets represented approximately 127 per cent. of total borrowings of the Group and this will increase when properties are revalued at completion. Furthermore, if by way of example, the Group were to raise an additional £30 million to £70 million of borrowings in the bond issue proposed in this Prospectus, immediately following the bond issue, assuming all bond proceeds were used to fund new property assets, total property assets may represent between approximately 124 per cent. and 121 per cent. of the total borrowings of the Group. (Investors should note that this is illustrative only and should not be taken as any assurance as to the potential size of the proposed bond issue or the level of borrowings to total property assets, which will, in part, be dependent on the demand received for the Bonds during the Offer Period and the circumstances at the time).

All of the £34.7 million of total borrowings of the Group as at 31 December 2015 represented secured borrowings, with security being granted over corresponding property assets of the Group and/or shares of Group companies. Of the £176.4 million of total borrowings of the Group as at 31 December 2016, £173.9 million (98.6 per cent.) represented secured borrowings and, of the £273.5 million (unaudited) of total borrowings of the Group as at 30 June 2017, £265.7 million (97.1 per cent.) represented secured borrowings, in each case with security being granted over corresponding property assets of the Group and/or shares in Group companies. Accordingly, as at 31 December 2016 the Group had a surplus of approximately £91.9 million of property assets over borrowings, based on their valuation in the year-end financial statements (at 31 December 2015: £39.4 million) and as at 30 June 2017 (based on unaudited numbers) the Group had a surplus of approximately £81.6 million of property assets over borrowings.

	<p>In the event that there are insufficient assets available to the Guarantor after all prior ranking creditors (e.g. trade creditors, secured creditors, unsecured creditors and preferred shareholders (such as employees)) of the Guarantors' other subsidiaries have been paid out in an insolvency scenario, the Guarantor would be unable to pay back all amounts owing to Bondholders were the Guarantee to be called upon, and accordingly Bondholders would not receive all amounts owing to them under the Guarantee.</p> <p>On account of this and other risk factors described in this document (see Section 2 (<i>Risk Factors</i>) above), the Bonds are high risk securities and potential investors should read these risk factors carefully before making any investment decision relating to the Bonds.</p>
<p>What financial covenants apply under the Bonds?</p>	<p>The Guarantor has, pursuant to covenants contained in the Conditions of the Bonds, undertaken to maintain certain financial ratios with respect to certain entities in its Group for so long as the Bonds are outstanding.</p> <p>Pursuant to these covenants, the Guarantor has agreed that each relevant member of the Group which borrows directly or indirectly from the Issuer must ensure that its Net Available Properties Value is not less than its external unsecured debt (i.e. debt which is not non-Issuer intra-group debt and which is not secured on such borrower's property assets). If (after having borrowed Bond proceeds from the Issuer) any relevant member of the Group ceases to comply with this minimum ratio, then the Guarantor must ensure that, across the remaining Group members (i.e. across all subsidiaries of the Guarantor who are not for the time being borrowing Bond proceeds from the Issuer, on an aggregate individual basis), the aggregate Net Available Properties Value of such non-borrowing Group members is not less than 130 per cent. of the aggregate of (i) any unsecured debt (excluding non-Issuer intra-group debt) not covered by the relevant borrowers' own Net Available Properties Value and (ii) the external-unsecured debt (excluding non-Issuer intra-group debt) of such non-borrowing Group members.</p> <p>"Net Available Properties Value" is for these purposes defined in the Conditions of the Bonds to mean the total properties value of the relevant Group entity (or entities), less the total debt secured on the property assets of such entity (or entities).</p> <p><i>For example:</i></p> <p>In order for a relevant member of the Group (i.e. a potential borrower) to borrow £10 million of Bond proceeds from the Issuer, that borrower, to the extent that it has no other outstanding debt, must at that time have at least £10 million of Net Available Properties Value. If for any reason that ceases to be the case in respect of any borrower (after having borrowed Bond proceeds from the Issuer), and a particular borrower has, for example, only £9 million of Net Available Properties Value, then the Group's non-borrowing members aggregated as a whole must have at least £1.3 million of Net Available Properties Value (assuming they have no other outstanding external debt – excluding non-Issuer intra-group debt).</p> <p>The covenant is intended to limit security granted over property assets of the Guarantor's subsidiaries on an individual, borrower-by-borrower (as opposed to consolidated), basis; and the covenant is also designed to restrict the ability of the Guarantors' subsidiaries to incur excess external borrowings relative to unsecured debt obligations owing to the Issuer in connection with the Bonds.</p> <p>However, investors should be aware that this covenant does not ensure that there will be funds available to pay amounts due under the Bonds on a timely basis as they fall due. Furthermore, the Guarantor is not restricted from incurring significant amounts of</p>

	<p>additional indebtedness (including indebtedness to fund acquisitions), which may include indebtedness of its subsidiaries which are not guarantors under the Bonds and indebtedness which can be secured over the assets of the Group. The Guarantee provided by the Guarantor in respect of the Bonds will be structurally subordinated to creditors of any subsidiaries of the Guarantor, meaning that, in an insolvency scenario, creditors of such subsidiaries (which creditors could include the Issuer however, in the case of members of the Group who are borrowing Bond proceeds from the Issuer) would be expected to be paid first before remaining funds (if any) are distributed up to the Guarantor to be made available to Bondholders in the event that the Guarantee were called upon.</p> <p>See “<i>What will Bondholders receive upon a winding up of the Group?</i>” above for further information.</p>
What is the interest rate?	<p>The interest rate payable on the Bonds will be fixed until the Maturity Date at 6.00 per cent. per year. The interest rate payable on the Bonds is fixed for the life of the Bonds.</p> <p>The first payment of interest in relation to the Bonds is due to be made on 13 April 2018. Following the first payment, interest is expected to be paid on 18 October and 13 April in each year up to and including the Maturity Date (unless the Bonds are redeemed early).</p> <p>See Section 12 (<i>Terms and Conditions of the Bonds - Interest</i>) for further information.</p>
How is the amount of interest payable calculated?	<p>The Issuer will pay a fixed rate of 6.00 per cent. interest per year in respect of the Bonds. Interest will be payable in two semi-annual instalments. Therefore, for each £100 nominal amount of Bonds that you buy on 13 October 2017, for instance, you will receive £3.00 on 13 April 2018 and £3.00 on 13 October 2018, and so on every six months until and including the Maturity Date (unless you sell the Bonds or they are repaid by the Issuer before the Maturity Date).</p> <p>See Section 12 (<i>Terms and Conditions of the Bonds - Interest</i>) for further information.</p>
What is the yield on the Bonds?	<p>On the basis of the issue price of the Bonds of 100 per cent. of their nominal amount, the initial yield (being the interest received from the Bonds expressed as a percentage of their nominal amount) of the Bonds on the Issue Date is 6.00 per cent. on an annual basis. This initial yield is not an indication of future yield.</p>
When will the Bonds be paid?	<p>The Issuer must repay all the Bonds on the Maturity Date (unless repaid earlier), which is 13 October 2023. The repayment price under such circumstances will be the nominal amount of the Bonds.</p> <p>In the event that the Issuer or Guarantor becomes required to increase the amounts payable in respect of the Bonds on account of tax as a result of any change in, amendment to, or change in the application or official interpretation of, the laws or regulations of the United Kingdom, which change or amendment becomes effective after the Bonds have been issued, the Bonds may be redeemed (i.e. repaid early) if the Issuer chooses to do so in whole, but not in part, at any time. The redemption price in these circumstances is at the nominal amount of the Bonds plus accrued interest (if any) as at the relevant time.</p> <p>The Issuer also has a right to redeem the Bonds early at its option at any time. In this case, you will receive back a minimum of the nominal amount of your Bonds plus any interest accrued thereon until the date of repayment; in certain circumstances you may receive a higher amount of cash compensation for the loss of income you would have received had the Bonds remained outstanding. On repayment, such payments will be made to you equal to the higher of the nominal amount of the Bonds (i.e. £100 per £100 in nominal amount of Bonds) you hold, or a price whereby the yield given up as a result of the Bonds being repaid early will equal that of a bond issued by HM Treasury of comparable maturity plus</p>

	<p>a margin of 0.50 per cent., together with any accrued interest. For example, as the Bonds have a fixed interest rate of 6.00 per cent. and mature on 13 October 2023, if the Bonds were repaid on 13 October 2017 the cash payment would amount to approximately £128.35 for every Bond issued at a nominal amount of £100. The relevant HM Treasury bond ‘of comparable maturity’ for these purposes is the UK 2.25 per cent. Treasury Gilt due 2023, and this calculation is based on the current yield to maturity of this Treasury Gilt as at 20 September 2017.</p> <p>See Section 12 (<i>Terms and Conditions of the Bonds – Redemption at the Option of the Issuer</i>) for further information.</p>
Will I be able to trade the Bonds?	<p>Issuer will make an application for the Bonds to be admitted to trading on the London Stock Exchange plc, on its regulated market and through its electronic order book for retail bonds (ORB) market. If this application is accepted, the Bonds are expected to commence trading on 16 October 2017.</p> <p>Once admitted to trading, the Bonds may be purchased or sold through a broker. The market price of the Bonds may be higher or lower than their original issue price depending on, among other things, the level of supply and demand for the Bonds and any movements in interest rates.</p> <p>See Section 2 (<i>Risk Factors – Risks related to the market generally – There may not be a liquid secondary market for the Bonds and their market price may be volatile</i>) for further information.</p>
Do the Bonds have a credit rating?	<p>No, the Bonds will not when issued be rated by any credit rating agency. The Issuer currently does not have any intention of requesting a credit rating from any rating agency.</p>
Do the Bonds have voting rights?	<p>Bondholders have certain rights to vote at meetings of the Bondholders, but are not entitled to vote at any meeting of shareholders of the Issuer, the Guarantor or any other member of the Group.</p> <p>The Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit majorities of certain sizes to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a different manner to the majority.</p>
Who will represent the interests of the Bondholders?	<p>The Trustee is appointed to act on behalf of the Bondholders as an intermediary between Bondholders and the Issuer and Guarantor throughout the life of the Bonds. The main obligations of the Issuer and the Guarantor (such as the obligation to pay, and to observe the various covenants in the Conditions of the Bonds) are owed to the Trustee. These obligations are enforceable by the Trustee only, not by the Bondholders themselves. Although the entity chosen to act as Trustee is chosen and appointed by the Issuer and the Guarantor, the Trustee’s role is to protect the interests of the Bondholders.</p> <p>See Section 12 (<i>Terms and Conditions of the Bonds</i>) for further information.</p>
How do I apply for Bonds?	<p>Details on how to apply for the Bonds are set out in Section 4 (<i>Timetable of the Offer and Key Dates</i>) and Section 5 (<i>How to Apply for the Bonds</i>).</p>
What if I have further questions?	<p>If you are unclear in relation to any matter, or uncertain if the Bonds are a suitable investment, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether or not to invest.</p>

SECTION 4 – TIMETABLE OF THE OFFER AND KEY DATES

Key dates relating to the Offer

Commencement of Offer Period	22 September 2017
End of Offer Period	12 noon (London time) on 5 October 2017
Sizing Announcement (confirming total nominal amount of Bonds to be issued)	6 October 2017
Issue Date	13 October 2017
Expected commencement of trading	16 October 2017

Key dates for the Bonds

First Interest Payment Date	13 April 2018
Maturity Date	13 October 2023

Interest is scheduled to be paid on the semi-annual Interest Payment Dates (13 April and 13 October in each year), until the Maturity Date or any earlier redemption date. The first payment of interest is due to be made on 13 April 2018. If any of these scheduled dates is not a business day, then the payment of interest or principal on Maturity will be made on the next succeeding business day in London without any additional interest or other amounts being payable.

The key dates for the offer are indicative only and subject to change without notice. Select Property Group Finance plc may end the Offer Period early or withdraw the offer at any time prior to the Issue Date.

This Prospectus may only be used by the Authorised Offerors referred to in this Prospectus for the purposes of making offers of the Bonds during the Offer Period; not at any time after the End of Offer Period.

SECTION 5 - HOW TO APPLY FOR THE BONDS

<p>How and on what terms will Bonds be allocated to me?</p>	<p>Applications to purchase Bonds cannot be made directly to Select Property Group Finance plc (the “Issuer”) or Select Property Group (Holdings) Limited (the “Guarantor”). Bonds will be issued to you in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you.</p> <p>It is important to note that none of the Issuer, the Guarantor, Cenkos Securities plc (the “Lead Manager”) or U.S. Bank Trustees Limited (the “Trustee”) are party to such arrangements between you and the relevant financial intermediaries referred to in Section 11 (<i>Important Legal Information – Consent</i>) (the “Authorised Offerors”). You must therefore obtain this information from the relevant Authorised Offeror. Because they are not party to the dealings you may have with any Authorised Offeror, the Issuer, the Guarantor, the Lead Manager and the Trustee will have no responsibility to you for any information provided to you by the Authorised Offeror.</p>
<p>How many Bonds will be issued to investors?</p>	<p>The total amount of the Bonds to be issued may depend on the amount of Bonds for which indicative offers to purchase Bonds are received during the Offer Period. This total amount will be specified in an announcement which the Issuer intends to publish via RNS announcement (www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) on or about 6 October 2017 (the “Sizing Announcement”).</p>
<p>How and when must I pay for my allocation and when will that allocation be delivered to me?</p>	<p>You will be notified by the relevant Authorised Offeror of your allocation of Bonds (if any) and the arrangements for the Bonds to be delivered to you in return for payment.</p>
<p>When can the Authorised Offerors offer the Bonds for sale?</p>	<p>An offer of the Bonds may be made by the Lead Manager and the other Authorised Offerors in the United Kingdom during the period from the date of this Prospectus until 12 noon (London time) on 5 October 2017 (the “Offer Period”), or such earlier time and date as agreed between the Issuer, the Guarantor and the Lead Manager and announced <i>via</i> RNS during the Offer Period.</p>
<p>Is the offer of the Bonds conditional on anything else?</p>	<p>The issue of the Bonds is conditional upon the Subscription Agreement being signed by the Issuer, the Guarantor and the Lead Manager. The Subscription Agreement will include certain conditions customary for transactions of this type which must be satisfied (including the delivery of legal opinions from legal counsel which are satisfactory to the Lead Manager). If these conditions are not satisfied, the Lead Manager may be released from their obligations under the Subscription Agreement before the issue of the Bonds. For further information on the Subscription Agreement, see Section 9 (<i>Subscription and Sale</i>).</p>
<p>Is it possible that I may not be issued with the number of</p>	<p>You may not be allocated all (or any) of the Bonds for which you apply. This might happen for example if the total amount of orders for the Bonds</p>

Bonds I apply for? Will I be refunded for any excess amounts paid?	exceeds the number of Bonds that are issued. There will be no refund as you will not be required to pay for any Bonds until any application for Bonds has been accepted and the Bonds have been allocated to you.
Is there a minimum or maximum amount of Bonds that I can apply for?	The minimum application amount for each investor is £2,000. There is no maximum aggregate nominal amount of the Bonds to be issued on the Issue Date.
How and when will the results of the offer of the Bonds be made public?	The results of the offer of the Bonds will be made public in the Sizing Announcement, which will be published by the Issuer <i>via</i> RNS prior to the Issue Date. The Sizing Announcement is currently expected to be made on or around 6 October 2017.
Who can apply for the Bonds? Have any Bonds been reserved for certain countries?	Subject to certain exceptions, Bonds may only be offered by the Authorised Offerors in the United Kingdom during the Offer Period (and to the extent that the relevant Authorised Offeror is appropriately authorised to make offers in the relevant jurisdiction(s), in accordance with all applicable laws, rules and regulations). No Bonds have been reserved for certain countries.
When and how will I be told of how many Bonds have been allotted to me?	You will be notified by the relevant Authorised Offeror of your allocation of Bonds (if any) in accordance with the arrangements in place between you and the Authorised Offeror.
Have any steps been taken to allow dealings in the Bonds before investors are told how many Bonds have been allotted to them?	No steps have been taken to allow the Bonds to be traded before informing you of your allocation of Bonds.
What is the amount of any expenses and taxes specifically that will be charged to me?	Neither the Issuer, the Guarantor nor the Lead Manager will charge you any expenses or taxes relating to the issue of the Bonds. The Bonds will be issued at the issue price (which is 100 per cent. of the nominal amount of the Bonds), and the aggregate nominal amount of the Bonds to be issued will be specified in a Sizing Announcement to be published by the Issuer by RNS at the end of the Offer Period. Authorised Offerors may offer the Bonds at the issue price (i.e. 100 per cent. of the nominal amount of the Bonds) or, if such Authorised Offeror charges you any expenses, then it may offer you the Bonds at a corresponding amount more than the issue price. For example, if your stockbroker or financial adviser charges you total dealing expenses of, for instance, 1 per cent., then he or she would offer the Bonds to you at 101 per cent. of the nominal amount of the Bonds (i.e. a price to you of £101 per £100 Bond). You must check with your stockbroker or financial adviser what expenses he or she will charge to you, and therefore what the offer price to you will be. Any such expenses charged by an Authorised Offeror are beyond the control of the Issuer or Lead Manager, are not knowable by the Issuer, and must be disclosed to any potential investor by the relevant Authorised Offeror at the relevant time.
What are the names and addresses of those distributing the Bonds?	As of the date of this Prospectus, the persons listed below are the persons known to the Issuer, the Guarantor and the Lead Manager who intend to offer and distribute the Bonds in the United Kingdom during the Offer Period: Cenkos Securities plc

	<p>6-8 Tokenhouse Yard London EC2R 7AS</p> <p>AJ Bell Securities Limited 4 Exchange Quay Salford Quays Manchester M5 3EE</p> <p>Saga Share Direct Aspect House Spencer Road Lancing West Sussex BN99 6DA</p> <p>Selftrade Aspect House Spencer Road Lancing West Sussex BN99 6DA</p> <p>Shareview Aspect House Spencer Road Lancing West Sussex BN99 6DA</p> <p>Each of the Issuer and the Guarantor has granted consent to the use of this Prospectus by the persons listed above and other relevant stockbrokers and financial intermediaries in the United Kingdom during the Offer Period on the basis of and so long as they comply with the conditions described in Section 11 (<i>Important Legal Information - Consent</i>). None of the Issuer, the Guarantor or the Lead Manager has authorised, nor will they authorise, the making of any other offer of the Bonds in any other circumstances.</p>
<p>Will a registered market-maker be appointed?</p>	<p>The Lead Manager has agreed to be appointed as registered market-maker through the London Stock Exchange's order book for retail bonds (ORB) in respect of the Bonds from the date on which the Bonds are admitted to trading on the London Stock Exchange plc's regulated market. Market-making means that a person will quote prices for buying and selling the Bonds during trading hours.</p>

SECTION 6 - DESCRIPTION OF THE ISSUER

Information about the Issuer

Select Property Group Finance plc (the “**Issuer**”) was incorporated and registered in England and Wales on 19 July 2017 under the Companies Act 2006 as a public limited company with registered number 10874449 under the name of Select Property Group Finance plc. The principal legislation under which the Issuer operates is the Companies Act 2006.

The Issuer’s registered office and principal place of business is The Box, Horseshoe Lane, Alderley Edge, Cheshire SK9 7QP.

As of the date of this Prospectus, the total authorised share capital of the Issuer is £50,000 divided into 50,000 shares of £1 each, and which is one-quarter paid up. All of the Issuer’s shares are owned and held by Select Property Group (Holdings) Limited (the “**Guarantor**”).

Principal activities

In its constitutional documents, the Issuer’s objects and purposes are unrestricted.

The Issuer is organised as a special purpose company. The Issuer was established to raise money for use by the Guarantor and its consolidated subsidiaries taken as a whole (the “**Group**”).

Since its incorporation, the Issuer has not engaged in material activities other than those incidental to its registration as a public limited company under the Companies Act 2006 and those related to the issue of the Bonds.

The Issuer has no employees.

Directors and Secretary

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

	Position in the Issuer	Position in the Guarantor and the Group	Principal/ material outside activities outside the Group
Mark Stott	Company Director	Chief Executive Officer of the Group	None
Mark Dawson	Company Director	Executive Director and General Counsel	None
Michael Slater	Company Director	Chief Financial Officer of the Group	None
Giles Beswick	Company Director	Management Team	None
Trevor Moore	Company Director	Chief Operating Officer of the Group	None

The company secretary of the Issuer is Mark Dawson.

The business address of each of the above persons is The Box, Horseshoe Lane, Alderley Edge, Cheshire SK9 7QP.

If a director of the Group becomes aware that they have a direct or indirect interest in an existing or proposed transaction involving the Group, the director is required to notify the Board at the next Board meeting and is required to continuously update any changes in his/her interests.

Each of the directors of the Issuer is also an officer of the Guarantor and holds other directorships within the Group.

There are no potential conflicts of interest between the private interests or other duties to third parties of the directors of the Issuer and their duties to the Issuer.

Corporate Governance

The Issuer is not a company with a primary equity listing and accordingly is not required to comply with the United Kingdom's corporate governance standards. Instead, as the Issuer is a wholly-owned subsidiary of the Guarantor, it adheres to the corporate governance policies applied by the Guarantor to its other subsidiaries.

Financial Information

Since the date of its incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Prospectus. The Issuer intends to publish its first financial statements in respect of the period ending on 31 December 2017. The financial year of the Issuer ends on 31 December in each year.

Reports and accounts published by the Issuer will, when published, be available for inspection during normal office hours at its business address set out above and within the "*Bonds*" section of the Group's website (at www.selectproperty.com/bond).

The Issuer has appointed Ernst & Young LLP, 1 More London Place, London SE1 2AF, as its auditors. Ernst & Young LLP is registered to perform audit work by the Institute of Chartered Accountants in England and Wales and its registered office is 1 More London Place, London SE1 2AF.

Use of Proceeds

The proceeds of the issue (after deduction of expenses incurred in connection with the issue) will be retained by the Issuer in a bank account and/or lent by the Issuer to other members of the Guarantor's Group for general corporate purposes. General corporate purposes may include, but are not limited to, repayment of existing borrowings (which could be short- or long-term borrowings), refinancing of existing sites and developments, acquisition of new sites and developments and working capital. There are no specific or definite intended uses of proceeds at this time.

Recent Developments

There have been no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

SECTION 7 - DESCRIPTION OF THE GUARANTOR AND THE GROUP

The Bonds will be issued by Select Property Group Finance plc (the “**Issuer**”) and guaranteed by Select Property Group (Holdings) Limited (the “**Guarantor**”).

The Guarantor is a holding company. The Group’s operations are generally conducted through direct and indirect subsidiaries and, in some cases, through joint-ventures. This means that the Guarantor is dependent on the performance of other members of the Group and the subsequent receipt of funds by way of dividends to the Guarantor for its principal sources of funds.

The Guarantor was incorporated and registered in England and Wales on 25 March 2014 under the Companies Act 2006 as a private limited company with registered number 8958577 under the name SHOO 593 Limited. The Guarantor changed its name to Select Property Group (Holdings) Limited on 15 August 2014. The principal legislation under which the Guarantor operates is the Companies Act 2006. The Guarantor’s objects and purpose are unrestricted.

The Guarantor’s registered office and principal place of business is The Box, Horseshoe Lane, Alderley Edge, Cheshire SK9 7QP and its telephone number is +44 (0) 161 322 2255.

History and Development

The Group was established in 2004 by Mark Stott as a privately-owned and operated property sales and marketing company. The purpose of the Group at its outset was primarily to provide wide-ranging sales and marketing services on an exclusive basis to third-party developers of real estate developments in overseas emerging markets. This service included conceptualisation of the whole commercial strategy for taking the development to market, as well as fully pre-selling the residential apartments. Between 2004 and the end of 2011, the Group fulfilled sales of over 3,400 residential units with a sales value of over £600 million (based on prevailing exchange rates at the time of sale), generating sales commissions of over £39 million.

The Group’s main place of business during this time was a head office in Cheshire (UK), supported by a sales office in Dubai catering for the MENA (Middle East and North Africa) market.

From 2012 onwards, following a period of severe global financial market instability, the Group recognised the potential to promote the relative security and stable returns offered by the UK property market to its substantial international community of investors, with core markets being the UK and the Middle East. At the same time, recognising the benefit of generating recurring business from repeat investors, the Group believed it needed to retain full control not only of the design and delivery of the real estate projects but also of the quality and integrity of the operation and letting of those assets.

Consequently, in 2012 the Group changed its focus to become a developer of its own branded residences, which it would pre-sell to its international database of investors as a fully-managed passive investment. Investors purchased one or more residential units on a sale and leaseback basis, effectively appointing the Group to fully-manage the building, provide all amenities and services for the enjoyment of the tenants, and control the letting of the accommodation in the open market. The Group performs all these functions directly through its own staff and offices.

The first development project acquired was three conjoined former commercial buildings in Liverpool, which were redeveloped into purpose built student accommodation under the new ‘Vita Student’ brand and pre-sold in 2012-13. The Group has since acquired, or entered into contracts to acquire further sites in Manchester, Bristol, Exeter, Southampton and later, Sheffield, Edinburgh, Newcastle, Glasgow, York, Birmingham, Leeds and Cardiff. All the student buildings have enjoyed near hundred per cent occupancy rates and high re-booking

rates which, in the opinion of the management team based on their substantial collective experience, are considerably higher than the market-average, generating rental premia on average of 25 per cent.⁹

Following the success of the Vita Student developments, further development sites have been acquired with the intention of broadening the Group's stable of operational brands. A development of 241 apartments primarily targeting the city-centre business tenant requiring high-specification and hotel-like services with flexible tenancy length opened in Manchester in February 2017 under the name 'CitySuites'. The Group is also developing four residential towers in the city aimed at young professionals renting by choice, who the Group believes are looking for technology, amenities and services which enhance their more flexible lifestyles, under the name 'Affinity Living'.

In 2015 the Group opened a permanent office base in Singapore as a base for expanding into the South-East Asian market. Subsequent office openings in Shanghai and Beijing have been instrumental in opening up new markets for both lettings and foreign direct investment into the UK property assets from China and the wider Asian territory. The Group currently employs 351 staff (including part-time employees) in the UK (the majority being based at the Head Office in Cheshire, along with a second office in London), as well as 76 in the overseas offices in Dubai, Singapore, Shanghai and Beijing.

In 2016 the Group raised funding of approximately £169 million from the UK domestic debt markets (as described under the heading "*Borrowings and Capital Funding - Development Loans*" below) to fund the construction of three of its Vita Student developments, with a view to growing rents as the asset owner and refinancing or selling the assets once stabilised in the market to extract higher net project returns. Three of the four buildings being the subject of this development funding were occupied from September 2017, being the start of the 2017/2018 academic year, with the final building due to complete in the first quarter of 2018. In August 2016, the Group also completed the partially debt-funded acquisition of all 279 student accommodation units in the Vita Student building at First Street Manchester, originally pre-sold to retail investors and completed in September 2014. The Group has also since funded a Vita Student development in Edinburgh and is expecting to similarly fund its Vita Student developments in Leeds, Birmingham and a further building in Manchester on the same 'build to hold' strategy.

Additionally, the Group has signed heads of terms with a significant pension fund relating to two of the four Affinity Living buildings in Manchester mentioned above, to be developed through a combination of equity and debt funding. This deal is due to complete in Autumn 2017 with construction to commence shortly afterwards. The other two Affinity Living buildings have been substantially-pre-sold to retail investors and construction works have commenced.

The Group's development, marketing and letting/operating activities are managed through a single unified corporate management and control structure which is run by the Board of Directors. The Board is responsible for designing and implementing the strategic direction of the Group and, on a day to day basis, controls the corporate management and operational structure of the Group. The Group's staff are mostly employed by either Select Property Group Limited or Vita Student Management Limited, both of which are wholly-owned subsidiaries of the Guarantor. The Issuer has no employees.

Shareholders

The founder of the Group and principal shareholder is Mark Stott (the Chief Executive Officer of the Guarantor), who holds approximately 77 per cent. of the ordinary shares in the Guarantor (which attract 77 per cent. of the voting rights and 58 per cent. of the economic rights in the Guarantor). The other shareholders include Angus Monro who holds approximately 13 per cent. of the ordinary share capital of the Guarantor (which attracts 13 per cent. of the voting rights and 10 per cent. of the economic rights), and collectively the

⁹ Compared to rental figures quoted in an NUS accommodation costs survey using data from 2014-2016.

management of the Group have shares and/or share options relating to approximately 24 per cent. of the capital of the Guarantor in aggregate, all of which are non-voting. As further described under the heading “*Borrowings and capital funding – Preference Shares*” below, Kismet International s.à.r.l. (“**Kismet**”) owns 1,917,348 preference shares in the share capital of the Guarantor.

Strategy and objectives of the Group

The Group’s key strategic objective is to be an internationally-recognised provider of managed residential properties in key vertical markets which are designed, built, and operated with excellence to meet the needs of discerning customers.

The Group seeks to achieve its objectives by:

- Understanding the needs of its customers, and developing branded residential properties to meet those needs. Each brand encompasses detailed specifications and design of the built environment, the operational platform, service standards, marketing and communications. Consequently, the Group hopes to create substantial market differentiation in its residential products.
- Designing, developing, owning, and managing such branded properties in what it has identified as desirable locations, thereby seeking to control all aspects of the property lifecycle, from land acquisition, to design and development, and to management and lettings, the Group believes that it can offer an enhanced customer experience which will ultimately lead to stronger lettings performance and therefore enhanced asset value.
- Being an integrated property development, sales and management company, which the Group believes enables it to benefit from broader market knowledge when identifying property to acquire, and to develop a better understanding of its customers’ needs when designing developments and so allow it to achieve a stronger lettings performance.
- Maintaining strong internal risk systems including:
 - (i) active cash management which the Group believes is very important to the ongoing financial strength of the Group. The Group maintains internal systems which aim to achieve consistent cash collection and minimise customer default rates; and
 - (ii) detailed regulatory and risk analysis.
- Growth through diversification in terms of both its product portfolio and its routes to market (for property sales and lettings).

Principal Activities and Markets

The Group concentrates on locations which it believes demonstrate a significant demand for its branded products, supported by a strong fundamental underlying market. For example, its Vita Student (student accommodation) sites are located within walking distances from popular and reputable academic institutions. By focussing on quality locations with sound underlying sources of demand, the Group believes there will be sustainable demand for its properties which provides resilience to wider economic factors that affect the property market generally.

The Group aims to position its core brands at the premier end of their markets by providing a superior product and service. Combining a quality product with an in-demand location enables the Group to achieve a rental premium and high occupancy, and underpins this performance with strong product differentiation from the marketplace.

The Group primarily currently operates under the following brands:

- (1) ***Vita Student***: a premier student accommodation brand concentrating on internationally renowned university cities in the UK with ambitions to develop and operate in Australia and Canada;
- (2) ***Affinity Living***: a built to rent residential brand concentrating on young professionals in a number of cities in the UK; and
- (3) ***CitySuites***: premium and high-specification apartments with “hotel-like” services and flexible tenancy lengths from four nights upwards.

The Group believes these markets are supported by underlying growth, creating an opportunity for the Group to achieve net rental returns that are above the national average rental returns for the residential market taken as a whole.

In addition to the three residential brands listed above, the Group may also in the future develop and/or manage residential property developments in certain locations and circumstances which do not fall under one of these three brands. Part of the proposed development at Embankment West may be one such example.

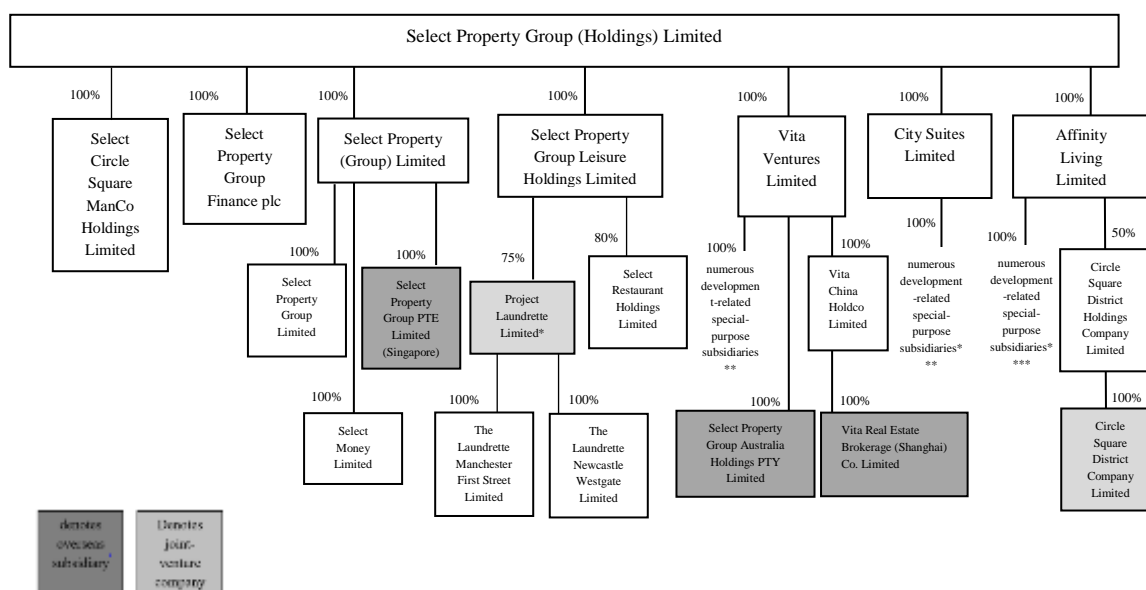
Structure of the Group

A summarised Group structure chart is set out below. The Group had 87 wholly-owned UK subsidiaries (excluding the Issuer) as at 31 August 2017 and three overseas-registered subsidiaries; each development or project is separately contained in its own special purpose vehicle (“SPV”). Each brand has its own subsidiary holding company which is owned by the Guarantor and each subsidiary holding company holds a collection of SPVs relating to the projects within that brand.

A description of each of the subsidiary holding companies and the Issuer is set out below:

- (1) **Vita Ventures Limited** - is the subsidiary holding company for all of the Group’s student accommodation projects and activities;
- (2) **Affinity Living Limited** - is the subsidiary holding company for all of the Group’s build to rent accommodation projects and activities;
- (3) **City Suites Limited** - is the subsidiary holding company for all of the Group’s serviced apartment accommodation projects and activities;
- (4) **Select Property Group Leisure Holdings Limited** - is the subsidiary holding company for all of the Group’s bar/restaurant properties and activities;
- (5) **Select Property (Group) Limited** - is the subsidiary holding company for the Group’s sales and marketing activities and also the Group’s management and central overhead activities; and
- (6) **Select Property Group Finance plc** - is the Issuer.

The special purpose subsidiaries referred to in the chart are listed below.



* Joint-venture vehicle created for the operation of a number of commercial premises under restaurant brand 'The Laundrette'

** New Co (Beith Street) Limited, New Co (Newcastle) 2 Limited, New Co (Newcastle) Limited, New Co (Satellite) 2 Limited, New Co (Satellite) Limited, Newco (First Street) 2 Limited, Newco (First Street) Limited, Richmond House (Southampton) Limited, Tinlings (Liverpool) Limited, Vita (Cardiff) 1 Limited, Vita (Man 2) Limited, Vita (Sheff) 1 Limited, Vita (Sheff) Operating Company Limited, Vita Birmingham 1 Ltd, Vita Bristol 1 Limited, Vita Bristol and Exeter Operating Company Limited, Vita Edinburgh 1 Limited, Vita Exeter 1 Limited, Vita First Street Limited, Vita First Street Retail Limited, Vita Glasgow 1 Limited, Vita Glasgow 1 Op Co Limited, Vita Glasgow Operating Company Limited, Vita Leeds 1 Limited, Vita Liverpool 1 Limited, Vita Liverpool 2 Limited, Vita Liverpool 3 Limited, Vita Liverpool Operating Company Limited, Vita Management Bristol Limited, Vita Manchester Limited, Vita Manchester Operating Company Limited, Vita Newcastle 1 Limited, Vita Newcastle 2 Limited, Vita Newcastle 2 Op Co Limited, Crosshall Developments (Liverpool) Limited, Crosshall Building (Liverpool) Limited, Vita Satellite 2 Limited, Vita Southampton 1 Limited, Vita Southampton Operating Company, Vita Student Management Limited, Vita Student Limited, Vita Student (Beith Street) Limited, Vita Satellite 1 Limited, Vita Satellite 1 Op Co Limited, Westgate Road (Newcastle) Limited, Vita Newcastle Operating Company Limited, Vita York 1 Ltd, Vita Student York Holding Company Limited, Vita York Operating Company Limited, Vita Southampton Portswood Holdco 1 Limited, Vita Southampton Portswood Holdco 2 Limited, Vita Student Southampton Portswood Limited, Vita Student Portswood Holdco Limited, Vita Brighton 1 Limited, Vita Leeds 2 Limited, Vita Student Portswood Comm-Prop Company Limited

*** City Suites Holdco Limited, City Suites Manchester Limited, City Suites Operating Company Limited, City Suites Management Limited

**** Affinity Living Birmingham 1 Limited, Trinity ICP Limited, Affinity Living Riverside Operating Company Limited, Affinity Living Riverside Comm-Prop Company Limited, Affinity Living Riverside Holdco Limited, Affinity Living Trinity Holdco Limited, Embankment West Limited, Affinity Living Embankment West Limited, Affinity Living Embankment West Developments Limited, Affinity Living Riverview Holdco Limited, Affinity Living Riverview Operating Company Limited, Affinity Living Riverview Comm-Prop Company Limited, Affinity Living 2 Limited, Bruntwood Oxford Road Holdings Limited, Oxford Property Trading Limited, Circle Square Affinity Living 5 and 6 Limited, Circle Square Affinity Living 7 and 8 Limited.

Competitors

The Group has identified several competitors in some of the markets in which it operates:

Vita Student

In the UK, the student accommodation market is dominated by a few larger portfolios (Unite, Liberty Living) and some newer competitors (such as Hello Student, Collegiate AC, and CRM).

The larger competitors have tended to have a similar business model to the Group in controlling the full lifecycle of the product – from land acquisition to development and operations.

Some of the newer competitors (like Collegiate AC) have focussed on a product that is perceived (in press articles, for example) to be of a higher quality than the market average and/or developed products in prime locations.

Affinity Living

The competition that the Group has identified is of a varied nature.

The UK Build to Rent sector has recently seen several new entrants. Mostly, these have been high volume Private Rented Sector (PRS) property developers who have between them delivered nearly half of the currently available supply of PRS apartments.

Despite several announcements in the press about future development plans, the number of completed developments delivered by these companies so far still represent a relatively small fraction of the overall size of the potential market.

The Group's strategy to operate as a fully integrated property company; its focus on prime locations near strong demand centres; and its track record for delivering and operating a substantial portfolio of properties, position the Group, in the opinion of its management team, uniquely in the marketplace.

CitySuites

The Group's short stay apartment brand "CitySuites" represents a premium offering which offers certain benefits when compared to other available serviced apartment accommodation (some of which include The Light Aparthotel, The Heart Apartments, Rotana Apartments, Staycity Aparthotel). These benefits are principally based on four criteria:

- competitive pricing;
- high quality fixtures, fittings and equipment, as well as building amenities;
- a central location, giving business tenants access to the key employment zones and city centre retail/dining amenities; and
- highly-praised team of staff delivering consistently high customer service

Outlook and Trends

The Group considers that the United Kingdom managed residential real estate market in which the Group operates is experiencing a growing trend of positive investor sentiment. The Group believes that this trend has been supported by several factors, including:

- (i) availability of bank debt financing to borrowers / developers because of government initiatives and measures that the banks have taken to re-capitalise and re-finance themselves; and
a relatively attractive investment yield opportunity that the United Kingdom managed residential real estate market presently offers as an asset class to institutional investors.
- (ii) The sentiment is supported by structural growth in the underlying market driving demand for the type of properties the Group is developing:
 - (a) UK university student numbers growing 3 per cent. between 2012 and 2016 and particularly growth in top universities (9.6 per cent. growth in Russell Group during the same period); and
 - (b) Government research suggests that there is a residential property undersupply in the UK and further, that an increasing number of 25-34 year olds are renting rather than buying properties. In the years between 2005 and 2016 the number of 25-34 year olds living in the private rented sector grew by 22 per cent.

The Group believes that these trends are reasonably likely to have a positive effect on the net value of its property portfolio, and to enable it to continue expanding this portfolio in the coming years.

Joint Ventures/Co-Investment Vehicles

The Group holds 50 per cent. of the share capital in a joint venture vehicle called Circle Square District Holdings Company Limited, incorporated for the purpose of arranging the provision of utilities, telecommunications and certain other estate management services to the master-planned Circle Square neighbourhood, within which the Group is the developer, owner and manager of a number of residential buildings under its Vita Student and Affinity Living brands. The remaining shares in this vehicle are held by Bruntwood Science Limited, part of the Manchester based developer Bruntwood Limited's group of companies, owner and operator of the commercial developments at Circle Square.

The Group has entered into two joint ventures to operate restaurant businesses out of a number of commercial premises within its residential buildings. It is the majority shareholder (65 per cent. in terms of the number of shares and 75 per cent. in economic value) in Project Laundrette Limited, with the remaining shares being held equally by two individuals who manage the restaurant business day-to-day under the brand name 'The Laundrette'. Project Laundrette Limited took an assignment of all intellectual property of The Laundrette brand in 2016. Additionally, it is the majority shareholder (80 per cent. in terms of the number of shares and 85 per cent. in economic value) in Select Restaurant Holdings Limited, with the remaining shares being held equally by a partner who will manage the restaurant business day-to-day under a brand name still to be determined.

Board of Directors and Senior Management of the Group

Board of Directors – Executive Team and Non-Executive Chairman

The Directors of the Guarantor and the Company Secretary, all whose business addresses are at The Box, Horseshoe Lane, Alderley Edge, Cheshire SK9 7QP, are as follows:

Mark Stott (*Chief Executive Officer of the Group*)

As CEO and founder of the Group, Mark established the Group in 2004. For the last twelve years, he has pursued his aim to create the world's first customer-aligned property investment platform and has striven to position the Group as a market leader. Mark's pioneering approach has seen the Group actively pursue new opportunities and change the nature of existing investment markets and he provides the entrepreneurial vision for the Group.

Michael Slater (*Chief Financial Officer of the Group*)

Michael has overall responsibility for finance and accounting matters within the Group.

As a chartered accountant, Michael has held positions including Group Finance Director at AIM-listed Tepnel Life Sciences, which culminated in a trade sale exit following a period of organic and acquisitive growth. Prior to this, Michael was a Senior Manager with KPMG, responsible for assurance, advisory and transaction services projects for a wide range of listed and private companies.

Mark Dawson (*Executive Director and General Counsel*)

Mark is responsible for negotiating and structuring the Group's financial transactions, joint ventures and leading the Group's institutional relationships. A qualified lawyer, Mark also oversees the Group's legal and regulatory activity.

Before taking up his role with the Guarantor, Mark was a corporate finance partner specialising in private equity matters at a national law firm, with significant experience in complex and high value mergers, acquisitions and investments for a range of entrepreneurial and institutional clients in the UK and overseas.

Trevor Moore (*Chief Operating Officer of the Group*)

Trevor has guided many consumer-facing brands through periods of expansion, including Whitbread PLC, Coffee Republic PLC and Phones4U Limited. He was appointed as CEO of Jessops PLC and restructured the finances and operations to restore the business to profit over a three-year period. In 2013, he became CEO of HMV Group PLC, working with a syndicate of eight banks and performing a strategic review that determined the future of the business.

Furthermore, Trevor is an experienced board director having spent 20 years in a combination of privately-owned, private equity-owned and publicly traded companies.

Mark Oakes (*Chief Commercial Officer of the Group*)

Mark is responsible for all development budgetary sign-offs as well as leading the development function across all Group brands, ensuring the Group delivers developments on schedule, to budget and to the quality required.

Prior to joining the Group, Mark spent three years as the Group Head of IT for William Hill Group PLC, the UK's leading gambling and gaming company. He has also been instrumental in both operational and IT leadership positions at companies including BSkyB, Barclays and Phones4U.

Angus Monro (*Non-Executive Chairman*)

With a career spanning over 40 years in corporate, commercial and retail positions, Angus Monro, the former Chief Executive of Instore and Matalan, has a wealth of strategic experience to support Select Property's plans for significant growth.

Angus is a well-known figure in the retail sector, having worked with some of the UK's major retail corporations, including Marks & Spencer, Dorothy Perkins, B&Q and Woolworths. He is widely regarded as one of the UK's most experienced retailers and has been involved with Select Property since 2010.

As well as his role as Non-Executive Chairman of Select Property Group, he is a Non-Executive Director of online retailer The Hut Group.

Natalia Markelova (*Non-Executive Director*)

Following completion of a Masters degree in Management at Moscow State University, Natalia joined Uniastrum Bank as an account manager in its investment projects department. She joined UC Rusal in 2005 where she held various senior positions in several departments, leaving in 2013 to head the corporate and investment department of SNH Group, which she left recently. She sits on the board of the Guarantor as the non-executive director appointee of one of the Group's shareholders, Kismet International S.a.r.l.

Senior Management

The Directors are supported by a management team with considerable experience in property, finance, technology and administration, as follows:

Giles Beswick (*Director and Company Secretary*)

Giles has been a Director of the Group since January 2006 and is the Company Secretary of the Guarantor.

During this time, he has been involved in a broad range of corporate and commercial business transactions in multiple jurisdictions. As a result, Giles has developed a deep understanding of the various structural aspects of delivering numerous real-estate and leisure investment projects.

Giles is a member of the Chartered Institute for Securities and Investments with a qualification in UK Financial Regulation (Capital Markets).

Ken Knott (*Chief Development Officer of the Group*)

In his role as Chief Development Officer, Ken is responsible for securing all land holdings for the Vita Student part of the Group. His expertise of the local planning landscape has enabled sites to be secured in the most desirable city centre locations, often overcoming challenging planning issues.

Ken joined Select Property Group from Ask Property Developments Limited where he was CEO and founder shareholder. In the 13 years under his leadership, Ask delivered more than 2 million square foot of predominantly commercial floor space, including the £90 million First Street North project and the Central Park business complex.

Lee McLean (*Managing Director – Vita Student*)

Lee is the Managing Director of the Vita Ventures Group. Lee comes from a property operations background with over 17 years' experience. For the last 8 years, Lee has worked specifically in the student accommodation industry, gaining extensive experience prior to joining Vita Student in 2015. This included working for the UNITE Group as Director of Asset Management and Estates and over two years as a director for The Mansion Group.

A chartered surveyor with an MBA from Manchester Business School, Lee previously held long-term positions with Carillion PLC and Ernst & Young, giving him a broad range of sector-relevant experience covering the construction, finance and operation of real estate assets.

The principal outside activities of the Directors of the Guarantor are as follows:

Name	Position	Principal/material outside activities outside the Group
Mark Stott	Chief Executive Officer	none
Michael Slater	Chief Financial Officer	none
Mark Dawson	Executive Director and General Counsel	none
Trevor Moore	Chief Operating Officer	none
Mark Oakes	Chief Commercial Officer	none
Angus Monro	Non-executive Chairman	none
Natalia Markelova	Non-executive Director	none

The Group requires that if a director becomes aware that they have a direct or indirect interest in an existing or proposed transaction involving the Group, the director is required to notify the Board at the next Board meeting and is required to continuously update any changes in his/her interests.

Mark Stott, Michael Slater, Mark Dawson, Trevor Moore and Giles Beswick are also directors of the Issuer and hold other directorships within the Group.

There are no potential conflicts of interest between duties to the Guarantor of its Directors and Company Secretary and their private interests and other duties.

Board practices and governance

The Guarantor is not a company with a primary equity listing and accordingly is not required to comply with the United Kingdom's corporate governance regime.

The Directors are however committed to maintaining high standards of corporate governance and the Guarantor aims to comply with best practice wherever possible and where the Directors consider it to be in the Guarantor's best interests.

Auditors

Ernst & Young LLP whose address is 1 More London Place, London SE1 2AF, are the auditors of the Group and audited the consolidated financial statements of the Group for the financial years ended 31 December 2015 and 31 December 2016. Their reports in respect of the financial statements for the years ended 31 December 2015 and 31 December 2016 were unqualified. Ernst & Young LLP is registered to perform audit work by the Institute of Chartered Accountants in England and Wales and its registered office is 1 More London Place, London SE1 2AF.

Summary of Group Developments

The table on the following page summarises information relating to the Group's pipeline of developments as at 30 June 2017, including those that have been completed and sold to third party buyers.

Those properties that have already been completed and sold are disclosed solely in order to provide historical information on the Group's activities in this sector.

Properties	Location	Retail/Build to hold	Brand	Lettable Units	Status at 30/06/17	Completion date/ Expected completion
The Chapel.....	Liverpool	Retail	Student	68	Complete (sold)	2013
Crosshall.....	Liverpool	Retail	Student	158	Complete (sold)	2015
Tinlings.....	Liverpool	Retail	Student	132	Complete (sold)	2014
Portland House	Exeter	Retail	Student	156	Complete (sold)	2014
Colston Avenue	Bristol	Retail	Student	132	Complete (sold)	2014
Richmond House	Southampton	Retail	Student	214	Complete (sold)	2014
Telephone House	Sheffield	Retail	Student	366	Complete (sold)	2015
Westgate Road.....	Newcastle	Retail	Student	259	Complete (sold)	2016
First Street	Manchester	BTH	Student	279	Complete (owned)	2014
Beith Street	Glasgow	BTH	Student	501	Partially complete	2017
St Joseph's.....	York	Retail	Student	644	Partially complete	2017
Circle Square plots 10 & 11.....	Manchester	BTH	Student	716	Under development	2017/2018
Strawberry Place.....	Newcastle	BTH	Student	332	Under development	2017

Properties	Location	Retail/Build to hold	Brand	Lettable Units	Status at 30/06/17	Completion date/ Expected completion
Fountainbridge.....	Edinburgh	BTH	Student	250	Under development	2018
Portswood Road.....	Southampton	Retail	Student	435	Under development	2018
Circle Square plot 9.....	Manchester	BTH	Student	384	Owned, not yet on site	2019
Pebble Mill	Birmingham	BTH	Student	357	Exchanged	2019
St Alban's.....	Leeds	BTH	Student	376	Exchanged	2019
Bradley Court	Cardiff	BTH	Student	354	Owned, not yet on site	2020
Enterprise Point	Brighton	BTH	Student	402	Under exclusivity	2020
Riverside.....	Manchester	Retail	PRS	185	Under development	2019
Riverview	Manchester	Retail	PRS	320	Under development	2020
Circle Square plots 5,6,7 & 8.....	Manchester	BTH	PRS	683	Site investigation started	2020
CitySuites, Chapel Street..	Manchester	Retail	Serviced apartments	237	Complete (sold)	2017
Embankment West.....	Manchester	Retail	Residential & Serviced apartments	503 ¹⁰	Owned, not yet on site	2020
Horseshoe Farm.....	Alderley Edge	N/A	Head Office	N/A	N/A	N/A
Overseas properties	Singapore & China	N/A	Overseas offices	N/A	N/A	N/A

By the end of 2017, the Group is expecting to have completed 1,937 new lettable student units, more than doubling the total number of lettable student units delivered. Once these new units are complete, the 13 operational developments are expected to have a combined Gross Development Value of approximately £452 million based on the total sales price achieved at the time of sale (for those developments sold *via* the Group's retail platform) and Directors' valuation based on current market information and valuations (for the build-to-hold developments). In addition, the Group completed a building containing 241 apartments at its CitySuites development on Chapel Street in Manchester in 2016 with a Gross Development Value of approximately £68 million based on the total sales price achieved at the time of sale. The combined Gross Development Value for the 13 operational developments referred to above upon their completion (£452 million), and CitySuites already completed (£68 million) is £520 million. The Group currently expects to deliver 941 lettable student units in 2018, 1,117 in 2019, 1,029 in 2020, and a further 147 CitySuites units in 2020. The Group has a confirmed pipeline of 1,188 consented Affinity Living units as shown in the table above.

¹⁰ Not all of the units at Embankment West will be managed/let by the Group, some will just be retailed with no lease back or management agreement

Rental income and rental growth

In respect of the Vita Student property assets, the average weekly rental price per lettable unit increased from £134 to £191 between 2013/14 and 2016/17. Between the same academic years, the average annual growth in average weekly rental income was 13 per cent., with the total gross income for the last of those four years (2016/17 academic year) being approximately £16.8 million. The gross contracted rental income as at 13 September 2017 for the academic year 2017/18 arising from the Group's estate of 13 managed student accommodation buildings was approximately £35.4 million.¹¹

Borrowings and capital funding

The Group is financed through a combination of retained earnings, development and investment loans, a convertible loan facility, preference shares, bridging finance and other short-term loans and a mortgage. No such finance arrangement has a term exceeding 10 years. Borrowing agreements have varying security arrangements attached to them, the main component being assets held by the Group.

The Group's exposure to interest rate risk is managed in two ways. Firstly, by hedging exposure to interest rate risk on the floating rate loans and secondly by borrowing at fixed rates.

On completion of the bond issue the Issuer intends to use the proceeds of the Bonds (after deduction of expenses incurred in connection with the issue) to lend to other members of the Guarantor's Group for their general corporate purposes. General corporate purposes may include, but are not limited to, repayment of existing borrowings (which could be short- or long-term borrowings), refinancing of existing sites and developments, acquisition of new sites and developments and working capital. The Issuer may lend Bond proceeds to new SPVs to acquire and develop new assets and may provide the whole debt required or part of the debt in conjunction with a secured lender and/or other group loans, and the Issuer may also lend to existing entities again either providing all of the required debt or part of the debt in conjunction with a secured lender and/or other group loans. The ultimate recipients of such loans will be subject to the financial covenant set out in the Terms and Conditions.

The table below sets out the borrowings of the members of the Group (of which, the Guarantor, and ultimately the Bondholders (if the Guarantee were called upon), would be structurally subordinated to) as at 31 December 2016 and 30 June 2017 broken down by SPV. It also shows the accounting value of the property the borrowing is secured against. The table also shows the valuation basis of each of the properties. The table does not show all unsecured creditors of each SPV. See also the risk factors entitled "*The Guarantor does not own substantial assets of its own. Therefore, in a default scenario, it would be dependent on other members of its Group*" and "*The Guarantor and its Subsidiaries have other creditors, including but not limited to secured creditors, who in a winding-up scenario would be paid first before any amounts were made available to the Guarantor for the purposes of meeting its obligations under the Guarantee (if the Guarantee were called upon)*" for a description of the risks regarding structural subordination.

Summary of debt as at 31 December 2016 (audited) and 30 June 2017 (unaudited)

This table contains unaudited information for 30 June 2017.

¹¹ Not all rent may have been fully paid and the final total gross rental figure is subject to change.

Properties	Location	Company owning property	Company with charges over property	Borrowings at 31/12/16 £'000	Accounting value of property at 31/12/16 £'000	Borrowings at 30/6/17 £'000	Accounting value of property at 30/6/17 £'000	Basis of Accounting value of property (see note 1)
Westgate Road	Newcastle	Vita Newcastle 1 Limited	None	—	560	—	561	Cost
First Street	Manchester	Vita First Street Ltd	Vita First Street Limited	22,272	40,340	22,054	41,250	Fair value based on 3rd party valuation
			Newco (First Street) Limited	4,877	—	17,182	—	
St Joseph's	York	Vita Student York Holding Company Limited	Vita Student York Holding Company Limited	7,324	45,747	8,860	42,370	Cost
Beith Street	Glasgow	Vita Student (Beith Street) Limited	Vita Student (Beith Street) Limited	23,108	45,109	30,366	53,365	Cost
			Vita Glasgow 1 Limited	17,003	—	18,715	—	
Circle Square plots 10 & 11	Manchester	New Co (Satellite) 2 Limited	New Co (Satellite) 2 Limited	4,912	52,782	30,530	77,473	Cost
			Vita Satellite 1 Limited	27,842	—	34,209	—	
Strawberry Place	Newcastle	Vita Newcastle 2 Limited	Vita Newcastle 2 Limited	2,250	16,877	15,453	31,347	Cost
			New Co (Newcastle) Limited	10,815	—	12,156	—	
Fountainbridge	Edinburgh	Vita Edinburgh 1 Limited	Vita Edinburgh 1 Limited	3,743	7,559	6,157	10,930	Cost
Portswood Road	Southampton	Vita Student Southampton Portswood Limited	Vita Student Southampton Portswood Limited	10,508	12,786	11,692	19,043	Cost
Circle Square plot 9	Manchester	Vita Satellite 2 Limited	Vita Satellite 2 Limited	—	1,186	4,013	2,041	Cost
Pebble Mill	Birmingham	Vita Birmingham 1 Limited	None	—	939	—	2,273	Cost
St Alban's	Leeds	Vita Leeds 1 Limited	None	—	643	—	1,615	Cost
Bradley Court	Cardiff	Vita (Cardiff) 1 Limited	Vita (Cardiff) 1 Limited	—	687	5,046	7,459	Cost
Enterprise Point	Brighton	Vita Brighton 1 Limited	None	—	—	—	155	Cost
Riverside	Manchester	Trinity ICP Limited	Trinity ICP Limited	—	9,295	2,448	12,546	Cost
			Affinity Living Limited	4,014	—	—	—	
			Affinity Living	—	—	3,741	—	

Properties	Location	Company owning property	Company with charges over property	Borrowings at 31/12/16 £'000	Accounting value of property at 31/12/16 £'000	Borrowings at 30/6/17 £'000	Accounting value of property at 30/6/17 £'000	Basis of Accounting value of property (see note 1)
			Riverside Holdco Limited					
Riverview	Manchester	Affinity Living Trinity Holdco Limited	Affinity Living Trinity Holdco Limited	5,743	10,459	7,089	13,279	Cost
Circle Square plots 5,6,7 & 8	Manchester	Oxford Property Trading Limited	Oxford Property Trading Limited	—	—	11,162	11,310	Cost
Chapel Street	Manchester	City Suites Holdco Limited	City Suites Holdco Limited	5,979	13,066	—	893	Cost
Embankment West	Manchester	Affinity Living Embankment West Limited	Affinity Living Embankment West Limited	—	3,202	6,078	14,397	Cost
Horseshoe Farm	Alderley Edge	Select Property Group Limited	Select Property Group Limited	1,794	4,336	1,716	4,757	Net book value
		Select Property Group Limited	Unsecured	2,453	—	2,677	—	Cost
		Select Property Group (Holdings) Limited	Unsecured	—	—	5,167	—	Cost
Overseas Properties	Singapore & China	Select Property Group PTE. Ltd & Vita China Holdco Limited	None	—	202	—	214	Net book value
Convertible loan		Affinity Living 2 Limited & Vita (Man 2) Limited	Shares of Affinity Living 2 Limited and Vita (Man 2) Limited	9,620	—	See Note 2	—	N/A
Preference shares		Select Property Group (Holdings) Limited	Share charges over various group companies	12,142	—	16,975	—	N/A
Total				176,399	265,775	273,486	347,278	

Notes:

- (1) Build to hold schemes are valued at cost until practical completion. On practical completion, they are remeasured at fair value (any gain/loss on revaluation is recognised in profit/loss) based on third party valuations.
- (2) The convertible loan amount at 30 June 2017 (£6,078k) is shown on the Embankment West line as, at that date, it was secured on that property (and the security held at 31 December 2016 had been released).

Based on current market information and valuations, the Directors believe that the following properties have or will have the following values at completion: First Street (Vita Student), £41.3 million; Beith Street (Vita Student), Circle Square (Plots 10&11) and Strawberry Place (Vita Student), in total £225 million; Edinburgh Fountainbridge (Vita Student), £43 million.

Borrowings, secured borrowings and total property assets of the Group

As at 31 December 2016, total borrowings of the Group (being borrowings included in Non-Current Liabilities and borrowings included in Current Liabilities of the financial statements of the Guarantor) were £176.4 million compared with £34.7 million as at 31 December 2015 and as at 30 June 2017 (unaudited), borrowings of the Group were £273.5 million. As at 31 December 2016 total property assets (being Property included within Property Plant and Equipment, Investment Property and Inventories as set out in the financial statements of the Guarantor¹²) were £265.8 million compared with £74.1 million as at 31 December 2015 and total property assets of the Group as at 30 June 2017 (unaudited) were £347.3 million. Therefore, as at 31 December 2016 property assets represented approximately 151 per cent. of total borrowings of the Group (214 per cent. as at 31 December 2015) and as at 30 June 2017 (based on unaudited numbers) total property assets represented approximately 127 per cent. of total borrowings of the Group and this will increase when properties are revalued at completion. Furthermore, if by way of example, the Group were to raise an additional £30 million to £70 million of borrowings in the bond issue proposed in this Prospectus, immediately following the bond issue, assuming all bond proceeds were used to fund new property assets, total property assets may represent between approximately 124 per cent. and 121 per cent. of the total borrowings of the Group. (Investors should note that this is illustrative only and should not be taken as any assurance as to the potential size of the proposed bond issue or the level of borrowings to total property assets, which will, in part, be dependent on the demand received for the Bonds during the Offer Period and the circumstances at the time).

All of the £34.7 million of total borrowings of the Group as at 31 December 2015 represented secured borrowings, with security being granted over corresponding property assets of the Group and/or shares of Group companies. Of the £176.4 million of total borrowings of the Group as at 31 December 2016, £173.9 million (98.6 per cent.) represented secured borrowings and, of the £273.5 million (unaudited) of total borrowings of the Group as at 30 June 2017, £265.7 million (97.1 per cent.) represented secured borrowings, in each case with security being granted over corresponding property assets of the Group and/or shares of Group companies. Accordingly, as at 31 December 2016 the Group had a surplus of approximately £91.9 million of property assets over borrowings, based on their valuation in the year-end financial statements (at 31 December 2015: £39.4 million) and as at 30 June 2017 (based on unaudited numbers) the Group had a surplus of approximately £81.6 million of property assets over borrowings

Development loans

In June 2016, the Group secured (through subsidiaries) £169 million of senior (£108 million) and mezzanine (£61 million) facilities, to fund build-to-hold Vita Student developments in Manchester (Circle Square), Glasgow (Beith Street) and Newcastle (Strawberry Place). The senior loan borrowers are Vita Student (Beith Street) Limited, New Co (Satellite) 2 Limited and Vita Newcastle 2 Limited and the mezzanine borrowers are Vita Glasgow 1 Limited, New Co (Newcastle) Limited and Vita Satellite 1 Limited. The loans are due to mature in June 2021. The loans have a full security package for the lenders including for the senior loans a first charge against the property and a share charge over the senior loan borrower companies and for the mezzanine lenders a secured charge against the property and a share charge over the junior borrower companies. The Guarantor has provided a cost overrun, interest costs and completion guarantee (capped at £12 million) but this has not been called on and the majority of the developments have been completed or are due to complete in September 2017.

¹² This is the sum of the property values in each individual entity, on an aggregate basis

In June 2017, the Group secured £42 million of development facilities through Affinity Living Riverside Holdco Limited, a business developing a build to rent apartment building in central Manchester, and Vita Edinburgh 1 Limited, a subsidiary developing a Vita Student development in the centre of Edinburgh. The loans are secured on the property development assets to which they relate and are due to mature in January 2019 and February 2019, respectively. The Guarantor has provided a limited recourse cost overrun guarantee for the Affinity Living Riverside Holdco loan and the Vita Edinburgh 1 loans.

Investment loans

In August 2016, the Group secured £28 million of funding to repurchase the Vita Student First Street, Manchester building, through Vita First Street Limited and Newco (First Street) Limited, subsidiaries of the Group. This was made up of senior funding of £23 million and mezzanine funding of £5 million. The mezzanine funding was repaid in May 2017 and replaced with further mezzanine funding of £17.5 million. The loans are secured on the First Street property and the shares of NewCo (First Street) Limited, and are due to mature in August 2020.

Convertible loan facility

A convertible loan facility, from Kismet, of £11 million was issued in June 2015 and secured by fixed and floating rate charges over all assets of Vita (Man 2) Limited, a subsidiary of the Group which holds its interest in the joint venture business formed with partner at the time Bruntwood Science Limited to develop the site now known as Circle Square in Manchester. A proportion (£7 million) of the loan was novated to Affinity Living 2 Limited in December 2016 and subsequently novated to Affinity Living Embankment West Limited in June 2017. The loan facility is secured by fixed and floating rate charges over all assets of Affinity Living Embankment West Limited which owns a significant residential development plot of Chapel Street in Manchester. The remaining £4 million was repaid in June 2017.

The Group has the following options with regard to the convertible loan:

- (a) the option to prepay individual tranches, in whole or part; or
- (b) the option to repay the facility in full, following the second anniversary of the date of issue. To the extent that this option is exercised, the Group must grant the investor a call option, capped at the amount of the facility.

The facility is convertible into ordinary shares in the Guarantor at the option of the investor, to the extent fully converted the loan would amount to approximately 5 per cent. of the ordinary share capital of the Group and approximately 4 per cent. of the economic rights over the share capital of the Group. The conversion option is exercisable on maturity of the facility, which is June 2020. There is also an option for conversion to occur earlier in the event of an initial public offering or strategic sale, of the Group's business but neither of these events are in the current plans of the Group.

On exercise of the call option, the investor has the right to convert the amount of the loan repaid under the repayment option into ordinary shares in the Guarantor using the same mechanics as the conversion option.

Preference shares

In June 2015, 1,327,395 preference shares in the Guarantor were issued to Kismet for approximately £9 million. Kismet, the investor in the preference shares, holds a put option, under which the investor can sell the preference shares back to the Guarantor, a conversion right, in the event of an initial public offering or a strategic sale and a call option, under which the investor can subscribe for ordinary shares for additional cash subscription proceeds. In June 2017, a further 589,953 preference shares were issued to Kismet for £4 million. Interest is payable on the preference shares from the third anniversary of issue. The preference shares are expressed to rank ahead of the ordinary shares of the Guarantor in the event of a strategic sale.

The put option is secured over the shares of the following subsidiaries: 12 per cent. of the shares of Vita Ventures Limited, the shares of Vita Edinburgh 1 Limited, the shares of Affinity Living Trinity Holdco Limited and the shares of Affinity Living Embankment West Limited.

Bridging finance and other short-term loans

The Group has a number of bridging and short-term loans from flexible providers of such facilities, mainly secured on the assets of the subsidiaries of the Group and a small amount of unsecured lending. None of the loan terms exceed two years.

Mortgage loan

In December 2016, Select Property Group Limited (a subsidiary of the Guarantor) secured a £1.8 million, 10-year loan from HSBC Bank plc, for the purpose of financing building development of the Group's head office in Alderley Edge, Cheshire.

SECTION 8 - MARKET OVERVIEW

UK Higher Education Sector

The Higher Education sector plays an important part in the UK economy. In 2011/12, UK universities generated more than £73 billion in output (an increase of 23 per cent. since 2007¹³), contributing 2.8 per cent. to the country's GDP. UK Universities' total income was £27.9 billion with a surplus of 4.8 per cent. In the same year, it was estimated that total UK Higher Education export earnings were approximately £10.7 billion representing approximately 15 per cent. of the total sector's output. Furthermore, the Higher Education sector accounted for 2.7 per cent. of UK employment in 2011/12.

In 2015/16, the income of UK Higher Education Institutions ("HEIs") was £34.7 billion, up by 20 per cent. as compared to the 2011/12 academic year¹⁴. In addition, the UK International Higher Education sector alone has been estimated to be worth approximately £26 billion to the UK economy through a combination of on and off campus-spending by international students¹⁵.

UK universities have been increasingly reliant on tuition fees as a source of funding. ¹⁶ 48.4 per cent. of UK universities' income came from tuition fees in the 2015/16 academic year, which represents a 13.7 per cent. increase on 2011/12¹⁷. As universities increasingly rely on tuition fees, the competition between HEIs for student recruitment has also increased over this period.¹⁸ Growing competition within the Higher Education sector requires also a greater focus on improving teaching and learning facilities to attract not only more students, but also the best students.

Demand in the Sector

(a) All Students

In the 2015/16 academic year, UK universities were teaching approximately 2.28 million students, 76 per cent. (approximately 1.7 million students) of whom were studying full-time, which represents a 2.5 per cent. increase since 2014/15. First degree students accounted for 69 per cent. (1.6 million) of those 2.28 million students, 18 per cent. were attending postgraduate courses, 8 per cent. were studying for other undergraduate courses¹⁹, and the remaining 5 per cent. were studying for postgraduate research degrees²⁰.

An increase in tuition fees to £9,000 from £3,400 in 2012/13 led to a temporary decline in student numbers. However, student applications quickly recovered and have continued their growth curve since 2013. There has been a greater increase in the number of applications by students from low-income families than among any other group of students since the government introduced higher tuition fees. Furthermore, there was a record number of overall acceptances in 2015 (532,300 places, up by 3.1 per cent. on the year before)²¹. The total number of applications was 718,500 in 2015, a 2.7 per cent. increase on 2014. In 2016, applicants' numbers remained almost the same as in 2015 (718,400), with acceptances

¹³ Universities UK, Higher education in numbers.

¹⁴ Universities UK. *'Patterns and Trends in UK Higher Education' 2017*

¹⁵ Universities UK International, 2017. *'International Facts and Figures'*

¹⁶ House of Commons Library, 2017. *'Higher Education Finance Statistics'*

¹⁷ House of Commons Library, 2017. *'Higher Education Finance Statistics'*

¹⁸ <https://www.economist.com/news/britain/21717402-universities-must-now-battle-each-other-attract-students-how-changing-them-growing>

¹⁹ 'Other undergraduate' provision includes foundation degrees, higher national certificates and diplomas, undergraduate certificates, and studying for institutional credits.

²⁰ Universities UK. *'Patterns and Trends in UK Higher Education' 2017*

²¹ UCAS. *'End of Cycle report 2015'*

reaching its all-time highest – 535,200²². In the same year, the gap between acceptances and admissions was 183,200 students, which, in the Group’s opinion shows the potential for growth in student numbers despite a recent drop in applications from EU (5 per cent.) and UK students (4 per cent.)²³.

(b) International Students

UK Higher Education is in high demand amongst international students due to its renowned universities many of which are highly ranked worldwide – eighteen of the World’s Top 100 Universities are UK based (according to the QS World University Rankings 2018 list). The UK accounts for 12.5 per cent. (2014) of the global market share of internationally mobile students, remaining the second most popular choice for international students, after the US²⁴. In 2015/16, 438,010 international students were studying in the UK, an increase of 28 per cent. since 2007/08. The majority of those international students originated from non-EU countries – around 310,575 (71 per cent. of international students) students, whilst 29 per cent. were from EU countries. The top 5 countries for international recruitment were Malaysia, US, China (incl. Hong Kong), India - representing approximately 36 per cent. of the whole international student body. China (incl. Hong Kong) accounted for 25 per cent. of all international students in the 2015/16 academic year. Furthermore, China (incl. Hong Kong) and Malaysia are among the fastest growing student nationalities in the UK. The population of Chinese students has grown by 16 per cent. since 2011/12 and the number of Malaysian students has increased by 20 per cent. between the 2011/12 and 2015/16 academic years²⁵. International students take up approximately 81 per cent. of the Group’s current student accommodation stock, moreover, Chinese students alone account for approximately 53 per cent. of the Group’s student residents²⁶.

UK PBSA Market

The £42.5 billion purpose-built student accommodation (“PBSA”) sector is an important part of the UK economy. The sector has grown 37 per cent. since 2014 and is expected to see an average 2.5 per cent. rental growth in 2017.

The PBSA sector plays an important role for UK HEIs in terms of providing students with accommodation, thus reducing pressure on universities and allowing them to focus on investing in other teaching and learning facilities to grow their student population.

Supply of PBSA

(a) Existing Stock

The number of existing PBSA spaces has been estimated to be approximately 568,000 during the 2015/2016 academic year, reflecting an increase of 5.4 per cent. on the previous year²⁷. Approximately 60 per cent. of PBSA stock is university provided and the remaining 40 per cent. (approximately 228,000 beds) are private PBSA beds. Despite the yearly increase in the provision of PBSA, it currently caters for only around a third of the 1.7 million of the UK’s full-time students. From the Group’s experience in the student accommodation sector, the reasons for the PBSA market remaining undersupplied are primarily the availability of suitable land, planning restrictions and increasing construction costs.

(b) Quality and Experience

²² UCAS. *‘End of Cycle report 2016’*

²³ UCAS. *Article 2017*

²⁴ Universities UK International *‘Higher Education May 2017 International Facts and Figures’*

²⁵ International Students’ data source: HESA *‘Student Enrolments and Qualifications’*

²⁶ Based on all lettings for the 2017-18 academic year, as at 4th September 2017

²⁷ Cushman & Wakefield 2016/17, *‘UK Student Accommodation Report’*

The quality of PBSA and the experience it provides varies widely from one provider to the next, and from one scheme to another. The main differentiation of the Group's stock is the experience and the community that the Group seeks to create through the provision not only of high-quality PBSA – including large 'hub' spaces for socialising – but also through personal and unique service touches, and the opportunities created to help enhance students' future success.

(c) Value

The private PBSA market has been experiencing on average year-on-year rental growth (2.7 per cent. since the 2015/2016 academic year), and the Group projects that this is likely to continue for the coming year. In respect of the Vita Student property assets, the average weekly rental price per lettable unit increased from £134 to £191 between 2013/14 and 2016/17. Between the same academic years, the average annual growth in average weekly rental income was 13 per cent. In addition to the annual increase in weekly rents the Group also achieved on average market rent premium of approximately 25 per cent. across its 8 operating residences with 1,493 lettable student units for the 2015/16 academic year. Furthermore, the Group expects its stock to reach 3,701 lettable student units by the end of September 2017.

(d) Target Cities (academically strong universities – Russell Group)

The Group targets cities with academically strong and research intense HEIs, such as Russell Group Universities. Russell Group Institutions have grown significantly since 2012 and continue to do so²⁸.

BREXIT

A lot of uncertainty followed the UK's referendum outcome in June 2016, including as to the future of the UK Higher Education sector, UK immigration policy and more broadly the UK economy. A weakened currency (sterling) is believed to have had a positive effect on the international investment to the UK. The future funding of the EU students will remain unclear until an agreement is reached between the UK and the EU. It is noted that only 6 per cent. of the UK full-time students come from the EU and only 6 per cent. of the Group's residents are from the EU (excluding the UK)²⁹, and therefore the Group believes that any changes to the Government's EU citizen migration policy will have a minimal effect on its current mix of national and international students³⁰.

Market Outlook

The UK's Higher Education sector is believed by the Group to be among the most preeminent in the world. Despite its resilient and growing population, the sector has (until recently) relied on what the Group believes to be relatively low quality housing solutions for its students by today's standards. In the Group's experience and perception, the consequence of this is a structural undersupply of high-quality accommodation, which is particularly the case in areas surrounding the highest performing and most sought after institutions where land is in short supply, planning environments are often challenging and the international student population tends to be greatest. The Group expects the above trends to continue as global mobility continues to increase.

UK Private Rental Sector

Today more and more people are renting homes in the UK – a trend that the Group expects to continue as home ownership is increasingly unaffordable and lifestyles are changing, especially amongst 'millennials'³¹. A recent

²⁸ Student Housing Conference, Unipol, 2017. 'A Look at What Is Really Going on in the UK Market'

²⁹ Based on lettings for the 2017-18 academic year, as at 4th September 2017

³⁰ HESA 'Student Enrolments and Qualifications 2015/16'

³¹ PwC, July 2016 'UK Housing Market Outlook'

study by Royal Institution of Chartered Surveyors (RICS) estimates a shortage of 1.8 million rental properties in the UK by 2025³².

Over the last decade, the proportion of young households in the Private Rented Sector (PRS) has increased noticeably – in 2005/06, approximately 24 per cent. of 25-34 year olds lived in the Private Rented Sector, whilst in 2015/16 the number nearly doubled and those of age 25-34 represented 46 per cent. of the demand. Over the same period, the number of homeowners aged 25 to 34 has decreased from 56 per cent. to 38 per cent. Furthermore, the average age of first time buyers has increased, from 31 in 2005/06 to 32 in 2015/16.

The following factors have contributed the most towards the growth in the proportion of young people currently renting their accommodation:

(a) Undersupply driving the property prices

In 2007 the Labour Government set a target to build 240,000 new homes a year up to 2016 to prevent a rapid increase in property prices and a shortage of affordable housing. The target has been consistently missed with the closest year being 2006/07 where 215,220 new homes were built. Following a double dip recession in 2012/13, only 133,020 homes were built, the lowest in any year since World War Two³³. Given this shortfall, the UK government estimates that at least 300,000 new homes a year by 2020 will now be needed to meet growing demand³⁴. Particular factors that are causing the undersupply include: a slow and restrictive planning system, lack of available land and a public sector that is building record low levels of homes³⁵.

(b) Affordability

The structural undersupply within the UK property market has led to a rapid growth in house prices – an average yearly increase of 7 per cent. since 1980³⁶. Between 1997 and 2016, the median price paid for residential property has increased by 259 per cent., whilst median annual earnings have increased only by 68 per cent. over the same period³⁷. House prices are growing faster than wages and as a consequence, grossly disproportionate upfront costs mean that making an initial step on to the property ladder is increasingly unrealistic. Therefore, the Group believes such alternatives like built-to-rent properties, which allow access to accommodation more readily, need to be explored.

Figure 1: Median price paid for property and annual earnings indices

³² <http://www.propertyweek.com/opinion/2017-predictions-challenges-and-opportunities-lie-ahead-for-prs/5086871.article>

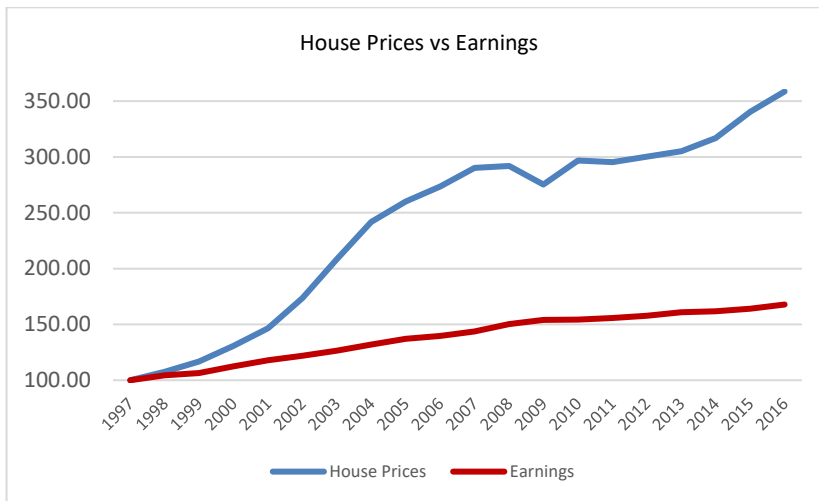
³³ <http://www.bbc.co.uk/news/magazine-30776306>

³⁴ House of Lords, Select Committee on Economic Affairs 'Building more homes' 2016/17

³⁵ <http://www.bbc.co.uk/news/magazine-30776306>

³⁶ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/feb2016>

³⁷ <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016>



Source: ONS 'House affordability in England & Wales: 1997 to 2016

(c) Mortgage Regulations

In 2014, the Bank of England announced new limits on mortgage lending to prevent borrowers from taking on too much debt. New limits mean that lenders will not be able to lend more than 15 per cent. of their total new residential mortgages at loan-to-income ratios of 4.5x or above³⁸. The Group considers that as a consequence new rules could limit the chances of young people buying their first home at an early age and thus leaving many of them with no other option than renting or living with parents for a longer period.

The Bank of England has recently introduced new rules on mortgage affordability requiring banks to “stress test” potential borrowers and prove that they could afford repayments nearly twice as high as the expected monthly cost of their loan³⁹. The interest rate stress test will mean checking potential lenders’ ability to repay the mortgage in the scenario of a 3 per cent. increase in the interest rate after the introductory offer ends. Currently, Standard Variable Rates (SVR) reach as high as 5.75 per cent., which would mean running a stress test at a very high rate of 8.75 per cent.⁴⁰. The decreasing proportion of young people owning a property as well as the increasing average age of the first-time buyer show that it is already challenging enough for young people to get on to the property ladder, but if and when new affordability rules come into force, the Group expects buying a first home to become even more difficult to achieve.

(d) Changing lifestyle

The lifestyle of the current younger generation (those aged between 25 -34) has changed substantially compared to the younger generation of 1970s - the average age of UK women having their first child in 2015 was at a record high of 30 years old and for UK men was 33 years old⁴¹. In the 1970s, the average age of UK women having their first child was 26 years old. Furthermore, the average age of marriage for brides and grooms was 34 and 36 years old respectively as of 2013⁴², whilst in 1970s it was 26 years old for women and 28 years old for men.

³⁸ <http://www.bankofengland.co.uk/financialstability/Pages/fpc/loanincome.aspx>

³⁹ <http://www.bankofengland.co.uk/financialstability/Pages/fpc/intereststress.aspx>

⁴⁰ <http://www.telegraph.co.uk/personal-banking/mortgages/bank-england-tightens-mortgage-rules-means/>

⁴¹ <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthsbyparentscharacteristicsinenglandandwales/2015>

⁴² <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/marriagecohabitationandcivilpartnerships/bulletins/marriagesinenglandandwalesprovisional/2013>

It is often commented that the millennial generation is turning away from materialism and traditional measures of success and instead focus spending their (considerable) disposable income on experiences that enhance their lifestyle and opportunities. The popular perception is that they treasure flexibility and freedom of choice. Thus, the Group holds the view that private rented accommodation allows millennials to be more flexible and gives them the opportunity to live in parts of cities, where buying a property would usually be limited by high entry costs. Nearly a quarter of neighbourhoods in England and Wales were off-limits to many potential homeowners in 2016 as average incomes in those areas were below the level needed to buy an entry-level property⁴³.

The Group believes that the next generation of product soon to be made available in the market will enhance the lives of those currently choosing rental accommodation. It is intended to aim to meet the majority of the identified needs of the millennial generation and to create a vibrant living environment that challenges the conventions and restrictions of the existing rental market. Particular value-added features will include communal living spaces, co-working areas, private dining rooms, outdoor spaces, state-of-the-art gyms and smart technologies at key touch points.

In the Group's view, if the undersupply of new homes continues to remain at the level it is currently at, the conditions for young people to get on to the property ladder are only likely to worsen meaning the average age of first time buyers could keep on increasing. The proportion of those 25-34 years old living in rented accommodation is projected to grow to 70 per cent. by 2019/20 and increase the demand for PRS in the coming years⁴⁴.

UK Serviced Apartment Market

Market Overview

The UK serviced apartment sector, also known as the 'extended stay' market, is continuing to evolve and change and is now recognised as one of the most fast-paced in the UK hospitality sector⁴⁵. The sector aims to fill the gap between a short hotel stay and longer-term rental accommodation. Improved product awareness among consumers and investors has contributed a lot towards a recent expansion of the extended stay segment. In 2015, the sector saw a record high growth in transaction volumes with total serviced apartment deals reaching £325 million, an increase of 114 per cent. on 2014⁴⁶. Although the sector has progressed immensely in recent years, it remains relatively young.

Demand

(a) Overseas demand

The serviced apartment sector is predominantly aimed at business travellers on short or long-term assignments and relocation travellers. In 2016, overseas corporate travellers took up approximately 24 per cent. (9,187,000) of all overseas visits to the UK. In the same year, in total, 37.6 million people travelled to the UK from other countries, an increase of 4 per cent. on 2014. Despite the main target-market being corporate visitors, the sector also benefits from leisure travellers⁴⁷, who accounted for approximately 37 per cent. (13,899,000)⁴⁸ of all overseas visits.

⁴³ <https://visual.ons.gov.uk/prospective-homeowners-struggling-to-get-onto-the-property-ladder>

⁴⁴ DCLG English Housing Survey 'First Time Buyers' 2015-16

⁴⁵ Savills, *Spotlight – Extended stay: UK stock set to double (2015)*

⁴⁶ JLL, *A new hospitality opportunity (July 2016)*

⁴⁷ JLL, *A new hospitality opportunity (July 2016)*

⁴⁸ ONS, *Travel trends: 2016 –*

<https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/articles/traveltrends/2016>

The average length of visits for business travellers was 4 nights, whilst the overall average length of stay was between 7 and 8 nights, as of 2016⁴⁹.

(b) Domestic demand

In 2016, there were 99.3 million overnight trips made in England by British residents. In total, 288 million nights were spent away from home, with an average stay of 2.90 nights⁵⁰. The overall number of domestic trips was down by 3 per cent. on the previous year – the main source of decline being a decrease in trips made to visit friends and family (down by 9 per cent.). 14 per cent. (14.1 million) of the overnight trips were made for business purposes, an increase of 2 per cent. on 2015. 84 per cent. of all business travellers stayed in commercial accommodation, whilst the remaining 16 per cent. chose non-commercial self-catered rented accommodation⁵¹. 72 per cent. out of those staying in commercial accommodation chose serviced rented accommodation⁵² over self-catered.

Supply

The UK serviced apartment market is not as established as it is in the U.S. or Asia, and the current stock accounts for only 3.1 per cent. (19,000 units) of all hospitality accommodation (in 2015)⁵³. The Group believes that the main reason for this is the lack of common understanding of what exactly a serviced apartment is and where it stands within the hospitality sector. That said, in 2017 the UK serviced apartment market experienced a rapid growth in supply, recording an increase in the stock of 13.8 per cent. - twice as high as the market's historical average annual growth of 6 per cent.⁵⁴. Expansion of the market is mainly led by regional cities such as Manchester and Edinburgh, with an increase of 73 per cent. and 62 per cent. respectively in 2017.

Market Performance

In 2016, full year occupancy levels for the UK serviced apartment sector stood at 81 per cent., outperforming the UK hotel sector which showed average occupancy rates of 77.2 per cent.⁵⁵. Regional cities performing particularly well were: Manchester with 86 per cent. occupancy rates, followed by Edinburgh at 84 per cent. and Birmingham 83.6 per cent. In the same year, the average daily rate (“ADR”) for the UK was £141.40, a 1 per cent. increase on 2015 which was mainly fuelled by a London ADR of £185.58 (3.3 per cent. increase on 2015)⁵⁶. The main regional cities driving the UK ADRs were Manchester with ADR at £103.60 (6.5 per cent. increase on 2015) and Edinburgh £111.10 (2.9 per cent. increase on 2015)⁵⁷.

The sector has also shown a strong performance during the first six months of 2017 achieving an average occupancy rate of 79.2 per cent. and recording a growth of 1.7 per cent. when compared with the same period last year⁵⁸. In addition, ADR increased by 3.8 per cent. to £139.08 over the same period.

Market Opportunity

With changing customers' needs and travellers' behaviour, there is potentially room for the expansion of the serviced apartment sector. The Group believes that the majority of the existing accommodation stock is outdated by current standards, meaning it struggles to provide a modern traveller with the working and living environment they require.

⁴⁹ ONS, *Travel trends: 2016*

⁵⁰ <https://www.visitbritain.org/gb-tourism-survey-2016-overview>

⁵¹ *England Domestic Overnight Trips Summary – Business Purposes – 2016*

⁵² *Serviced rented accommodation includes: hotels, hostels, apart-hotels and serviced apartments.*

⁵³ *Savills, Spotlight – Extended stay: UK stock set to double (2015)*

⁵⁴ *Savills, Spotlight – The UK Extended Stay Market (Winter 2016/17)*

⁵⁵ <http://www.servicedapartmentnews.com/home/news/2017/2/8/uk-serviced-apartment-sector-averaged-81-per-cent-occupancy-in-2016/>

⁵⁶ ASAP (Association of Serviced Apartment Providers) *statistics 2016*

⁵⁷ ASAP (Association of Serviced Apartment Providers) *statistics 2016*

⁵⁸ <http://www.servicedapartmentnews.com/home/news/2017/7/27/strong-h1-performance-for-uk-serviced-apartment-sector/>

The Group sees an opportunity in creating a brand that appeals to business executives working on short-term contracts, offering them the location and luxury services of a hotel with space and privacy that residents desire from their home. CitySuites residents benefit from generously-proportioned, comfortable spaces that are finished to a very high standard and in contemporary style, while staying in the heart of the city.

Market Outlook

The appetite for the serviced apartments is expected to grow as consumers and investors continue to explore the market and gain a better understanding of the product. Brand consolidation is also predicted in the long-run as the market matures and grows stronger.

SECTION 9 - SUBSCRIPTION AND SALE

Under a subscription agreement expected to be dated on or about 6 October 2017 (the “**Subscription Agreement**”), Cenkos Securities plc (the “**Lead Manager**”) is expected to agree to use all reasonable endeavours to procure subscribers for the Bonds at the issue price of 100 per cent. of the nominal amount of the Bonds, less selling, management and distribution fees. The Lead Manager will receive a fee of 2.00 per cent. of the nominal amount of the Bonds, out of which the financial intermediaries referred to in Section 11 (*Important Legal Information – Consent*) (the “**Authorised Offerors**”) will be eligible to receive a distribution fee of up to 0.50 per cent. of the nominal amount of the Bonds allotted to them. Select Property Group Finance plc (the “**Issuer**”) (failing which Select Property Group (Holdings) Limited (the “**Guarantor**”) will also reimburse the Lead Manager in respect of certain of its expenses incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to the issue of the Bonds. The issue of the Bonds will not be underwritten by the Lead Manager, the Authorised Offerors or any other person.

Selling restrictions

Under the terms of the Subscription Agreement, the Issuer, the Guarantor and the Lead Manager will agree to comply with the selling restrictions set out below. The Authorised Offerors are also required to comply with these restrictions under the Authorised Offeror Terms. See Section 11 (*Important Legal Information – Consent*) for further information.

United States

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”). Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States. The Lead Manager and each Authorised Offeror will represent and agree that it will not offer, sell or deliver any Bonds within the United States.

United Kingdom

The Lead Manager and each Authorised Offeror will represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of FSMA would not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Lead Manager and each Authorised Offeror will represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in the Prospectus in the United Kingdom (as to which, see the section of the Prospectus headed, “*Section 11 – Important Legal Information – Consent given in accordance with Article 3.2 of the Prospectus Directive*”) from the time the Prospectus has been approved by the competent authority in the United Kingdom and published in accordance with the Prospectus Directive until the Issue Date or such later date as the Issuer may permit, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Lead Manager; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that, no such offer of Bonds referred shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

In this provision, the expression an “**offer of Bonds to the public**” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

General

No action has been taken by the Issuer, the Guarantor, the Lead Manager or the Authorised Offerors that would, or is intended to, permit a public offer of the Bonds in any country or jurisdiction where any such action for that purpose is required, other than in the United Kingdom as described in this Prospectus. Accordingly, the Lead Manager and each Authorised Offeror will agree that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus or any amendment or supplement thereto or any other offering material, in all cases at its own expense.

SECTION 10 - TAXATION

United Kingdom

The summary set out below is a general description of certain U.K. tax considerations relating to the Bonds. It is based on the Issuer's understanding of current law and practice (including Her Majesty's Revenue and Customs' ("HMRC") practice (which may not be binding on HMRC) in England and Wales as of the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. The summary is intended as a general guide only and it does not purport to be a complete analysis of all tax considerations relating to the Bonds. It is not intended to be, nor should it be construed to be, legal or tax advice.

The summary set out below relates to the position of persons who are the absolute beneficial owners of Bonds and some aspects do not apply to certain classes of taxpayer (such as dealers and Bondholders who are connected or associated with the Issuer for relevant tax purposes). In particular, Bondholders holding their Bonds via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof. The U.K. tax treatment of prospective Bondholders depends on their individual circumstances and may therefore differ to that set out below.

Prospective Bondholders who may be subject to tax in a jurisdiction other than the U.K. 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 or withholding for or on account of United Kingdom income tax provided that the Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007 (the "ITA"). The London Stock Exchange is a recognised stock exchange for these purposes. Bonds will be listed on the London Stock Exchange if they are included in the official list of the London Stock Exchange ("**Official List**") by the United Kingdom listing authority and admitted to trading on the London Stock Exchange. Provided that the Bonds are and remain so listed at the time of payment, interest on the Bonds will be payable without withholding or deduction for or on account of United Kingdom income tax.

In all other cases (including where the Bonds cease to be listed), an amount must be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.) other than where (a) at the time the payment is made, the Issuer reasonably believes that the Bondholder: (i) is a company resident in the United Kingdom; or (ii) is a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account the interest in computing its United Kingdom taxable profits; or (iii) falls within various categories enjoying a special tax status including charities and pension funds); or (iv) is a partnership consisting of persons set out at (i) to (iii) above, provided (in each case) that HMRC has not given a direction to the contrary, (b) another relief applies under domestic law, or (c) the Issuer has received a direction permitting payment without withholding or deduction from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

If interest were paid under deduction or withholding for or on account of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Interest on the Bonds constitutes United Kingdom source income for United Kingdom tax purposes and, as such, may be subject to United Kingdom tax by direct assessment even where paid without withholding. However, interest with a United Kingdom source properly received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession

or vocation in the United Kingdom through a United Kingdom branch or agency or, in the case of a corporate Bondholder, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency, or permanent establishment. The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

Bondholders should note that the provisions relating to additional amounts referred to in Section 12 (*Terms and Conditions of the Bonds – Taxation*) below would not apply if HMRC sought to assess the person entitled to the relevant interest or (where applicable) profit on any Bond directly to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

The reference to “interest” in this United Kingdom Taxation section means “interest” as understood in United Kingdom tax law and accordingly “interest” may include any premium element of the redemption amount of any Bonds redeemable at a premium. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions of the Bonds or any related documentation.

Payments in respect of the Guarantee

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption in respect of bonds listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes any payments under the terms of the Guarantee, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.).

Transfer of Bonds

Bondholders within the charge to United Kingdom corporation tax

In general, Bondholders which are within the charge to United Kingdom corporation tax (other than investment trusts, venture capital trusts, authorised unit trusts and open-ended investment companies but including non-resident Bondholders who carry on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable) will be treated for tax purposes as realising profits, gains or losses (including exchange gains and losses) in respect of the Bonds on a basis which is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for tax purposes. Such profits, gains and losses (or where the Bondholder’s functional currency is not sterling, then the sterling equivalent of such profits, gains and losses as computed in the Bondholder’s functional currency) will be taken into account in computing taxable income for corporation tax purposes. Bondholders that are investment trusts, venture capital trusts, authorised unit trusts or open ended investment companies will be subject to the same taxation treatment in respect of the Bonds as other Bondholders that are within the charge to UK corporation tax, other than with respect to capital profits, gains or losses as defined.

Other United Kingdom taxpayers

The Bonds will constitute “qualifying corporate bonds” within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains.

Accrued income scheme

On a transfer of a Bond by certain Bondholders who are not subject to corporate tax, any amount representing accrued interest may be chargeable to tax as income under the rules of the accrued income scheme as set out in Chapter 2 of Part 12 of the ITA. The accrued income scheme usually applies to deem the transferor to receive

an amount of income equal to the accrued interest and to treat the deemed or actual interest subsequently received by the transferee as reduced by a corresponding amount. Generally, persons who are not resident in the UK and who do not carry on a trade in the UK through a branch or agency to which the Bonds are attributable will not be subject to the provisions of these rules.

Individual Savings Accounts

The Bonds will be qualifying investments for the stocks and shares component of (i) a stocks and shares account (an “ISA”) and (ii) a Lifetime ISA account (a “LISA”) under the Individual Savings Account Regulations 1998 (the “ISA Regulations”) provided in each case that the Bonds are listed on the official list of a recognised stock exchange within the meaning of Section 1005 of the ITA. The London Stock Exchange is a recognised stock exchange for these purposes. Individual Bondholders who acquire or hold their Bonds through an ISA and/or LISA and who satisfy the requirements for tax exemption in the ISA Regulations will not be subject to United Kingdom tax on interest or other amounts received in respect of the Bonds, provided that the ISA and/or LISA otherwise satisfies the requirements for tax exemption in the ISA Regulations.

As at the date of this Prospectus, the annual subscription limit across all of a Bondholder’s ISAs (and, if applicable, LISA) (except for a “Junior” ISA) is £20,000, all of which can be invested in investments qualifying for the stocks and shares component of an ISA under the ISA Regulations. Eligible Bondholders may invest up to £4,000 of this £20,000 subscription limit in a LISA in any one year.

The opportunity to invest in Bonds through an ISA and/or LISA is restricted to individuals. Individuals wishing to purchase the Bonds through an ISA and/or LISA should contact their professional advisers regarding their eligibility.

Stamp duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer of the Bonds or on their redemption.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional bonds (as described under “*Terms and Conditions—Further Issues*”) that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Bondholders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA

or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SECTION 11 - ADDITIONAL INFORMATION

1. Listing and admission to trading of the Bonds

It is expected that the admission of the Bonds to the official list of the London Stock Exchange (the “**Official List**”) and admission of the Bonds to trading will occur on or about 16 October 2017, after the publication of the Sizing Announcement. Application will be made to the United Kingdom Listing Authority (UKLA) for the Bonds to be admitted to the Official List and to the London Stock Exchange plc for such Bonds to be admitted to trading on the regulated market and through its order books for retail bonds (ORB) market.

The amount of expenses related to the admission to trading of the Bonds will be specified in the Sizing Announcement.

The London Stock Exchange plc’s regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (“**MiFID**”). MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors.

2. Issuer’s and Guarantor’s respective authorisations

The issue of the Bonds was duly authorised by a resolution of the Board of Directors of Select Property Group Finance plc (the “**Issuer**”) passed on 19 September 2017.

The guarantee of the Bonds was duly authorised by a resolution of the Board of Directors of Select Property Group (Holdings) Limited (the “**Guarantor**”) passed on 19 September 2017.

The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the Bonds and the giving of the Guarantee.

3. Significant or material change statement

Save as disclosed under the heading “*Description of the Guarantor and the Group – Borrowings, secured borrowings and total property assets of the Group*”, there has been no significant change in the financial or trading position of the Guarantor or the Guarantor and its consolidated subsidiaries taken as a whole (the “**Group**”) since 31 December 2016 (i.e. the end of the last period covered by the available financial information of the Group). There has been no material adverse change in the prospects of the Guarantor or the Group since 31 December 2016 (i.e. the date of the last audited financial statements of the Group).

There has been no significant change in the financial or trading position of the Issuer, and there has been no material adverse change in the prospects of the Issuer, in either case since its date of incorporation.

The Issuer has no subsidiaries.

4. Litigation statement

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, the Guarantor or any other member of the Group is aware) during the 12-month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer’s, the Guarantor’s and/or the Group’s financial position or profitability.

5. Clearing systems information and Bond security codes

The Bonds will initially be represented by a global bond certificate (the “**Global Certificate**”) in registered form, which will be deposited with a common depository on behalf of Clearstream Banking SA (“**Clearstream, Luxembourg**”) and Euroclear Bank SA/NV (“**Euroclear**”) on or about the Issue Date. The Global Certificate will be exchangeable for definitive bond certificates in registered form in the denomination of £100 not less than 60 days following the request of the Issuer or the holder in the limited circumstances set out in it. See Section 13 (*Summary of Provisions Relating to the Bonds while in Global Form*) of this Prospectus.

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In addition, the Bonds will be accepted for settlement in CREST *via* the CDI mechanism. Interests in the Bonds may also be held through CREST through the issuance of CDIs representing the Underlying Bonds. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus. The ISIN for the Bonds is XS1691802703 and the Common Code is 169180270.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking SA, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

6. Documents available for inspection

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection at the registered office of the Issuer:

- (a) the memorandum and articles of association of the Issuer;
- (b) the memorandum and articles of association of the Guarantor;
- (c) the financial statements of the Guarantor for the financial years ended 31 December 2015 and 31 December 2016, together with any audit or review reports prepared in connection therewith;
- (d) the most recently published financial statements (if any) of the Issuer, together with any audit or review reports prepared in connection therewith;
- (e) the Trust Deed, the Paying Agency Agreement and the Account Bank Agreement (including any supplements or amendments to them);
- (f) a copy of this Prospectus; and
- (g) any future prospectuses and supplements to this Prospectus and any other documents incorporated therein or herein by reference.

7. Auditors

The financial statements of the Guarantor for the financial years ended 31 December 2015 and 31 December 2016 have been audited without qualification by Ernst & Young LLP.

As at the date of this Prospectus, the Issuer has not prepared any financial statements.

At the date of this Prospectus, Ernst & Young LLP, of 2 St Peter’s Square, Manchester M2 3EY, are appointed as auditors of each of the Issuer and the Guarantor. Ernst & Young LLP is registered to perform audit work by the Institute of Chartered Accountants in England and Wales and its registered office is 1 More London Place, London SE1 2AF.

8. Material interests and conflicts of interest in the offer

So far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer. There are no conflicts of interest which are material to the offer of the Bonds.

SECTION 12 - IMPORTANT LEGAL INFORMATION

Authorised Offerors

If, in the context of a Public Offer (as defined below), you are offered Bonds by any person, you must check that such person has been given consent to use this Prospectus for the purposes of making such offer before agreeing to purchase any Bonds. The following persons have consent to use this Prospectus in connection with a Public Offer:

- Cenkos Securities plc (the “**Lead Manager**”);
- any financial intermediary specified herein as being an Authorised Offeror (as to which, see listed below under the heading, “*Consent*”);
- any other financial intermediary named on the Issuer’s website (www.selectproperty.com/bond) as an Authorised Offeror in relation to the Bonds; and
- any other financial intermediary authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) who has duly published the Acceptance Statement (set out below under the heading, “*Consent*”).

The persons referred to above have only been given consent to use the Prospectus during the Offer Period and only in the United Kingdom. Other than as set out above, neither the Issuer nor the Guarantor has authorised the making of any Public Offer by any person and the Issuer has not consented to the use of this Prospectus by any other person in connection with any Public Offer of the Bonds.

Please see below for certain important legal information relating to “Public Offers”.

Introduction

This Prospectus has been prepared on a basis that permits a “**Public Offer**” (being an offer of Bonds that is not within an exemption from the requirement to publish a prospectus under Article 5.4 of the Prospectus Directive) in the United Kingdom. Any person making or intending to make a Public Offer of Bonds in the United Kingdom on the basis of this Prospectus must do so only with the Issuer’s and Guarantor’s consent – see “*Consent given in accordance with Article 3.2 of the Prospectus Directive*” below.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of any Public Offer of Bonds in the United Kingdom, each of Select Property Group Finance plc (the “**Issuer**”) and Select Property Group (Holdings) Limited (the “**Guarantor**”) accepts responsibility, in the United Kingdom, for the content of this Prospectus under Section 90 of the Financial Services and Markets Act 2000 (the “**FSMA**”) in relation to any person in the United Kingdom to whom an offer of any Bonds is made by a financial intermediary (including Cenkos Securities plc) to whom the Issuer and the Guarantor have given their consent to use the Prospectus, where the offer is made in compliance with all conditions attached to the giving of such consent. Such consent and the attached conditions are described below under “*Consent*” below.

Except in the circumstances described below, none of the Issuer, the Guarantor or the Lead Manager has authorised the making of any Public Offer and neither the Issuer nor the Guarantor has consented to the use of this Prospectus by any other person in connection with any offer of the Bonds. Any offer made without the

consent of the Issuer and the Guarantor is unauthorised and none of the Issuer, the Guarantor or the Lead Manager accepts any responsibility in relation to such offer.

If, in the context of a Public Offer, you are offered Bonds by a person which is not the financial intermediary referred to in Section 11 (*Important Legal Information – Consent*) (an “**Authorised Offeror**”), you should check with such person whether anyone is responsible for this Prospectus for the purpose of Section 90 of the FSMA in the context of the Public Offer and, if so, who that person is. If you are in any doubt about whether you can rely on this Prospectus and/or who is responsible for its contents, you should take legal advice.

Consent

The Issuer and the Guarantor consents to the use of this Prospectus in connection with any Public Offer of Bonds, including any subsequent resale or final placement of Bonds by financial intermediaries, in the United Kingdom during the period commencing from and including the date of this Prospectus until 12 noon (London time) on 5 October 2017 (the “**Offer Period**”) by:

- (i) the Lead Manager; and
- (ii) any financial intermediary (an “**Authorised Offeror**”) which satisfies the Authorised Offeror Terms and other conditions as set out below.

The “**Authorised Offeror Terms**” are that the relevant financial intermediary:

- (a) is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (“**MiFID**”) (in which regard, you should consult the register of authorised entities maintained by the FCA at www.fca.org.uk/firms/systems-reporting/register). MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors;
- (b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”), including the Rules published by the FCA (including its guidance for distributors in “*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential investor;
- (c) complies with the restrictions set out under Section 9 (*Subscription and Sale – Selling Restrictions*) in this Prospectus which would apply as if the relevant financial intermediary was the Lead Manager;
- (d) ensures that any fee, commission, benefits of any kind, rebate received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and is fully and clearly disclosed to investors or potential investors;
- (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under FSMA and/or the Financial Services Act 2012;
- (f) complies with and takes appropriate steps in relation to applicable anti-money laundering, anti-bribery, prevention of corruption and “know your client” Rules, and does not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (g) retains investor identification records for at least the minimum period required under applicable Rules, and will, if so requested and to the extent permitted by the Rules, make such records available to the Lead Manager, the Issuer and the Guarantor or directly to the appropriate authorities with jurisdiction

over the Issuer, the Guarantor and/or the Lead Manager in order to enable the Issuer, the Guarantor and/or the Lead Manager to comply with anti-money laundering, anti-bribery and “know your client” Rules applying to the Issuer, the Guarantor and/or the Lead Manager;

- (h) does not, directly or indirectly, cause the Issuer, the Guarantor or the Lead Manager to breach any Rule or subject the Issuer, the Guarantor or the Lead Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (i) immediately gives notice to the Issuer, the Guarantor and the Lead Manager if at any time such Authorised Offeror becomes aware or suspects that they are or may be in violation of any Rules or the terms of this paragraph, and takes all appropriate steps to remedy such violation and comply with such Rules and this paragraph in all respects;
- (j) does not give any information other than that contained in this document (as may be amended or supplemented by the Issuer and the Guarantor from time to time) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Bonds;
- (k) agrees that any communication in which it attaches or otherwise includes any announcement published by the Issuer *via* a Regulatory Information Service at the end of the Offer Period will be consistent with the Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Officer has provided it independently from the Issuer and the Guarantor and must expressly confirm that neither the Issuer nor the Guarantor accepts any responsibility for the content of any such communication;
- (l) does not use the legal or publicity names of the Lead Manager, the Issuer, the Guarantor or any other name, brand or logo registered by any member of the Group or any material over which any member of the Group retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Bonds;
- (m) agrees and undertakes to indemnify each of the Issuer, the Guarantor and the Lead Manager (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel’s fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor or the Lead Manager; and
- (n) agrees and accepts that:
 - (i) the contract between the Issuer, the Guarantor and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer and the Guarantor’s offer to use the Prospectus with their consent in connection with the relevant Public Offer (the “**Authorised Offeror Contract**”), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
 - (ii) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the English courts; and

- (iii) the Lead Manager will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for its benefit, including the agreements, representations, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any financial intermediary who wishes to use this Prospectus in connection with a Public Offer as set out above is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Issuer and of the Guarantor and the conditions attached thereto in the following form (with the information in square brackets completed with the relevant information):

“We, [FINANCIAL INTERMEDIARY], refer to the offer of sterling denominated 6.00 per cent. bonds due 2023 (the “Bonds”) described in the Prospectus dated 22 September 2017 (the “Prospectus”) published by Select Property Group Finance plc (the “Issuer”) and Select Property Group (Holdings) Limited (the “Guarantor”). In consideration of the Issuer and Guarantor offering to grant their consent to our use of the Prospectus in connection with the offer of the Bonds in the United Kingdom during the Offer Period in accordance with the Authorised Offeror Terms (as specified and defined in the Prospectus), we hereby accept the offer by the Issuer and the Guarantor. We confirm that we are authorised under MiFID to make, and are using the Prospectus in connection with, the Public Offer accordingly. Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Prospectus.”

Arrangements between you and the financial intermediaries who will distribute the Bonds

None of the Issuer, the Guarantor or the Lead Manager has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

If you intend to acquire or do acquire any Bonds from an Authorised Offeror, you will do so, and offers and sales of the Bonds to you by such an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and you including as to price, allocations and settlement arrangements at the time the offer and sale is made.

Neither the Issuer nor the Guarantor will be a party to any such arrangements with you in connection with the offer or sale of the Bonds and, accordingly, this Prospectus does not contain such information.

In the event of an offer being made by an Authorised Offeror, such Authorised Offeror will provide information to investors on the terms and conditions of the offer at the time the offer is made.

None of the Issuer, the Guarantor or the Lead Manager or other Authorised Offerors has any responsibility or liability for such information.

Notice to investors

The Bonds may not be a suitable investment for all investors. You must determine the suitability of any investment in light of your own circumstances. In particular, you may wish to consider, either on your own or with the help of your financial and other professional advisers, whether you:

- (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 in this Prospectus (and any applicable supplement to this Prospectus);
- (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 the Bonds will have on your 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 (sterling) is different from the currency which you usually use;
- (d) understand thoroughly the terms of the Bonds and are familiar with the behaviour of the financial markets; and
- (e) are able to evaluate possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

No person is or has been authorised by the Issuer, the Guarantor, the Lead Manager or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Lead Manager or the Trustee.

Neither the publication of this Prospectus nor the offering, sale or delivery of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date of this Prospectus or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date of this Prospectus or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Lead Manager nor the Trustee undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds should be considered as a recommendation by the Issuer, the Guarantor, the Lead Manager or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Prospectus and any purchase of Bonds should be based upon such investigation as it deems necessary.

The Lead Manager and the Trustee

Neither the Lead Manager nor the Trustee have independently confirmed the information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made by the Lead Manager or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer and/or the Guarantor in connection with the offering of the Bonds. Neither the Lead Manager nor the Trustee accepts liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds or their distribution.

The Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

No incorporation of websites

The contents of the websites of the Group do not form part of this Prospectus, and you should not rely on them.

Forward-looking statements

This 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 expressions, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their

negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Issuer and the Guarantor concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates.

This Prospectus is based on English law in effect as of the date of issue of this Prospectus. Except to the extent required by laws and regulations, the Issuer and the Guarantor do not intend, and do not assume any obligation, to update the Prospectus in light of the impact of any judicial decision or change to English law or administrative practice after the date of this Prospectus.

CREST depository interests

In certain circumstances, investors may also hold interests in the Bonds through CREST through the issue of CDIs representing interests in Underlying Bonds. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Bonds nor any rights attached to the Bonds will be issued, settled, held or transferred within the CREST system other than through the issue, settlement, holding or transfer of CDIs. CDI Holders will not be entitled to deal directly in the Bonds and, accordingly, all dealings in the Bonds will be effected through CREST in relation to the holding of CDIs. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

Selling restrictions

This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Bonds to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. This Prospectus is not for distribution in the United States, Australia, Canada, the Republic of Ireland or Japan. The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") or qualified for sale under the laws of the United States or under any applicable securities laws of Australia, Canada, the Republic of Ireland or Japan. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States (as defined in the Securities Act).

The distribution of this Prospectus and the offer or sale of the Bonds in certain jurisdictions may be restricted by law. No action has been or will be taken by the Issuer, the Guarantor, the Lead Manager or the Trustee anywhere which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction, other than in the United Kingdom. You must inform yourself about, and observe, any such restrictions.

SECTION 13 - TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Conditions of the Bonds substantially in the form to be endorsed on the certificates evidencing the Bonds in definitive form:

The sterling denominated 6.00 per cent. Guaranteed Bonds due 2023 (the “**Bonds**”, which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Bonds of Select Property Group Finance plc (the “**Issuer**”)) are constituted by a Trust Deed dated the Issue Date (the “**Trust Deed**”) made between the Issuer, Select Property Group (Holdings) Limited (the “**Guarantor**”) as guarantor and U.S. Bank Trustees Limited (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the “**Bondholders**”). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed.

Copies of the Trust Deed, the Account Bank Agreement and the Agency Agreement dated the Issue Date (the “**Agency Agreement**”) made between the Issuer, the Guarantor, Elavon Financial Services DAC as registrar (the “**Registrar**”) and initial transfer agent (together with any additional or successor transfer agents appointed with respect to the Bonds, the “**Transfer Agents**”), Elavon Financial Services DAC, UK Branch as principal paying agent (the “**Principal Paying Agent**”, and together with any additional or successor paying agents appointed with respect to the Bonds, the “**Paying Agents**”) and the Trustee are available for inspection during normal business hours by the Bondholders at the registered office for the time being of the Trustee, being at the date of issue of the Bonds at 125 Old Broad Street, Fifth Floor, London EC2N 1AR and at the specified office of each of the Paying Agents. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1 Form, Denomination and Title

1.1 Form and Denomination

The Bonds are issued in registered form in amounts of £100 (referred to as the “**nominal amount**” of a Bond) and integral multiples thereof. A certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar in accordance with the Agency Agreement.

1.2 Title

Title to the Bonds passes only by registration in the register of Bondholders. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered in the register of Bondholders.

2 Transfers of Bonds and Issue of Certificates

2.1 Transfers

A Bond may be transferred by depositing the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed, at the specified office of any Transfer Agent.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Bonds will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Bond to the address specified in the form of transfer. For the purposes of this Condition, “**business day**” shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Bonds in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Bonds not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred to the address of such holder appearing on the register of Bondholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Bondholder may require the transfer of a Bond to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Bond.

2.5 Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Transfer Agents and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests one.

3 Status of the Bonds

The Bonds are direct, unconditional and (subject to the provisions of Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

4 Guarantee

4.1 Guarantee

The payment of the principal and interest in respect of the Bonds and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (such guarantee being referred to as, the “**Guarantee**”) in the Trust Deed.

4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and (subject to the provisions of Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

5 Covenants

5.1 Negative Pledge

For so long as any of the Bonds remain outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor covenants that it will not, and the Guarantor will procure that none of its other Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a “**Security Interest**”) upon the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, unless the Issuer and the Guarantor, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that: (i) all amounts payable by it under the Bonds and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Bondholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

5.2 Funding and maintenance of Interest Service Reserve Account

The Issuer shall maintain the Interest Service Reserve Account in its own name with the Account Bank. The Required Account Balance will be paid into the Interest Service Reserve Account by the Guarantor on the Issue Date. The amount standing to the credit of this account must at all times be equal to or more than the Required Account Balance. Subject to maintenance at all times of the Required Account Balance, withdrawals from this bank account are only permitted to the extent required for the purposes of making payments of interest as they fall due to be paid by the Issuer pursuant to the Trust Deed and Agency Agreement.

On the second Interest Payment Date, so long as no Event of Default or Potential Event of Default has occurred and is continuing, any remaining balance of the Interest Service Reserve Account (including any accrued interest standing to the credit of the account) shall be released back to the Issuer by the Account Bank upon written instruction from the Issuer and the account shall be closed at the instruction of the Issuer.

The Issuer covenants that it will not grant any Security Interest upon, or with respect to, any monies held in the Interest Service Reserve Account and it will ensure that the Interest Service Reserve Account is not made subject to application, set-off, a combination of accounts or any other arrangement having a similar effect.

Pursuant to the provisions of the Account Bank Agreement, the Issuer may not withdraw sums held in the Interest Service Reserve Account unless the Trustee is satisfied that the provisions of this Condition 5.2 are satisfied, save that any interest accrued on amounts standing to the credit of the Interest Service Reserve Account pursuant to arrangements between the Issuer and the Account Bank will, provided that the Trustee has been provided with a Directors’ Certificate confirming that no Event of Default or a Potential Event of Default shall have occurred and be continuing, be released to the Issuer for its own account.

5.3 Maintenance of Issuer Proceeds Account

For so long as any Bond remains outstanding the Issuer shall maintain the Issuer Proceeds Account in its own name with an Appropriate Financial Institution and the Issuer covenants that it will not grant any Security Interest upon, or with respect to, any monies held in the Issuer Proceeds Account and it will ensure that the Issuer Proceeds Account is not made subject to application, set-off, a combination of accounts or any other arrangement having a similar effect.

On the Issue Date, the Issuer and the Guarantor will ensure that the entire proceeds of the issue of the Bonds (less amounts deducted from the issue proceeds on settlement on the Issue Date) are either (i) on-lent to one or more Borrowers or (ii) retained in the Issuer Proceeds Account; and shall ensure that for so long as any Bond remains outstanding an amount representing the total nominal amount of the Bonds then outstanding, less amounts deducted from the issue proceeds on the Issue Date, is for the time being either (i) on-lent to one or more Borrowers or (ii) retained in the Issuer Proceeds Account, or a combination of (i) and (ii).

5.4 Financial Covenant

So long as any Bond remains outstanding and there is at least one Borrower (as defined in Condition 21 (*Definitions*)), the Guarantor shall procure that *either*:

- (a) in respect of each Borrower, the Net Available Properties Value in respect of such Borrower shall not be less than the Total Unsecured Debt of such Borrower; or
- (b) in the event that sub-paragraph (a) of this Condition 5.3 is not complied with, the aggregate Net Available Properties Value of the Non-Borrowers shall not be less than 130 per cent. of the aggregate of any Unsecured Debt Shortfall of the Borrowers and any Total Unsecured Debt of the Non-Borrowers.

The Trust Deed provides that, to the extent that any calculation is required to be made under this Condition 5.4 in respect of any individual Borrower for which relevant audited IFRS financial statements are unavailable, any such amount shall be calculated in the good faith determination of the Chief Financial Officer of the Group.

6 Interest

6.1 Interest Rate and Interest Payment Dates

The Bonds bear interest from (and including) the Issue Date at the rate 6.00 per cent. per annum, payable semi-annually in arrear on 13 April and 13 October (each an “**Interest Payment Date**”) in each year until (and including) the Maturity Date. The first payment (for the period from (and including) the Issue Date to (but excluding) 13 April 2018 and amounting to £3.00 per £100 nominal amount of Bonds) shall be made on 13 April 2018.

6.2 Interest Accrual

Each Bond will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue as provided in the Trust Deed.

6.3 Calculation of Broken Interest

When interest is required to be calculated for a period of less than a full interest period, it shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the “**Accrual Date**”) to (but excluding) the date on which it falls due divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date multiplied by two.

7 Payments

7.1 Payments in respect of Bonds

Payments of principal and interest in respect of each Bond will be made by bank transfer to the registered account of the Bondholder. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. Interest on Bonds due on an Interest Payment Date will be paid to the holder shown on the register of Bondholders at the close of business on the date (the “**Record Date**”) being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Bondholder’s registered account means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the register of Bondholders at the close of business, in the case of principal and interest due otherwise than on an Interest Payment Date, on the second Payment Business Day before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant Record Date, and a Bondholder’s registered address means its address appearing on the register of Bondholders at that time.

7.2 Payments subject to Applicable Laws

Save as provided in Condition 9 (*Taxation*), payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment. Save as provided in Condition 9 (*Taxation*), any such amounts withheld or deducted will be treated as paid for all purposes under the Bonds and no additional amounts will be paid on the Bonds with respect to any such withholding or deduction.

7.3 No commissions

No commissions or expenses shall be charged to the Bondholders in respect of any payments made in accordance with this Condition.

7.4 Payment on Payment Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that date is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the Payment Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so).

7.5 Partial Payments

If the amount of principal or interest which is due on the Bonds is not paid in full, the Registrar will annotate the register of Bondholders with a record of the amount of principal or interest in fact paid.

7.6 Initial Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) there will at all times be a Principal Paying Agent, a Transfer Agent and a Registrar; and
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 14 (*Notices*).

8 Redemption and Purchase

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their nominal amount on the Maturity Date.

8.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the Issue Date, on the next Interest Payment Date either the Issuer would be required to pay additional amounts as provided or referred to in Condition 9.1 (*Payment without Withholding*) or the Guarantor would, if the Guarantee was called, be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to them (including by the Guarantor procuring payment by the Issuer or itself), the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all the Bonds, but not some only, at any time at their nominal amount together with interest accrued to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be required to pay such additional amounts, were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a Directors' Certificate stating that the requirement referred to in (a) above applies and cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to them, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders.

8.3 Redemption at the Option of the Issuer (Make-whole)

The Issuer may, having given:

- (a) not less than 15 nor more than 45 days' notice to the Bondholders in accordance with Condition 14 (*Notices*); and
- (b) notice to the Registrar, the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Bonds, at any time prior to the Maturity Date at an amount (together with interest accrued to (but excluding) the date of redemption) being the higher of:

- i. 100 per cent. of the nominal amount of the Bonds; and
- ii. the nominal amount of the Bonds multiplied by the price (as reported to the Issuer and the Trustee by the Financial Adviser) expressed as a percentage (rounded to four decimal places), at which the Gross Redemption Yield on the Bonds on the Make-Whole

Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. (London time) on the Make-Whole Reference Date of the Reference Bond, plus 0.50 per cent., all as determined by the Financial Adviser.

References to the payment of “**principal**” in respect of the Bonds in these Conditions shall, to the extent relevant, be deemed to include any premium payable pursuant to this Condition 8.3.

8.4 Purchases

The Issuer, the Guarantor or any other member of the Group may at any time purchase Bonds in any manner and at any price. Such Bonds may be held, reissued or resold, or at the option of the Issuer, the Guarantor or such other member of the Group, surrendered to any Paying Agent for cancellation.

8.5 Cancellations

All Bonds which are redeemed or purchased by the Issuer, the Guarantor or any member of the Group and surrendered for cancellation in accordance with Condition 8.4 (*Purchases*) above will forthwith be cancelled, and accordingly may not be held, reissued or resold.

8.6 Notices Final

Upon the expiry of any notice as is referred to in Conditions 8.2 (*Redemption for Taxation Reasons*) or 8.3 (*Redemption at the Option of the Issuer (Make-whole)*) above the Issuer shall be bound to redeem the Bonds in accordance with the terms of such Condition.

9 Taxation

9.1 Payment without Withholding

All payments of principal and interest in respect of the Bonds or the Guarantee by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (*Taxes*) imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds or the Guarantee in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond or the Guarantee:

- (a) the holder of which is liable to such Taxes in respect of such payment by reason of his having some connection with that Relevant Jurisdiction other than the mere holding of the Bond; or
- (b) where such withholding or deduction is imposed in respect of FATCA; or
- (c) in respect of which the Certificate evidencing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day.

9.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

10 Prescription

Claims in respect of principal and interest will become prescribed unless made within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Bonds subject to the provisions of Condition 7 (*Payments*).

11 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (c), (h), (i) and (j) (in respect of the Issuer, the Guarantor and each Material Subsidiary) and (d), (f) and (g) (in respect of each Material Subsidiary), only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give written notice to the Issuer and the Guarantor that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their nominal amount, together with accrued interest as provided in the Trust Deed, if any of the following events (“**Events of Default**”) shall occur and be continuing:

- (a) default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or
- (b) the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of written notice requiring the same to be remedied; or
- (c)
 - (i) any other present or future indebtedness of the Issuer, the Guarantor or any Material Subsidiaries for or in respect of moneys borrowed or raised is declared due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
 - (ii) any such indebtedness is not paid when due (after the expiry of any originally applicable grace period); or
 - (iii) the Issuer, the Guarantor or any Material Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that, the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in (i), (ii) or (iii) above have occurred equals or exceeds £5 million or its equivalent in other currencies (as reasonably determined by the Trustee); or
- (d) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary save (i) for the purposes of a reorganisation, merger, consolidation or similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or (ii) in the case of a Material Subsidiary which is not a Borrower, in the case of a voluntary winding up for the purposes of a Permitted Reorganisation; or

- (e) the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, in one transaction of a series of connected transactions, save (A) for the purposes of a reorganisation, merger, consolidation or similar arrangement (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or (ii) in the case of a Material Subsidiary which is not a Borrower, for the purposes of a Permitted Reorganisation; or (B) in the case of a Material Subsidiary which is not a Borrower, for the purpose of a *bona fide* disposal for Fair Market Value on an arm's length basis of all or substantially all of the business or operations (including by way of disposing of shares) of such Material Subsidiary; or
- (f) the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to, or for the purposes of, any applicable law, or is adjudicated or found to be bankrupt or insolvent; or
- (g)
 - (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) 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 Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer, the Guarantor or any Material Subsidiary or an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Issuer, the Guarantor or any Material Subsidiary, as the case may be, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer, the Guarantor or such Material Subsidiary, as the case may be; and
 - (ii) in any such case (other than the appointment of an administrator) is not discharged within 30 days, save for the purposes of a reorganisation, merger, consolidation or similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (h) the Issuer, the Guarantor or any Material Subsidiary (or their respective board members or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium); or
- (i) the Issuer, the Guarantor or any Material Subsidiary (or their respective board members or shareholders) 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) save for the purposes of a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (j) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with their respective obligations under the Bonds or the Trust Deed; or
- (k) the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

12 Enforcement

12.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed and the Bonds or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Bonds then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

12.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

12.3 Enforcement by the Bondholders

No Bondholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed or the Bonds or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

13 Replacement of Certificates

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Notices

All notices to the Bondholders will be valid if mailed to them (or the first of any joint named holders) at their respective addresses in the register of Bondholders maintained by the Registrar. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Bonds are for the time being listed. Any such notice will be deemed to have been given on the second day after being so mailed or on the date of the first publication or, where required to be published in more than one newspaper, on the date of first publication.

15 Substitution

The Trustee may, without the consent of the Bondholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds and the Trust Deed, of the Guarantor or any other subsidiaries of the Guarantor subject to:

- (a) the Bonds remaining unconditionally and irrevocably guaranteed by the Guarantor (other than in the case where the Guarantor is substituted in place of the Issuer);
- (b) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Bondholders; and

- (c) certain other conditions set out in the Trust Deed being complied with.

16 Meetings of Bondholders, Modification, Waiver, Authorisation and Determination

16.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in nominal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the nominal amount of the Bonds held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one third, of the nominal amount of the Bonds for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders will be binding on all Bondholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

16.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the Account Bank Agreement or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

16.3 Trustee to have Regard to Interests of Bondholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual

Bondholders except to the extent already provided for in Condition 9 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 9 (*Taxation*) pursuant to the Trust Deed.

16.4 Notification to the Bondholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Bondholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

17 Indemnification and Protection of the Trustee and its Contracting with the Issuer and the Guarantor

17.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor and the Bondholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (a) to evaluate its risk in any given circumstance by considering the worst-case scenario and (b) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

17.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any other member of the Group and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any other member of the Group, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Bondholders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds so created and issued shall be constituted by a deed supplemental to the Trust Deed.

19 Governing Law and Submission to Jurisdiction

19.1 Governing Law

The Trust Deed (including the Guarantee), the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law.

19.2 Jurisdiction of English Courts

Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Bondholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Bonds (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Bonds) and accordingly has submitted to the exclusive jurisdiction of the English courts.

Each of the Issuer and the Guarantor has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. To the extent permitted by law, the Trustee and the Bondholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed or the Bonds respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Bonds) (together referred to as “**Proceedings**”) against the Issuer or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

20 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21 Definitions

In these Conditions:

“**Account Bank**” means either (a) Elavon Financial Services DAC, UK Branch in accordance with the Account Bank Agreement, (b) any bank, building society or financial institution with a rating equal to or higher than (i) A-2 (short-term) by Standard & Poor’s Ratings Services Limited, (ii) F2 (short-term) by Fitch Ratings Limited or (iii) P-2 (short-term) by Moody’s Investors Service Limited (in each case, or their equivalent ratings) or (c) any other bank, building society or financial institution appointed by the Issuer at its own expense and first approved by the Trustee in writing, with whom the Interest Service Reserve Account is for the time being maintained by the Issuer;

“**Account Bank Agreement**” means the agreement dated on or around the date of the Trust Deed between the Issuer, the Trustee and the initial Account Bank, as amended from time to time;

“**Appropriate Financial Institution**” means (a) any bank, building society or financial institution with a rating equal to or higher than (i) A-2 (short-term) by Standard & Poor’s Ratings Services Limited, (ii) F2 (short-term) by Fitch Ratings Limited or (iii) P-2 (short-term) by Moody’s Investors Service Limited (in each case, or their equivalent ratings) or (b) any other bank, building society or financial institution appointed by the Issuer at its own expense and first approved by the Trustee in writing, with whom the Issuer Proceeds Account is for the time being maintained by the Issuer;

“**Borrower**” means any member of the Group (other than Intermediary Borrowers), in each case for so long as it is a borrower under a Loan Agreement, or any member of the Group (other than Intermediary Borrowers), to which any such borrower on-lends any of the net issue proceeds of the Bonds, in each case for so long as any such on-lending is outstanding;

“**Borrowings**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above, save that for the purposes of the definition of Total Unsecured Debt, only to the extent that such obligation is recognised as a “liability” in the balance sheet of the relevant entity,

and, for the avoidance of doubt, ordinary course liabilities of a relevant entity in respect of trade creditors, student deposits, deferred income, accruals and value added tax as defined by the notes to the financial statements of the relevant entity, shall not be included in this definition of Borrowings;

“**Business Day**” means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place;

“**Companies Act**” means the Companies Act 2006;

“**Directors’ Certificate**” means a certificate addressed to the Trustee, signed on behalf of the Issuer or the Guarantor (as the case may be) (but without personal liability) by two directors of the Issuer or the Guarantor (as applicable) or any one director and the secretary of the Issuer or the Guarantor (as applicable);

“**Fair Market Value**” means the price at which unrelated third party buyer(s) (under no compulsion to buy) and seller(s) (under no compulsion to sell) could negotiate and decide upon independently;

“**FATCA**” means Sections 1471 through 1474 of the United States Internal Revenue Code of 1986 (the “**Code**”) (including an agreement described in Section 1471(b) thereof) together with any regulations thereunder or any official interpretations thereof, any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof or any law implementing such an intergovernmental agreement;

“**Financial Adviser**” means an investment banking, accountancy, appraisal or financial advisory firm with international standing that has (in the reasonable opinion of the Issuer) appropriate expertise relevant to the determination required to be made under Condition 8.3(b)(ii) selected by the Issuer with the approval of the Trustee;

“**Gross Redemption Yield**” means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the UK Debt Management Office in the paper “*Formulae for Calculating Gilt Prices from Yields*”, page 4, Section One: *Price/Yield Formulae “Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date”* (published 8 June, 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

“**Group**” means the Guarantor and its Subsidiaries taken as a whole;

“**IFRS**” means International Financial Reporting Standards that are applied as frozen as at 31 December 2016;

“Interest Service Reserve Account” means the sterling currency account of the Issuer, which may be interest bearing, opened with the Account Bank for the time being pursuant to the Account Bank Agreement;

“Intermediary Borrower” means a member of the Group which has borrowed net issue proceeds of the Bonds with the sole purpose of on-lending the same sum to another Subsidiary of the Guarantor (and has already on-lent such amounts) and as such, does not itself receive any benefit from the borrowed funds;

“Investment Property and Inventories” means, in respect of any Borrower or other member of the Group, the amounts shown in the most recent audited company financial statements of such Borrower or such other member of the Group, as applicable, for such items, and for any other date as adjusted for acquisitions, disposals and any increase or decrease in value since the last audited balance sheet, all as determined in good faith by the Chief Financial Officer of the Guarantor;

“Issue Date” means 13 October 2017;

“Issuer Proceeds Account” means the sterling currency account of the Issuer, which may be interest bearing, opened with an Appropriate Financial Institution;

“Loan Agreement” means an agreement pursuant to which the Issuer has on-lent part of or all of the proceeds of the Bonds to one or more members of the Group;

“Make-Whole Reference Date” means the date which is three London Business Days prior to the date fixed for redemption pursuant to Condition 8.3 by the Issuer;

“Material Subsidiary” means, at any time:

- (a) any Subsidiary of the Guarantor:
 - (i) whose gross assets or turnover (consolidated in the case of a subsidiary which itself has subsidiaries) represent, in each case, not less than 10 per cent. of the consolidated assets or turnover of the Group, all as calculated respectively by reference to the then latest accounts (consolidated or, as the case may be, unconsolidated) of such subsidiary and the then latest audited consolidated accounts of the Guarantor, provided that in the case of a subsidiary of the Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor relate, the reference to the then latest audited consolidated accounts of the Guarantor for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such subsidiary had been shown in such accounts by reference to its then latest relevant accounts, adjusted as deemed appropriate by the independent statutory auditors of the Guarantor; or
 - (ii) to which has been transferred (whether in a single transaction or a series of transactions (whether related or not)) the whole or substantially the whole of the assets of a Subsidiary of the Guarantor which immediately prior to such transaction(s) was a Material Subsidiary; and
- (b) any Borrower.

A Directors’ Certificate addressed to the Trustee and stating that a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if so relied upon, shall, in the absence of manifest error, be conclusive and binding on all parties;

“Maturity Date” means 13 October 2023;

“Net Available Properties Value” means, in respect of each Borrower or other member of the Group, the Total Properties Value of such Borrower or such other member of the Group, as applicable, less the Total Secured Debt of such Borrower or such other member of the Group, as applicable;

“**Non-Borrower**” means any member of the Group other than a Borrower, including, for the avoidance of doubt, Intermediary Borrowers;

“**Payment Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks settle payments and are open for business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Permitted Reorganisation**” means, in respect of a Material Subsidiary which is not a Borrower, any reconstruction, reorganisation, restructuring, merger, consolidation or similar arrangement, in each case on a solvent basis, the result of which will be that all or substantially all of the assets and undertaking of such Material Subsidiary will be transferred to or otherwise vested in the Issuer, the Guarantor or another Subsidiary of the Guarantor;

“**Properties**” means all estates or interests in any freehold, leasehold, heritable or other immovable property, being the amounts included in the freehold/leasehold property column in the property plant and equipment notes in the latest company audited financial statements of the relevant entity, and for any other date as adjusted for acquisitions, disposals and any increase or decrease in value since the last audited balance sheet, all as determined in good faith by the Chief Financial Officer of the Guarantor;

“**Reference Bond**” means UK 2.25 per cent. Treasury Gilt due 2023;

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 14 (*Notices*);

“**Relevant Indebtedness**” means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) which is in the form of, or represented or evidenced by, notes, bonds, debentures, debenture stock, loan stock or other securities which with the consent of the issuer of the indebtedness are for the time being (or are intended to be) quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness;

“**Relevant Jurisdiction**” means (i) the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or (ii) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, is or becomes subject in respect of payments made by it of principal and interest on the Bonds;

“**Required Account Balance**” means, on any day: (a) prior to the Business Day immediately preceding the first Interest Payment Date (as defined in Condition 6.1 (*Interest Rate and Interest Payment Dates*)), a sterling cash amount equal to 6.00 per cent. of the total nominal amount of the Bonds originally issued, (b) from the first Interest Payment Date until the Business Day immediately preceding the second Interest Payment Date, a sterling cash amount equal to 3.00 per cent. of the total nominal amount of the Bonds originally issued and (c) from and including the second Interest Payment Date, zero. The Required Account Balance shall be reduced or increased on a *pro rata* basis to the extent any Bonds are redeemed or purchased and cancelled in accordance with Condition 8 (*Redemption and Purchase*) prior to the second Interest Payment Date and/or to the extent that any further bonds are issued pursuant to Condition 18 (*Further Issues*) prior to the second Interest Payment Date;

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006;

“**Total Properties Value**” means, in respect of each Borrower or other member of the Group, such amount as represents the aggregate of the total value, as at the date of the last audited balance sheet of that entity, of each of the Properties and the Investment Property and Inventories and for any other date as adjusted for acquisitions, disposals and any increase or decrease in value since the last audited balance sheet, all as determined in good faith by the Chief Financial Officer of the Guarantor;

“Total Secured Debt” means, in respect of each Borrower or other member of the Group, the aggregate of all Borrowings of the Group secured on the Properties and Investment Property and Inventories of such Borrower or such other member of the Group, as applicable, as of the date of the most recent audited balance sheet of that entity and for any other date as adjusted for any further grant or allowance to subsist of any relevant Security Interest with respect to the Properties and the Investment Property and Inventories (or any increase in the nominal amount of Borrowings already secured thereon) since the last audited balance sheet, all as determined in good faith by the Chief Financial Officer of the Guarantor;

“Total Unsecured Debt” means, in respect of any Borrower or any other member of the Group, the aggregate of all Borrowings of the relevant entity not secured on the Properties and Investment Property and Inventories of such entity (including any borrowings from the Issuer pursuant to Loan Agreement(s), but excluding, any other borrowings from other members of the Group), as of the date of the most recent audited balance sheet of such entity, and for any other date as adjusted for any further incurrence of Borrowings (including the relevant on-loan of the proceeds of the Bonds) or any repayment thereof, all as determined in good faith by the Chief Financial Officer of the Guarantor; and

“Unsecured Debt Shortfall” means where the Total Unsecured Debt of a Borrower exceeds the Net Available Properties Value of such Borrower, the amount as calculated by taking Total Unsecured Debt of such Borrower less Net Available Properties Value of such Borrower.

SECTION 14 - SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the 6.00 per cent. bonds due 2023 to be issued by Select Property Group Finance plc (the “Bonds”) while they are represented by the Global Certificate, some of which include minor and/or technical modifications to the terms and conditions of the Bonds set out in this Prospectus. The following is a summary of certain parts of those provisions.

1. Payments of principal and interest

Payments of principal and interest in respect of Bonds represented by the Global Certificate will, subject as set out below, be made upon presentation and, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the holders of the Global Certificate (the “**Bondholders**”) for such purposes.

Distributions of amounts with respect to book-entry interests in the Bonds held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar, which endorsement shall be prima facie evidence that such payment has been made in respect of the Bonds.

In the case of Bonds which are represented by the Global Certificate, interest shall be calculated in respect of any period by applying the rate of interest to the aggregate outstanding nominal amount of the Bonds represented by the Global Certificate and multiplying such sum by the Day Count Fraction, and rounding the resultant figure to the nearest penny, half of penny being rounded upwards or otherwise in accordance with applicable market convention.

2. Notices to Bondholders

For so long as all of the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders. The relevant notice will be delivered electronically by Euroclear and/or Clearstream, Luxembourg to CREST which will arrange for electronic delivery of such notice to CDI Holders who hold interests in the underlying bonds through CREST (in accordance with the rules and procedures of CREST at the time that such notice is given), rather than by publication as required by Condition 14 (*Notices*) provided that, so long as the Bonds are admitted to the official list maintained by the Financial Conduct Authority (the “**FCA**”) and admitted to trading on the London Stock Exchange plc’s market for listed securities, all requirements of the FCA have been complied with. Any such notice shall be deemed to have been given to the Bondholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

3. Accountholders

For so long as all of the Bonds are represented by the Global Certificate and the Global Certificate is registered in the name of a nominee (the “**Relevant Nominee**”) of the common depository for Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Bonds (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bonds standing to the account of

any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such nominal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders) other than with respect to the payment of principal and interest on such nominal amount of such Bonds, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the Relevant Nominee in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

4. Cancellation

Cancellation of any Bond represented by the Global Certificate and required by the Terms and Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by reduction in the nominal amount of the Bonds in the register of Bondholders and by the annotation of the appropriate schedule to the Global Certificate.

5. Registration of Title

Registration of title to Bonds in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg notifies the Issuer and the Guarantor that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and a successor clearing system approved by the Trustee is not appointed by the Issuer and the Guarantor within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances title to a Bond may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Bonds so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Bonds in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, or interest in respect of the Bonds.

Whilst the Bonds are represented by the Global Certificate payments will be made to the holder appearing on the Register at the close of the clearing system business day (being Monday to Friday inclusive except 25 December and 1 January) preceding such due date.

6. Transfers

Transfers of book-entry interests in the Bonds will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

7. Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is held on behalf of the relevant Clearing System the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its Accountholders with entitlements to the Global Certificate.

8. Euroclear and Clearstream, Luxembourg

References in the Global Certificate and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

SECTION 15 - FINANCIAL STATEMENTS

Annual report and accounts of Select Property Group (Holdings) Limited for the financial years ended 31 December 2015 and 31 December 2016 together with audit reports thereon

Select Property Group (Holdings) Limited

Consolidated Annual Report and Accounts for the year ended 31 December 2015

Registered company number: 08958577

Select Property Group (Holdings) Limited

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Select Property Group (Holdings) Limited

Company information

Directors

Mr A Monro

Mr M C Dawson

Mr M D Stott

Mr M J Oakes

Mr M K Slater

Mr T P Moore

Ms N A Markelova

Secretary

Mr G P Beswick

Registered office

The Box

Horseshoe Lane

Alderley Edge

Cheshire

England

SK9 7QP

Registered number

08958577

Auditors

Ernst & Young LLP

100 Barbirolli Square

Manchester M2 3EY

Solicitors

Shoosmiths LLP

7th Floor

3 Hardman Street

Spinningfields

Manchester

M3 3HF

Select Property Group (Holdings) Limited

Group strategic report

Business review

The Group headed by Select Property Group (Holdings) Limited (known as "Select Property Group") is a fully vertically integrated developer, seller and operator of property investment products.

The prior period figures which are stated throughout this annual report and financial statements are based on the eight month period to 31 December 2014, therefore due to the varying lengths in periods, these results are not entirely comparable.

The Group's profit before interest, tax, depreciation, amortisation, exceptional items and fair value adjustments for the year ended 31 December 2015 was £3.4m (31 December 2014: £8.7m) (see note 5). The loss for the year ended 31 December 2015 was £3.8m (31 December 2014: £2.6m). No dividends were paid or proposed during the year (31 December 2014: £nil). The net assets of the Group at 31 December 2015 were £10.6m (31 December 2014: £9.3m).

Key performance indicators

The Directors measure the performance of the Group based on revenue, gross profit and operating profit before interest, tax, depreciation, amortisation, exceptional items and fair value adjustments.

Revenue for the year ended 31 December 2015 was £66.5m (31 December 2014: £86.3m), gross profit was £15.3m (31 December 2014: £15.2m) and operating profit was £3.4m (31 December 2014: £8.7m), before interest, tax, depreciation, amortisation, exceptional items and fair value adjustments.

The Directors expect the Group to make profits in the future as developments under construction and planned developments complete and sell. During the year, the Group completed the construction and sale of two Vita Student developments in Liverpool and Sheffield. Four additional developments are scheduled for completion and sale within the next two years, including one City Suites development. Since the year end, the Group has launched two Affinity Living developments, and announced additional developments on Oxford Road, Manchester, combining Affinity Living and Vita Student accommodation (Circle Square). Further developments are in the pipeline for each of the Group's brands.

Principal risks and uncertainties

The principal financial risks and uncertainties the Group faces are described in note 24 to the accounts and include credit risk, liquidity risk, currency risk and interest rate risk.

The Group faces operational risks and uncertainties which the directors take all reasonable steps possible to mitigate, however the Directors recognise that they can never be eliminated completely.

The principal operational risks and uncertainties the Company faces include those in relation to timing of development completions, establishing an appropriate infrastructure and controls framework, recruitment and retention of additional staff and succession planning to facilitate the Company's growth plans.

Risk and uncertainties outside the Company's control include those relating to changes in Government policy and alterations to the legislative and taxation framework in which the Company operates.

Select Property Group (Holdings) Limited

Group strategic report (continued)

Strategy

Select Property Group develops, sells and manages investment property brands. The following strategies will maintain the Group's expansion of revenue and market share:

Land acquisition and expansion

The Group's acquisitions department continues to source land in highly sought-after locations. The team has worked alongside local influencers, councillors and key stakeholders to respond to location-specific challenges and secure further UK sites, adding to a significant pipeline of future stock. Furthermore, the Group continues to investigate key international sites in order to expand its international presence and bring new opportunities to the investor base.

Brand development

The Group creates and maintains market-leading end user focused brands. This revolutionary approach allows products to evolve with changing customer dynamics, ensuring high occupancy levels and market rental premiums. Vita Student is the UK's only experience-led student accommodation brand, commanding a rental premium.

The Group continues to develop its City Suites and Affinity Living brands. Affinity Living is a dedicated build-to-rent product for the ever-growing proportion of young people opting to rent.

Investor relations

Regional teams in London, Manchester, Dubai, Singapore and Shanghai have trusted relationships with a global investor base spanning across 117 countries. In regular dialogue with existing purchasers, as well as dealing with an influx of new enquiries, the team deliver detailed information on the properties they sell and the wider markets these opportunities are positioned in.

Management

The Group fully manages the whole portfolio of properties including agreeing the rental terms, collecting rental monies and managing and maintaining properties.

In order to maximise the customer experience for end users and bring longevity to its investments, the Group recruits and employs exceptional in-house management from the retail and hospitality sectors. Consequently, as the brands expand, the Group retains full control over its developments and ensures continuous market-leading standards.

Diversified funding

As the brands become more established, the Group is able to diversify its potential funding arrangements. The strength and quality of the Vita Student brand has enabled the Group to secure £169m of facility arrangements post year end, to fund the development of three Vita Student sites.



Mark Dawson
Director

Date: 19 August 2016

Select Property Group (Holdings) Limited

Directors' report

The Directors present their annual report and the financial statements for the year ended 31 December 2015.

This report relates to the group companies consisting of the parent company Select Property Group (Holdings) Limited ("the Company") and all of its subsidiaries (combined "the Group").

Principal activity

Select Property Group (Holdings) Limited is a holding company. The combined Group has the following principal activities:

- the sales and marketing of Group and third party property developments;
- the development of Vita Student, City Suites and Affinity Living accommodation and other property investments; and
- the management and rental of Vita Student, City Suites and Affinity Living accommodation and other Group property developments.

Directors and directors' interests

The Directors who held office during the year were as follows:

Mr A Monro
Mr M C Dawson (appointed 29 January 2015)
Mr M D Stott
Mr M J Oakes
Mr M K Slater
Mr T P Moore
Ms N A Markelova (appointed 11 June 2015)

The Directors' interests in the share capital of Select Property Group (Holdings) Limited as at 31 December 2015 are shown below:

Director	Number of shares		Value
	Ordinary shares	A Ordinary shares	
Mr M D Stott	12,905,793	-	£0.0001
Mr A Monro	2,078,000	139,000	£0.0001
Mr T P Moore	-	1,695,598	£0.0001
Mr M J Oakes	-	670,330	£0.0001
Mr M K Slater	-	250,731	£0.0001
Mr M C Dawson	-	125,366	£0.0001

Select Property Group (Holdings) Limited Directors' report (continued)

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

By order of the board



Mark Dawson
Director

Date: 19 August 2016

Select Property Group (Holdings) Limited

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the strategic report, the annual report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements and have elected to prepare Group financial statements under IFRSs as adopted by the European Union.

Under company law, the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements; and
- prepare Group financial statements on the going concern basis unless it is inappropriate to assume the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELECT PROPERTY GROUP (HOLDINGS) LIMITED

We have audited the consolidated financial statements of Select Property Group (Holdings) Limited ("the Company") and all of its subsidiaries (combined "the Group") for the year ended 31 December 2015 which comprise the Group consolidated statement of comprehensive income, the Company statement of comprehensive income, the Group consolidated statement of financial position, the Company statement of financial position, the Group consolidated statement of cash flows, the Company statement of cash flows, the Group consolidated statement of changes in equity and the Company statement of changes in equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 6, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELECT PROPERTY GROUP (HOLDINGS) LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Alastair John Richard Nuttall (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

23/8/16

Select Property Group (Holdings) Limited
Consolidated statement of comprehensive income
For the year to 31 December 2015

	Note	Year ended 31 December 2015			Period ended 31 December 2014		
		Before exceptional items, fair value adjustments, interest and share-based payments £000	Exceptional items, fair value adjustments, interest and share-based payments * £000	After exceptional items, fair value adjustments, interest and share-based payments £000	Before exceptional items, fair value adjustments, interest and share-based payments £000	Exceptional items, fair value adjustments, interest and share-based payments * £000	After exceptional items, fair value adjustments, interest and share-based payments £000
Revenue	2	66,487	-	66,487	86,250	-	86,250
Cost of Sales		(51,154)	1,718	(49,436)	(71,029)	(10,689)	(81,718)
Gross Profit		15,333	1,718	17,051	15,221	(10,689)	4,532
Other income		143	-	143	26	-	26
Administrative expenses		(12,468)	(6,915)	(19,383)	(6,759)	(1,082)	(7,841)
Operating profit/(loss) from continuing operations	5	3,008	(5,197)	(2,189)	8,488	(11,771)	(3,283)
Interest income	7			136			71
Interest expense	8			(2,265)			(416)
Share of profit of joint ventures	15			61			-
Loss before tax	3			(4,257)			(3,628)
Taxation	9			491			1,077
Loss and total comprehensive income for the period				(3,766)			(2,551)
Attributable to:							
Equity holders of the parent				(3,766)			(2,551)

All income derives from continuing operations.

There were no other items of comprehensive income during the current year or prior period, therefore the loss also represents the total comprehensive income.

The notes on pages 17 to 59 form part of these financial statements.

* See note 5 for further detail on exceptional items, fair value adjustments, interest and share-based payments.

Select Property Group (Holdings) Limited
Company statement of comprehensive income
For the year to 31 December 2015

	Note	Year ended 31 December 2015 £000	Period ended 31 December 2014 £000
Revenue	2	-	-
Cost of Sales		-	-
Gross Profit		-	-
Other income	2	8,650	1,200
Administrative expenses		(745)	(198)
Profit before interest and tax		7,905	1,002
Interest expense	8	(853)	-
Profit before tax	3	7,052	1,002
Taxation	9	1	(1)
Profit and total comprehensive income for the period		7,053	1,001
Attributable to:			
Equity holders of the parent		7,053	1,001

All income derives from continuing operations.

There were no other items of comprehensive income during the current year or prior period, therefore the profit also represents the total comprehensive income.

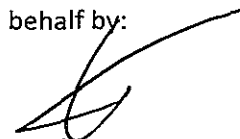
The notes on pages 17 to 59 form part of these financial statements.

Select Property Group (Holdings) Limited
Consolidated statement of financial position

At 31 December 2015

	Note	31 December 2015 £000	31 December 2014 £000
Non-current assets			
Property, plant and equipment	10	3,748	2,908
Investment properties	11	20,353	-
Goodwill	12	17,488	17,488
Intangible assets	13	119	63
Interest in a joint venture	15	14,542	-
Other receivables	17	1,305	641
Deferred tax asset	18	4,758	1,458
Total non-current assets		62,313	22,558
Current assets			
Inventories	16	47,153	30,794
Trade and other receivables	17	6,207	4,230
Cash and cash equivalents	27	1,018	4,264
Total current assets		54,378	39,288
Total assets		116,691	61,846
Current liabilities			
Trade and other payables	19	52,752	33,930
Short-term borrowings	20	7,664	4,060
Current tax payable		3,288	2,378
Short-term provisions	23	766	677
Total current liabilities		64,470	41,045
Non-current liabilities			
Other payables	19	13,781	8,843
Long-term borrowings	20	8,014	2,048
Convertible loan	21	8,590	-
Preference shares	22	10,463	-
Long-term provisions	23	857	564
Total non-current liabilities		41,705	11,455
Total liabilities		106,175	52,500
Equity attributable to owners of the parent			
Share capital and share premium	25	15,881	14,492
Other reserves	26	8,533	701
Retained earnings		(13,898)	(5,847)
Total equity		10,516	9,346
Total equity and liabilities		116,691	61,846

These financial statements were approved by the Board of Directors on 19 August 2016 and were signed on its behalf by:



Mark Dawson
Director

Date: 19 August 2016

Company registration number:

08958577

Select Property Group (Holdings) Limited
Company statement of financial position
At 31 December 2015

	Note	31 December 2015 £000	31 December 2014 £000
Non-current assets			
Intangible assets	13	3	3
Investments in subsidiary undertakings	14	12,851	10,441
Other receivables	17	-	1
Total non-current assets		12,854	10,445
Current assets			
Trade and other receivables	17	22,671	4,941
Total current assets		22,671	4,941
Total assets		35,525	15,386
Current liabilities			
Trade and other payables	19	157	222
Total current liabilities		157	222
Non-current liabilities			
Preference shares	22	10,463	-
Total non-current liabilities		10,463	-
Total liabilities		10,620	222
Equity attributable to owners of the parent			
Share capital and share premium	25	15,881	14,492
Other reserves	26	8,533	701
Retained earnings		491	(29)
Total equity		24,905	15,164
Total equity and liabilities		35,525	15,386

These financial statements were approved by the Board of Directors on 19 August 2016 and were signed on its behalf by:



Mark Dawson
Director

Date: 19 August 2016

Company registration number: 08958577

Select Property Group (Holdings) Limited
Consolidated statement of cash flows
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £000	Period ended 31 December 2014 £000
Cash flow from operating activities			
Loss for the period		(3,766)	(2,551)
Adjustments for:			
Share based payment expense		6,124	702
Fair value movements		(2,974)	2,014
Impairment loss recognised on trade receivables	17	94	14
Net foreign exchange gain		(8)	(229)
Amortisation of intangible fixed assets		11	5
Gain on disposal of property, plant and equipment		(3)	(4)
Depreciation of property, plant and equipment		392	215
Income tax recognised on loss	9	(491)	(1,077)
Interest receivable	7	(136)	(71)
Interest payable	8	2,265	416
Cash flow for the period before changes in working capital		1,508	(566)
(Increase)/decrease in inventories	16	(15,247)	28,002
(Increase)/decrease in trade and other receivables	17	(2,591)	3,868
Increase/(decrease) in trade and other payables	19	23,699	(26,267)
Increase in provisions	23	382	1,070
Current tax paid		(391)	29
Net cash generated from operating activities		5,852	6,702
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(1,402)	(970)
Sale of property, plant and equipment	10	173	38
Acquisition of investment properties	11	(16,467)	-
Acquisition of intangible fixed assets	13	(82)	-
Investment in joint ventures	15	(14,542)	-
Net cash used in investing activities		(32,320)	(932)
Cash flows from financing activities			
Proceeds from borrowings	20	26,171	25,632
Repayment of borrowings	20	(16,624)	(32,116)
Proceeds from convertible loan		11,000	-
Proceeds from preference shares		9,000	-
Borrowings costs		(1,271)	479
Interest received		-	6
Interest paid		(29)	(416)
Payment for buy-back of shares	25	(6,500)	(1,000)
Payment for share buy-back costs	25	(33)	(5)
Share premium - issue of ordinary shares	25	-	4,029
Share capital - issue of A ordinary shares	25	-	1
Share premium - issue of A ordinary shares	25	-	19
Net cash flow from financing activities		21,714	(3,371)
Net (decrease)/increase in cash and cash equivalents		(3,246)	1,833
Cash and cash equivalents at beginning of period		4,264	2,431
Cash and cash equivalents at end of period	27	1,018	4,264

Some of the figures in the statement of cash flows cannot be tied directly through to notes, due to fair value adjustments.

Select Property Group (Holdings) Limited
Company statement of cash flows
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £000	Period ended 31 December 2014 £000
Cash flow from operating activities			
Profit for the period		7,053	1,001
Adjustments for:			
Share based payment expense	5	814	29
Interest payable	8	853	-
Income tax expense recognised on profit	9	(1)	1
Cash flow for the period before changes in working capital		8,719	1,031
Increase in trade and other receivables	17	(8,711)	(4,249)
Increase in trade and other payables	19	(65)	194
Net cash (used in)/generated from operating activities		(8,776)	(4,055)
Cash flows from investing activities			
Investment in subsidiary undertakings	14	(2,410)	-
Net cash used in investing activities		(2,410)	-
Cash flows from financing activities			
Proceeds from preference shares		9,000	-
Payment for buy-back of shares	25	(6,500)	(1,000)
Payment for share buy-back costs		(33)	(5)
Share premium - issue of ordinary shares	25	-	4,029
Net cash inflow from financing activities		2,467	3,024
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period	27	-	-

Select Property Group (Holdings) Limited
Consolidated statement of changes in equity
For the year ended 31 December 2015

	Share capital £000	Share premium £000	Equity reserve £000	Share options reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	3	14,489	-	701	(5,847)	9,346
Issue of Ordinary shares	-	600	-	-	-	600
Issue of A Ordinary shares	-	420	-	-	-	420
Conversion feature of preference shares	-	238	-	-	-	238
Call option feature of preference shares	-	131	-	-	-	131
B Ordinary shares options costs	-	-	-	5	-	5
Deferred tax asset on share-based payments	-	-	-	-	2,248	2,248
Equity component of convertible loan	-	-	2,409	-	-	2,409
Buy-back of Ordinary shares	-	-	-	-	(6,500)	(6,500)
Share buy-back costs	-	-	-	-	(33)	(33)
Loss for the period	-	-	-	-	(3,766)	(3,766)
Balance at 31 December 2015	3	15,878	2,409	706	(13,898)	5,098

	Share capital £000	Share premium £000	Equity reserve £000	Share options reserves £000	Retained earnings £000	Total equity £000
Balance at 1 May 2014	2	10,441	-	-	(2,291)	8,152
Issue of Ordinary shares	-	4,029	-	-	-	4,029
Issue of A Ordinary shares	1	19	-	-	-	20
B Ordinary shares options costs	-	-	-	701	-	701
Buy-back of Ordinary shares	-	-	-	-	(1,000)	(1,000)
Share buy-back costs	-	-	-	-	(5)	(5)
Loss for the period	-	-	-	-	(2,551)	(2,551)
Balance at 31 December 2014	3	14,489	-	701	(5,847)	9,346

Select Property Group (Holdings) Limited
Company statement of changes in equity
For the year ended 31 December 2015

	Share capital £000	Share premium £000	Equity reserve £000	Share options reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	3	14,489	-	701	(29)	15,164
Issue of Ordinary shares	-	600	-	-	-	600
Issue of A Ordinary shares	-	420	-	-	-	420
Conversion feature of preference shares	-	238	-	-	-	238
Call option feature of preference shares	-	131	-	-	-	131
B Ordinary shares options costs	-	-	-	5	-	5
Equity element of convertible loan	-	-	2,409	-	-	2,409
Buy-back of Ordinary shares	-	-	-	-	(6,500)	(6,500)
Share buy-back costs	-	-	-	-	(33)	(33)
Profit for the period	-	-	-	-	7,053	7,053
Balance at 31 December 2015	3	15,878	2,409	706	491	19,487

	Share capital £000	Share premium £000	Equity reserve £000	Share options reserves £000	Retained earnings £000	Total equity £000
Balance at 1 May 2014	2	10,441	-	-	(25)	10,418
Issue of Ordinary shares	-	4,029	-	-	-	4,029
Issue of A Ordinary shares	1	19	-	-	-	20
B Ordinary shares options costs	-	-	-	701	-	701
Buy-back of Ordinary shares	-	-	-	-	(1,000)	(1,000)
Share buy-back costs	-	-	-	-	(5)	(5)
Profit for the period	-	-	-	-	1,001	1,001
Balance at 31 December 2014	3	14,489	-	701	(29)	15,164

Select Property Group (Holdings) Limited

Notes to the financial statements

1. Accounting policies

Basis of preparation

All Group entities, except for Select Property Dubai (a Dubai entity) and Select Property Group PTE (Singapore) (a Singapore entity) are incorporated and domiciled in the UK.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Group is expected to generate positive cash flows for the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current cash holdings and borrowing facilities.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Functional and presentation currency

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Select Property Group (Holdings) Limited

Notes to the financial statements

1. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Select Property Group (Holdings) Limited

Notes to the financial statements

1. Accounting policies (continued)

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method, except in the case of businesses under common control, where the pooling of interests method is used. Where the pooling of interests method is used, the carrying value of all assets and liabilities of the combining entities are added together. The income and expenses of the acquired entities are only recognised from the point of acquisition and any previous profit/loss is recognised in the Group's reserves. Under the acquisition method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets and liabilities are recognised and measured in accordance with IAS 12 *Income Taxes*.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

Select Property Group (Holdings) Limited

Notes to the financial statements

1. Accounting policies (continued)

Acquisitions that do not meet the definition of a business combination

Acquisitions of an asset or a group of assets that do not constitute a business combination are accounted for by identifying and recognising the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible assets) and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Accounting Standards Update

A number of updates to standards or interpretations were in issue as at 31 December 2015.

The following new or amended standards and interpretations, are effective for the first time for the year ended 31 December 2015 and have been applied in preparing these financial statements. The adoption of these standards and interpretations has not had a material effect on the financial statements of the Company.

Change in Standard or Interpretation	Effective date *
Annual improvements to IFRSs 2010 to 2012 Cycle	01-Jul-14
Annual improvements to IFRSs 2011 to 2013 Cycle	01-Jul-14

The following new or amended standards and interpretations, are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these financial statements. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements of the Company in the period of initial application.

Change in Standard or Interpretation	Effective date *
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	01-Jan-16
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	01-Jan-16
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	01-Jan-16
IAS 1 Disclosure in Financial Statements - Amendments	01-Jan-16
IAS 16 and IAS 38 Acceptable methods of Depreciation and Amortisation - Amendments	01-Jan-16
IAS 27 Equity Method in Separate Financial Statements - Amendments	01-Jan-16
IFRS 15 Revenue from Contracts with Customers	01-Jan-17
IFRS 9 Financial Instruments: Classification and Measurement	01-Jan-18
Annual improvements to IFRSs 2012 to 2014 Cycle	01-Jan-16

*Effective for annual periods beginning on or after this date

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Intangible assets and goodwill

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 June 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired including identifiable intangible assets. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment, by comparing the carrying amount of the unit and the goodwill, with the recoverable amount of the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortisation rates are applied as follow:

Domain name	20%
Software	20%
Student customer relationships	50%
Future student relationships	33%
Customer contracts	33%
Registration of Trademarks	33%

Internally-generated intangible assets

Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred.

Intangible assets acquired in a business combination

Intangible assets arising on acquisitions and recognised separately from goodwill are initially stated at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of intangible assets other than goodwill

The Group reviews the carrying amounts of intangible assets at the end of each reporting period to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The amount of the loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Investments in joint ventures (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"s). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial liabilities (including payables)

Financial liabilities (including borrowings and trade and other payables) are measured at amortised cost, using the effective interest method where applicable.

Related party transactions

Details of related party transactions are set out in note 29 to these financial statements.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any recognised impairment in value. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of equipment. The rates applied are as follows:

Leasehold property	2%
Office equipment	33%
Furniture and fixtures	20%-50%
Motor vehicles	25%

Plant and equipment is also tested for impairment whenever there is an indication of potential impairment.

Investment property

Investment properties are under construction with the intention of holding to earn rentals. Investment properties are measured initially at cost, including professional fees and borrowing costs capitalised in accordance with the Group's accounting policy, until completion. Investment properties are measured at fair value on completion. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of off-plan property units are treated as sale of goods under IAS 18, in line with the guidance in IFRIC 15. Revenue is therefore recognised when the units are completed and title has passed to the buyer.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined by the individual contract type and are summarised as follows:

- for direct sales commissions, reservation fees are recognised on receipt, with commissions balances recognised on exchange of contracts;
- for commissions on Dubai resales, 50% of commission is recognised on exchange of contracts, with remaining balance recognised on completion of sale; and
- for commissions on Vita resales, commission is recognised on exchange of contracts; and
- agency administration fees are recognised on receipt.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Revenue Recognition (continued)

Rental income

The Group's policy for recognition of revenue from operating leases is described under leasing below.

Leasing

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease and lease back arrangements

The Group has entered in to a number of lease and lease back arrangements on property. These transactions are assessed individually to identify whether a true sale under the guidance of IAS 17 and IAS 18 has occurred. If the criteria have been met, the sale is treated as a sale of goods. If not, the transaction is treated as a financing transaction and the relevant Group assets remain on the balance sheet until such time as the sale completes in full.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Employee benefits

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Other short-term and long-term benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or counterparty renders the service.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Employee benefits (continued)

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories acquired as part of a business combination are initially measured at their fair value at the time of acquisition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Trade and other receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash in escrow and deposits repayable on demand. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Intra-group financial instruments

Where a company within the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company, under IAS 37, treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a claim under the guarantee. When the claim becomes probable, a provision is made in that company for the amount expected to be payable, in accordance with IAS 37.

Convertible loans

Convertible loans are regarded as compound instruments, consisting of a liability element and an equity element. At the date of issue, the fair value of the two instruments is reapportioned, using a probability weighted expected return model, and cross checked to an option pricing model (the Monte Carlo model) which is customised to take into account the specific features of the conversion option of the loan.

Preference shares

Preference shares are regarded as compound instruments, consisting of a liability element and an equity element. At the date of issue, the fair value of the two instruments is reapportioned, using a probability weighted expected return model and cross checked to an option pricing model (the Monte Carlo model) which is customised to take into account the specific features of the conversion right attaching to the Preference Shares.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Use of estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

Note 1 - Revenue recognition

Note 21 - Convertible loan

Note 22 - Preference shares

Note 23 - Provisions

Note 24 - Fair valuation of acquired assets and liabilities

2. Revenue, other income and segmental information

Revenue for the period comprises the following from continuing operations:

	Group		Company	
	Year 31 December 2015	Period ended 31 December 2014	Year ended 31 December 2015	Period ended 31 December 2014
	£000	£000	£000	£000
Sale of Goods	55,017	81,236	-	-
Services rendered	11,470	5,014	-	-
	66,487	86,250	-	-

Other income in the Company is a dividend receipt of £8,650k (31 December 2014: £1,200k).

The Group operates as one combined entity and in the view of management, there is only one reportable segment.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

3. Expenses and auditor's remuneration

	Group		Company	
	Year ended	Period ended	Year ended	Period ended
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
(Loss)/profit before taxation	(4,257)	(3,628)	7,052	1,002

Result before taxation is stated after charging/(crediting):

Amounts receivable by auditor and their associates in respect of:

Audit of financial statements of the Group/Company pursuant to legislation	176	159	52	37
Other services	24	180	-	49
Depreciation of property, plant and equipment (note 10)	413	227	-	-
Amortisation of intangible assets (note 13)	26	15	1	-
Gain on disposal of property, plant and equipment	(3)	(4)	-	-
Exchange rate gains	(8)	(229)	-	-
Staff costs (see note 6)	8,406	3,761	-	-

The audit fee above relates to the audit of the Group companies and the Group consolidation. The audit fees of the subsidiary companies have been incurred by the individual entities and are disclosed in their respective accounts. The other services in the year relate to advice on employee share schemes and the construction industry scheme.

4. Directors' emoluments

The aggregate emoluments paid to directors for services rendered during the current year and prior period were:

Group	Year ended	Period ended
	31 December 2015	31 December 2014
	£000	£000
Total emoluments	1,524	982

There were no directors accruing benefits under Company pension schemes during the current year or prior period. The highest paid director received £425k of emoluments (31 December 2014: £382k) during the year. Directors received £24k of share based payments (31 December 2014: £244k) as part of a management incentive scheme. For more information, see note 30.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

5. Exceptional items, fair value adjustments, interest and share-based payments

	Group Year ended 31 December 2015 £000	Group Period ended 31 December 2014 £000	Company Period ended 31 December 2015 £000	Company Period ended 31 December 2014 £000
Borrowing costs previously capitalised	1,081	1,745	-	-
Fair value adjustment	(2,799)	8,944	-	-
Cost of sales adjustment	(1,718)	10,689	-	-
Share-based payments	6,201	702	214	29
Exceptional items	714	380	205	12
Administrative expenses	6,915	1,082	419	41
Total	5,197	11,771	419	41

The fair value adjustment relates to the unwind of part of the fair value adjustment to inventories made on the business combination in April 2014, released to the income statement on completion of two developments in the year.

Exceptional items include professional fees and taxes associated with the set up of the share option scheme and set up costs for a five year convertible loan facility and a preference share issuance. See note 30 for further details on the share-based payments, note 21 for details on the convertible loan and note 22 for details on the preference shares.

Management consider these items to be exceptional as they are one off, significant expenses.

The Group monitors earnings before interest, taxes, depreciation and amortisation as a key performance indicator.

Group profit from continuing operations can be reconciled to earning before interest, taxes, depreciation and amortisation as follows:

Group	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Operating profit from continuing operations	3,008	8,488
Adjusted for:		
Depreciation	363	215
Amortisation	26	15
Earnings before interest, tax, depreciation and amortisation	3,397	8,718

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

6. Staff numbers and costs

Staff costs	Year ended	Period ended
	31 December 2015	31 December 2014
	£000	£000
Wages	7,771	3,209
Social Security	628	390
Pensions	5	-
Other staffs costs	2	162
	8,406	3,761

Average number of employees	Year ended	Period ended
	31 December 2015	31 December 2014
	£000	£000
Managerial	12	12
Operational and financial	92	55
Administration, sales and marketing	70	68
	174	135

7. Interest income

	Group		Company	
	Year ended	Period ended	Year ended	Period ended
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Bank interest	-	6	-	-
Other interest	136	65	-	-
	136	71	-	-

8. Interest expense

	Group		Company	
	Year ended	Period ended	Year ended	Period ended
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Bank interest	2	-	-	-
Loan interest	2,252	415	853	-
Other interest	11	1	-	-
	2,265	416	853	-

Loan interest includes £853k (31 December 2014: £nil) of interest on preference shares (Company £853k), and £1,360k (31 December 2014: £nil) of interest on convertible loans (Company £nil).

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

9. Taxation

Recognised in the statement of comprehensive income

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Current tax expense				
Current year	604	928	-	-
Adjustment to tax charge in respect of prior periods	(42)	(2)	-	-
Total current tax	562	926	-	-
Deferred tax	(1,053)	(2,003)	(1)	1
Total tax in statement of comprehensive income	(491)	(1,077)	(1)	1

Reconciliation of effective tax rate

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
(Loss)/profit before taxation	(4,257)	(3,628)	7,052	1,002
Current tax using the UK corporation tax rate of 20.25% (31 December 2014: 20.99%)	(862)	(762)	1,428	210
Effects of:				
Items not deductible/(taxable)	355	93	(1,449)	(238)
Share options	(3)			
Deferred tax movement resulting from the origination and reversal of temporary timing differences	-	6	-	1
Carry forward losses not recognised for deferred tax	(2)	-	-	-
Adjustment to tax charge in respect of prior years	(49)	(2)	(1)	-
Brought forward losses utilised	-	(491)		
Group relief free of charge	-	-	21	28
Effect of changes in tax rates	70	79		
Total tax (credit)/charge	(491)	(1,077)	(1)	1

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.25%. The reduction of the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 was announced in the Summer Finance Bill 2015, which was substantively enacted on 26 October 2015. Future profits will be taxed at the appropriate rate. Deferred tax as at 31 December 2015 has been calculated at rate at which the deferred tax is expected to reverse.

Further to this, it was announced in the 16 March 2016 Budget that the Corporation tax rate will be reduced to 17% from 1 April 2020. As this proposal was not substantively enacted at the balance sheet date, the rate of 17% is not applicable to deferred tax balances for the year ended 31 December 2015.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

10. Property, plant and equipment

	31 December 2015		31 December 2014	
	Group £000	Company £000	Group £000	Company £000
Cost	4,489	-	3,260	-
Depreciation	(741)	-	(352)	-
NBV at the end of the period	3,748	-	2,908	-

Group	Freehold/ leasehold property £000	Plant and machinery £000	Office equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
At 1 January 2015	2,322	-	217	623	98	3,260
Additions	1,146	14	99	124	19	1,402
Disposals	(129)	-	(18)	-	(26)	(173)
At 31 December 2015	3,339	14	298	747	91	4,489
Depreciation						
At 1 January 2015	(23)	-	(68)	(216)	(45)	(352)
Charge for the year	(48)	(2)	(88)	(246)	(29)	(413)
On disposal	-	-	3	-	21	24
At 31 December 2015	(71)	(2)	(153)	(462)	(53)	(741)
NBV at 31 December 2015	3,268	12	145	285	38	3,748

Group	Freehold/ leasehold property £000	Plant and machinery £000	Office equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
At 1 May 2014	1,625	-	137	490	76	2,328
Additions	729	-	84	135	22	970
Disposals	(32)	-	(4)	(2)	-	(38)
At 31 December 2014	2,322	-	217	623	98	3,260
Depreciation						
At 1 May 2014	(14)	-	(29)	(72)	(26)	(141)
Charge for the year	(21)	-	(43)	(144)	(19)	(227)
On disposal	12	-	4	-	-	16
At 31 December 2014	(23)	-	(68)	(216)	(45)	(352)
NBV at 31 December 2014	2,299	-	149	407	53	2,908

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

11. Investment properties

	31 December 2015		31 December 2014	
	Group £000	Company £000	Group £000	Company £000
Reclassified from inventories	9,462	-	-	-
Additions	10,891	-	-	-
At the end of the period	20,353	-	-	-

Group	Acquisition of	Property in	Fair value	Total
	land and buildings £000	the course of construction £000	adjustment £000	
Cost				
Reclassified from inventories	4,645	1,711	3,106	9,462
Additions	1,269	9,622	-	10,891
At 31 December 2015	5,914	11,333	3,106	20,353

The Group's investment property is held under freehold and leasehold interest.

In January 2015, the Vita Student (Beith Street) Limited acquired the freehold to a plot of land for development at Beith Street, Glasgow for £4,645k. This cost was reclassified from inventory to investment property during the year.

Additions include £1,269k of costs relating to acquisitions and £9,622k of costs relating to subsequent expenditure on property development.

Investment property under construction is held at cost until construction is completed, at which point the fair value of the property is expected to be reliably determinable.

Property in the course of construction includes £780k of capitalised borrowing costs.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the effective interest rate on the respective borrowings.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

12. Goodwill

	Group £000	Company £000
Cost		
At 31 December 2014	17,488	-
At 31 December 2015	17,488	-
Net book value		
At 31 December 2014	17,488	-
At 31 December 2015	17,488	-

For the purpose of impairment testing, goodwill has been allocated to the Group's property development and operation cash generating unit (CGU), as this represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections based on management's financial forecasts up to 2018, using an appropriate discount rate, based on the pre-tax weighted average cost of capital.

The amount recognised above in respect of Vita Ventures Limited (£17,488k) was valued by independent external valuers, as part of the acquisition of Vita Ventures Limited on 30 April 2014. The value in use calculated by a discounted cash flow shows significant headroom over the operating assets of the CGU. We have performed sensitivity analysis across a range of forecast cashflows as well as applying more prudent discount factors. On the range of sensitivities applied there is sufficient headroom within the impairment model, therefore, no impairment is required.

13. Other intangible assets

	31 December 2015		31 December 2014	
	Group £000	Company £000	Group £000	Company £000
Cost	156	3	74	3
Amortisation	(37)	-	(11)	-
NBV at 31 December 2015	119	3	63	3

Group	Domain	Software	Customer	Customer	Total
	name	relationships	contracts	Total	
Cost	£000	£000	£000	£000	£000
At 1 January 2015	27	3	32	12	74
Additions	13	69	-	-	82
At 31 December 2015	40	72	32	12	156
Amortisation					
At 1 January 2015	(1)	-	(7)	(3)	(11)
Charge for the year	(8)	(3)	(11)	(4)	(26)
At 31 December 2015	(9)	(3)	(18)	(7)	(37)
NBV at 31 December 2015	31	69	14	5	119

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

13. Other intangible assets (continued)

Group

	Domain name £000	Software £000	Customer relationships £000	Customer contracts £000	Total £000
Cost					
At 1 May 2014	32	3	32	12	79
Disposals	(5)	-	-	-	(5)
At 31 December 2014	27	3	32	12	74
Amortisation					
At 1 May 2014	(1)	-	-	-	(1)
Charge for the year	(5)	-	(7)	(3)	(15)
Disposals	5	-	-	-	5
At 31 December 2014	(1)	-	(7)	(3)	(11)
NBV at 31 December 2014	26	3	25	9	63

Company

	Software £000	Total £000
Cost		
At 31 December 2014	3	3
At 31 December 2015	3	3
NBV at 31 December 2015	3	3

Company	Software £000	Total £000
Cost		
At 1 May 2014	3	3
At 31 December 2014	3	3
NBV at 31 December 2014	3	3

The customer relationships and customer contracts were valued by an independent valuer as part of the acquisition fair value calculations.

These intangible assets are based on discounted cash flow calculations from expected cash flows from the existing and future student relationships and contracts in place at the period end. The discount rate was agreed as part of the independent valuation work carried out and is in line with management expectations.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

14. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting year are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group
Affinity Living Ltd	Holding company	United Kingdom	100%
Bruntwood Oxford Road Holdings Limited	Holding company	United Kingdom	50%
Oxford Property Trading Limited	Property development	United Kingdom	50%
City Suites Holdco Limited	Holding company	United Kingdom	100%
City Suites Limited	Holding company	United Kingdom	100%
City Suites Manchester Limited	Property development	United Kingdom	100%
City Suites Operating Company Limited	Rental property management	United Kingdom	100%
Crosshall Building (Liverpool) Limited	Property development	United Kingdom	100%
Crosshall Developments (Liverpool) Limited	Property development	United Kingdom	100%
Embankment West Limited	Property development	United Kingdom	100%
Richmond House Southampton Limited	Property development	United Kingdom	100%
Select Money Limited	Management company & agent for foreign exchange transactions	United Kingdom	100%
Select Property (Group) Limited	Holding company	United Kingdom	100%
Select Property Group Limited	Property sales and marketing	United Kingdom	100%
Select Property Group PTE (Singapore)	Property sales and marketing	Singapore	100%
Tinlings (Liverpool) Limited	Property development	United Kingdom	100%
Vita (Man 2) Limited	Holding company	United Kingdom	100%
Vita (Sheff) 1 Limited	Property development	United Kingdom	100%
Vita (Sheff) Operating Company Limited	Rental property management	United Kingdom	100%
Vita Birmingham 1 Limited	Property development	United Kingdom	100%
Vita Bristol 1 Limited	Property development	United Kingdom	100%
Vita Bristol and Exeter Operating Company Limited	Rental property management	United Kingdom	100%
Vita China Holdco Limited	Holding Company	United Kingdom	100%
Vita Edinburgh 1 Limited	Property development	United Kingdom	100%
Vita Exeter 1 Limited	Property development	United Kingdom	100%
Vita First Street Limited	Property development	United Kingdom	100%
Vita Glasgow 1 Limited	Holding company	United Kingdom	100%
Vita Glasgow Operating Company Limited	Rental property management	United Kingdom	100%
Vita Liverpool 1 Limited	Holding company	United Kingdom	100%
Vita Liverpool 2 Limited	Holding company	United Kingdom	100%
Vita Liverpool 3 Limited	Holding company	United Kingdom	100%
Vita Liverpool Operating Company Limited	Rental property management	United Kingdom	100%
Vita Management Bristol Limited	Rental property management	United Kingdom	100%
Vita Manchester Limited	Property development	United Kingdom	100%
Vita Manchester Operating Company Limited	Rental property management	United Kingdom	100%

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

14. Subsidiaries (continued)

Details of the Group's material subsidiaries at the end of the reporting year are as follows (continued):

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group
Vita Newcastle 1 Limited	Holding Company	United Kingdom	100%
Vita Newcastle 2 Limited	Property development	United Kingdom	100%
Vita Newcastle Operating Company Limited	Rental property management	United Kingdom	100%
Vita Satellite 1 Limited	Property development	United Kingdom	100%
Vita Satellite 2 Limited	Property development	United Kingdom	100%
Vita Southampton 1 Limited	Holding company	United Kingdom	100%
Vita Southampton Operating Company Limited	Rental property management	United Kingdom	100%
Vita Student Beith Street Limited	Property development	United Kingdom	100%
Vita Student Limited	Rental property management	United Kingdom	100%
Vita Student Management Limited	Property management	United Kingdom	100%
Vita Student York Holding Company Limited	Holding company	United Kingdom	100%
Vita Ventures Limited	Holding company	United Kingdom	100%
Vita York 1 Limited	Property development	United Kingdom	100%
Vita York Operating Company Limited	Rental property management	United Kingdom	100%
Westgate Road Newcastle Limited	Property development	United Kingdom	100%

The Group also controls a property sales and marketing business in Dubai (Select Property Dubai - a sole trader business) which is not a wholly owned subsidiary but is included in the consolidated results of the Group, as it meets all the definition criteria for control (see note 1 for definition of control for consolidation purposes). Its profit for the year was £67k (31 December 2014: loss of £1k). Its non-current assets at 31 December 2015 were £53k (31 December 2014: £199k) and current assets were £1,042k (31 December 2014: £766k).

15. Interest in a joint venture

Group	31 December 2015 £000	31 December 2014 £000
Investment in joint venture	14,542	-
	14,542	-

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

15. Interest in a joint venture (continued)

On 23 March 2015, the Group acquired 50% of the share capital of Bruntwood Oxford Road Holdings Limited (BORHL), a joint venture, for £1. Bruntwood Oxford Road Holdings Limited was incorporated in England to purchase the entire issued share capital of Oxford Property Trading Limited (OPTL), a property development company.

The Group's interest in Bruntwood Oxford Road Holdings is accounted for using the equity method. Summarised financial information of the joint venture, reconciling to the carrying amount in the consolidated financial statements, is as follows:

Statement of financial position of Bruntwood Oxford Road Holdings Limited

	31 December 2015 £000
Fixed assets	
Fixed asset investments	16,851
Current assets	13,215
Net current assets	<u>30,066</u>
Non-current liabilities	(30,066)
Net assets	<u><u>-</u></u>
Capital and reserves	
Called up share capital	-
Shareholders' funds	<u><u>-</u></u>

Bruntwood Oxford Road Holdings Limited had no contingent liabilities and no capital commitments at 31 December 2015.

The company cannot distribute its profits without the consent of the two joint venture partners.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

15. Interest in a joint venture (continued)

Statement of financial position of Oxford Property Trading Limited

	31 December 2015	
	£000	
Current assets		13,627
Current liabilities		
Corporation tax creditor	(21)	
Other payables	(533)	(554)
		<u>(13,215)</u>
Non-current liabilities		(13,215)
Net assets		<u>(142)</u>
Capital and reserves		
Called up share capital		-
Profit and loss account		(142)
		<u>(142)</u>

Summarised statement of profit or loss of Oxford Property Trading Limited

	23 March 2015	
	to	
	31 December 2015	
	£000	
Turnover		122
Administrative expenses		(1)
Profit before tax		<u>121</u>
Tax		-
Total comprehensive income for the year		<u><u>121</u></u>
50% share of profit		61

Reconciliation of investment in joint ventures

	31 December 2015	
	£000	
Amounts due from Bruntwood Oxford Road Holdings Limited		14,481
50% of post-acquisition profits		61
		<u><u>14,542</u></u>

Oxford Property Trading Limited had capital commitments of £694k as at 31 December 2015. The company had no contingent liabilities.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

16. Inventories

	Group		Company	
	31 December 2015 £000	31 December 2014 £000	31 December 2015 £000	31 December 2014 £000
Property under construction	47,153	30,794	-	-
	47,153	30,794	-	-

The carrying value of property under construction at 31 December 2015 was £46,892k (31 December 2014: £31,158k).

Included in inventories are £1,067k of capitalised borrowing costs. (31 December 2014: £576k).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the effective interest rate on the respective borrowings.

The cost of inventories expensed during the period was £37,116k (31 December 2014: £81,718k).

17. Trade and other receivables

	Group		Company	
	31 December 2015 £000	31 December 2014 £000	31 December 2015 £000	31 December 2014 £000
Trade receivables	2,687	1,508	-	-
Allowance for doubtful debts	(601)	(641)	-	-
	2,086	867	-	-
Amounts due under rental guarantee contracts	670	-	-	-
Other receivables	2,548	1,158	-	15
Deferred payments	-	809	-	-
Amounts owed by group undertakings (note 29)	-	-	22,658	4,913
VAT receivable	-	623	7	13
Share-based prepayment	338	17	1	1
Prepayments and accrued income	1,870	1,397	5	-
	7,512	4,871	22,671	4,942
Of which:				
Amounts due within one year	6,207	4,230	22,671	4,941
Amounts due in more than one year	1,305	641	-	1

Trade receivables are regularly assessed for impairment based on the customer credit terms and any other evidence that the customer is unlikely to pay in full.

Impairment losses of £72k (31 December 2014: £14k), impairment losses on revalued assets of £28k (31 December 2014: £39k) and gains on revalued assets of £6k (31 December 2014: £8k) were recognised in administrative expenses during the year.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

18. Deferred tax

Recognised deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
At 31 December 2015				
Short term timing differences				
- Property, plant and equipment	-	53	-	-
- Share based payments	3,335	-	-	-
- Other short-term timing differences	1,910	507	-	-
Carry forward losses	73	-	-	-
Deferred tax	5,318	560	-	-
At 31 December 2014				
Short term timing differences				
- Property, plant and equipment	-	50	-	1
- Share based payments	140	3	-	-
- Other short-term timing differences	1,506	213	-	-
Carry forward losses	78	-	-	-
Deferred tax	1,724	266	-	1

Included in other short-term timing differences are deferred tax assets of £1,910k and deferred tax liabilities of £464k (31 December 2014: assets of £812k and liabilities of £206k) relating to consolidation adjustments that cause temporary timing differences in income and expenses, and deferred tax liabilities of £56k (31 December 2014: assets of £694k and liabilities of £7k) relating to fair value adjustments on business combinations.

Deferred tax as at 31 December 2015 has been calculated at the rate at which the deferred tax is expected to reverse.

Movement in deferred tax during the year	Recognised in income		Net
	Assets £000	Liabilities £000	movement in the year £000
Group			
At 31 December 2015			
Short term timing differences			
- Property, plant and equipment	-	3	3
- Share based payments	947	(3)	(950)
- Other short-term timing differences	404	294	(110)
Carry forward losses	(5)	-	5
	1,346	294	(1,052)
Group			
At 31 December 2015			
Short term timing differences			
- Share based payments	2,248	-	(2,248)
	2,248	-	(2,248)

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

18. Deferred tax (continued)

	Recognised in income		Net movement
	Assets	Liabilities	in the period
Group	£000	£000	£000
At 31 December 2014			
Short term timing differences			
- Property, plant and equipment	-	30	30
- Share based payments	140	3	(137)
- Other short-term timing differences	1,313	(588)	(1,901)
Carry forward losses	(5)	-	5
	1,448	(555)	(2,003)

Deferred tax assets of £73k have been recognised in respect of unused tax losses (31 December 2014: £78k recognised), £nil in respect of fair value adjustments to inventories (31 December 2014: £694k recognised), £1,910k in respect of consolidation adjustments (31 December 2014: £812k) and £3,335k (31 December 2014: £140k) in respect of share based payments. Their recoverability is dependent on the Group companies making taxable profits in the future. The Directors expect the Group to make profits in the future as developments under construction and planned developments complete and sell. The amount expected to be recovered within one year is £1,954k (31 December 2014: £1,315k).

The deferred tax assets and liabilities have been offset on the statement of financial position as they relate to income taxes levied by the same tax authority on taxable entities which are expected to unwind during the same period in the future.

19. Trade and other payables

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Trade payables	7,971	4,066	49	77
Other payables	2,360	3,086	-	-
VAT payable	26	-	-	-
Student deposits	633	297	-	-
Deferred revenue	50,184	29,966	-	-
Accruals	5,359	5,358	108	145
	66,533	42,773	157	222
Of which:				
Amounts due within one year	52,752	33,930	157	222
Amounts due in more than one year	13,781	8,843	-	-

Deferred revenue mainly consists of payments on account for rental revenue and property sales that have been deferred to be released to the statement of comprehensive income over the contract term in accordance with the Group's accounting policies.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

20. Borrowings

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Bank loans	1,129	1,072	-	-
Other borrowings	14,549	5,036	-	-
	15,678	6,108	-	-
Of which:				
Amounts due within one year	7,664	4,060	-	-
Amounts due in more than one year	8,014	2,048	-	-

Borrowings are secured over freehold and leasehold property of £3,161k (31 December 2014: £2,299k) included in property, plant and equipment (note 10), investment property of £14,884k (31 December 2014: £nil) (note 11) and £35,553k (31 December 2014: £22,116k) of property under development included within inventories (note 16).

A summary of the Group's borrowings is given below along with additional details over security:

- 1) Three 10 year mortgages, totalling £1,129k, secured on freehold and leasehold property and fixed and floating charges over all assets and undertakings of Select Property Group Limited (a subsidiary company);
- 2) £9,515k of loans, secured on property under development, for which guarantees have been given by Select Property Group (Holdings) Limited.
- 3) £5,034k of loans, secured on investment property for which guarantees have been given by Select Property Group (Holdings) Limited.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

21. Convertible loan

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Convertible loan liability	8,590	-	-	-
	8,590	-	-	-

The convertible loan was issued on 12 June 2015 and is secured by fixed and floating rate charges over all assets of Vita (Man 2) Limited, a subsidiary of Select Property Group (Holdings) Limited.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the embedded option to convert the liability into equity, as follows:

	31 December 2015
	£000
Equity component	2,409
Liability component at date of issue	7,611
Total fair value of convertible loan	10,020

The convertible loan liability balance at 31 December 2015 includes accrued interest. The interest charged for the year is calculated by applying the effective interest rate to the liability component for the period from which the loan was issued.

The Company has the following options, with regard to the convertible loan:

- the option to prepay individual tranches, in whole or in part;
- the option to repay the facility in full, following the second anniversary of the date of issue. To the extent that this option is exercised, the Company must grant the Investor a call option, capped at the amount of the facility repaid.

The facility is convertible into ordinary shares in the Company at the option of the Investor, Kismet International S. à R. L. The conversion option is exercisable on the occurrence of an initial public offering (IPO), strategic sale or on maturity of the facility.

On exercise of the call option, the Investor has the right to convert the amount of the loan repaid under the repayment option into ordinary shares in the Company using the same mechanics as the conversion option.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

22. Preference shares

	Group		Company	
	31 December 2015 £000	31 December 2014 £000	31 December 2015 £000	31 December 2014 £000
Preference shares	10,463	-	10,463	-
	10,463	-	10,463	-

On 12 June 2015, 1,327,395 preference shares were issued, each with a value of £6.7802. The investor holds a put option, under which the investor can sell the preference shares back to the Company, a conversion right, in the event of an initial public offering (IPO) or a strategic sale and a call option, under which the investor can subscribe for ordinary shares for additional cash subscription proceeds.

Interest is payable on the preference shares from the third anniversary of issue.

The preference shares rank ahead of the ordinary shares in the event of a strategic sale.

The preference shares have both an equity and a financial liability element. The fair values of each element that were recognised on issue are shown below:

	31 December 2015 £000
Equity - conversion feature	238
Equity - call option	131
Financial liability	9,610
Total fair value of preference shares	9,979

The total liability at 31 December 2015 includes accrued interest. The interest was calculated using the effective interest rate.

The presentation of the equity portion of these shares is explained in note 25.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

23. Provisions

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Rental guarantee provision				
At the start of the period	1,241	171	-	-
Release of provision	(376)	-	-	-
Provided for	2,789	2,411	-	-
Utilised	(2,031)	(1,341)	-	-
At the end of the period	1,623	1,241	-	-
Of which:				
Amounts due within one year	766	677	-	-
Amounts due in more than one year	857	564	-	-

The Group is party to agreements whereby any shortfall in rental returns, payable to investors relating to leases held, is guaranteed and payable by the Group. Therefore, the Group recognises a provision for any such shortfall, based on the estimated rental shortfall for the total period of the guaranteed rental return. At 31 December 2015, the total amount covered by the financial guarantee contract was £26,533k (31 December 2014: £19,393k).

The provisions include assumptions on future rental income and future costs.

24. Financial instruments

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

The Board has overall responsibility for establishing appropriate management of exposure to risk.

Capital management

The Group's objectives in managing its capital are to provide adequate returns to the shareholders by operating the business at a predetermined optimal level, by ensuring the present revenue stream from operations continues to increase and by effectively collecting its receivables as agreed with debtors.

Select Property Group (Holdings) Limited

Notes to the financial statements (continued)

24. Financial instruments (continued)

Capital management (continued)

The Group is not subject to any externally imposed capital requirements. Dividends are paid provided adequate resources remain to sustain the Group's development.

Financial instruments policy

All instruments utilised by the Group are for financing purposes.

Fair value of financial instruments

As at 31 December 2015, the Group had no other financial instruments other than those disclosed below (31 December 2014: £nil). The fair value of all financial instruments in these financial statements is considered to approximate to their amortised cost.

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	£000	£000	£000	£000
Financial assets				
Cash and cash equivalents	1,018	4,264	-	-
Trade and other receivables	7,512	4,871	22,671	4,942
	8,530	9,135	22,671	4,942
Financial liabilities				
Borrowings	15,678	6,108	-	-
Trade and other payables	66,533	42,773	157	222
Convertible loan	8,590	-	-	-
Preference shares	10,463	-	10,463	-
	101,264	48,881	10,620	222

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group's exposure and the credit ratings of its customers are continuously monitored. Credit exposure is controlled by regular monitoring based on customer adherence to credit terms and any other evidence that the customer is likely to default. The Group does not have significant credit exposure to any single party.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

24. Financial instruments (continued)

Exposure to credit risk

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	31 December 2015 £000	31 December 2014 £000	31 December 2015 £000	31 December 2014 £000
Cash and cash equivalents	1,018	4,264	-	-
Trade and other receivables	5,304	3,457	22,665	4,941
	6,322	7,721	22,665	4,941

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Group		Company	
	31 December 2015 £000	31 December 2014 £000	31 December 2015 £000	31 December 2014 £000
UK	1,872	477	-	-
Rest of the World	214	390	-	-
	2,086	867	-	-

Further details regarding trade receivables can be found in note 17.

Impairment losses

As detailed in note 17, trade receivables are regularly assessed for impairment. Sales in the "rest of the world" relate to commissions receivable. These commissions are due on exchange of contracts of the related property sales. At 31 December 2015, none of the unimpaired sales were past due (31 December 2014: £nil).

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of specific trade receivables.

The provision in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amounts owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. The Group reviews all debt on an individual basis, based on trading experience with that customer and on the related products.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by regular reviews of forecast cash flows in line with contractual maturities of financial liabilities and credit facilities available.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

24. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities of the Group:

Group	Carrying amount £000	Contractual Cash flows £000	3 months or less £000	3-12 Months £000	1-2 Years £000	2-10 Years £000
At 31 December 2015						
Trade and other payables	16,349	16,349	15,090	653	606	-
Convertible loan	8,590	8,590	-	-	-	8,590
Preference shares	10,463	10,463	-	-	-	10,463
Borrowings	15,678	15,678	2,534	5,131	7,140	873
Provisions	1,623	1,623	19	747	447	410
At 31 December 2014						
Trade and other payables	12,510	12,510	11,807	204	499	-
Borrowings	6,108	6,108	45	4,015	1,350	698
Provisions	1,241	1,241	(280)	957	495	69
Company						
At 31 December 2015						
Trade and other payables	157	157	109	48	-	-
Preference shares	10,463	10,463	-	-	-	10,463
At 31 December 2014						
Trade and other payables	222	222	134	88	-	-

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than its functional currency. The Group's management review the size and probable timing of settlement of all financial assets and liabilities denominated in foreign currencies. The Group only holds currency that will be used for future trading. All other currency is exchanged to sterling to minimise currency risk.

Interest rate risk

The Group finances its operations through a mixture of existing capital and other borrowings, not exceeding 10 years.

At 31 December 2015, £1,128k (31 December 2014: £4,611k) of the Group's borrowings were variable based on a margin above bank base rate and libor. The Group considers the risk on these loans to be low due to the short term nature of the loans. All other borrowings, convertible loans and preference shares were at fixed interest rates.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

24. Financial instruments (continued)

Interest rate risk (continued)

If bank base rate/libor had increased/decreased by 0.5%, the effect on equity would be a decrease/increase of £6k (31 December 2014: £21k) per annum. There are no other significant risk areas that require sensitivity analysis.

25. Share capital and share premium

Group and Company	Number of shares	31 December 2015	31 December 2014
		£000	£000
Issued share capital			
Ordinary shares of £0.0001 each	17,964,140	2	2
A Ordinary shares of £0.0001 each	5,319,674	1	1
Preference shares of £0.0001 each	1,327,395	-	-
Fully paid share capital			
Ordinary shares of £0.0001 each	17,964,140	2	2
A Ordinary shares of £0.0001 each	5,319,674	1	1
Preference shares of £0.0001	1,327,395	-	-
		3	3
Share premium		15,878	14,489
Total share capital		15,881	14,492

	Number of shares	Share capital	Share premium
		£000	£000
Fully paid Ordinary shares			
Balance at 1 January 2015	20,315,920	2	14,470
Issue of shares	85,720	-	600
Share buy-back	(2,437,500)	-	-
Balance at 31 December 2015	17,964,140	2	15,070

During the year, the Company issued 85,720 ordinary shares of £0.0001 each to investors for £600k (31 December 2014: issued 690,920 ordinary shares of £0.0001 each to investors for £4,030k). The Company also bought back 2,437,500 ordinary shares for £6.5m (31 December 2014: 375,000 ordinary shares for £1m).

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

25. Share capital and share premium (continued)

	Number of shares	Share capital £000	Share premium £000
Fully paid A Ordinary shares			
Balance at 1 January 2015	5,025,709	1	19
Issue of shares under the Company's management incentive scheme (see note 30)	293,965	-	420
Balance at 31 December 2015	5,319,674	1	439

During the year, the Company issued 293,965 (31 December 2014: 5,025,709) A shares to executives and senior employees as part of a management incentive scheme. See note 30 for further details.

	Number of shares	Share capital £000	Share premium £000
Fully paid Preference shares			
Balance at 1 January 2015	-	-	-
Issue of convertible preference shares (see note 22)	1,327,395	-	369
Balance at 31 December 2015	1,327,395	-	369

During the year, the Company issued 1,327,395 preference shares. These shares do not carry voting rights. Further details are provided in note 22 of these financial statements.

The convertible preference share capital and premium covers the equity component of the issued convertible preference shares. The liability component is reflected in financial liabilities (see note 22).

The ultimate controlling shareholder of the Group is Mr M D Stott, who owns 12,905,793 (31 December 2014: 13,122,000) ordinary shares in Select Property Group (Holdings) Limited.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

26. Reserves

Group	Retained earnings £000	Share options reserve £000	Equity reserve £000	Total £000
Balance at 1 January 2015	(5,847)	701	-	(5,146)
Loss for the period	(3,766)	-	-	(3,766)
Buy-back of ordinary shares	(6,500)	-	-	(6,500)
Share buy-back costs	(33)	-	-	(33)
B ordinary share option under the Company's employee share option scheme (see note 30)	-	5,423	-	5,423
Deferred tax asset on share-based payments	2,248	-	-	2,248
Equity component of convertible loan	-	-	2,409	2,409
Balance at 31 December 2015	(13,898)	6,124	2,409	(5,365)

	Retained earnings £000	Share options reserve £000	Equity reserve £000	Total £000
Balance at 1 May 2014	(2,291)	-	-	(2,291)
Loss for the period	(2,551)	-	-	(2,551)
Buy-back of ordinary shares	(1,000)	-	-	(1,000)
Share buy-back costs	(5)	-	-	(5)
B ordinary share option under the Company's employee share option scheme (see note 30)	-	701	-	701
Share buy-back	-	-	-	-
Balance at 31 December 2014	(5,847)	701	-	(5,146)

The share based payment reserve relates to the B share options (as described in note 28) as these shares have not yet been issued.

27. Cash and cash equivalents

	Group		Company	
	31 December 2015 £000	31 December 2014 £000	31 December 2015 £000	31 December 2014 £000
Restricted cash and cash equivalents	-	-	-	-
Cash and cash equivalents	1,018	4,264	-	-
Cash and cash equivalents in the statement of cash flows	1,018	4,264	-	-

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

28. Other financial commitments and contingent liabilities

a) At 31 December 2015, the Group had capital commitments of £65.0m (31 December 2014: £31.7m) relating to construction contracts entered in to but not completed. Capital commitments and contingent liabilities relating to securities over borrowings and a convertible loan are detailed in notes 20-21.

b) Non-cancellable operating lease rentals are payable as follows:

	Group	Group	Company	Company
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Land and buildings	£000	£000	£000	£000
Within 1 year	475	557	-	-
In 1-5 years	16,787	23,352	-	-
In more than 5 years	-	4,847	-	-
	17,262	28,756	-	-

The amounts disclosed above represent the Group's liability in respect of the property leases contracted at year end less rental income from non-cancellable sub leases.

29. Related party transactions

The Directors consider all subsidiaries of Select Property Group (Holdings) Limited and all entities where there is common directorship, to be related parties of the Company.

Group

In relation to the prior period business combinations, transactions between related parties and Group companies before they became members of the Group have not been included as related party transactions.

The following balances show amounts owed (to)/from entities where there is common directorship:

	31 December 2015	31 December 2014
	£000	£000
Alderley Land Owning Company Limited	50	50
Select Group International	(869)	245

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

29. Related party transactions (continued)

The Group had the following transactions with entities where there is common directorship/control:

Car lease charges of £2k (31 December 2014: £3k) were charged to the Company by Cheddar Bank LLP.

Vehicle charges of £19k (31 December 2014: £27k), mobile phone charges of £20k (31 December 2014: £20k), insurance of £nil (31 December 2014: £4k) and rent and service charges of £171k (31 December 2014: £nil) were charged to the Company by Select Group International Limited.

Company

The Company had the following balances with other Group companies at the year end:

31 December 2015	Dividends received £000	Balance owed to Company £000
Vita Ventures Ltd	8,650	8,650
Vita (Man 2) Limited	-	1,511
Select Property Group Limited	-	12,497

31 December 2014	Dividends received £000	Balance owed to Company £000
Vita Ventures Ltd	1,200	-
Select Property Group Limited	-	4,913

30. Share-based payments

Employee share option plan of the Company

Details of the employee share option plan of the Company

The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. In accordance with the terms of the plan, certain executives and senior employees may be granted A ordinary shares and options to purchase B ordinary shares.

On 12 November 2014, as part of this scheme, 5,025,709 A ordinary shares were issued to executives and senior employees, with each A share having an associated option over a B ordinary share.

On 23 April 2015, as part of this scheme, 62,315 A ordinary shares were transferred from a leaver, with each A share having a new associated option over a B ordinary share.

On 29 April 2015, as part of this scheme, 293,965 A ordinary shares were issued to executives and senior employees, with each A share having an associated option over a B ordinary share.

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

30. Share-based payments (continued)

The nature of the A Shares and B Shares means that the combined return of one A Share and one B Share will entitle the participants to the same return as one ordinary share in the Company. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence at the year end:

Options series	Number	Grant date	Expiry date	Nominal value £	Fair value at grant date £
(1) B ordinary shares granted on 12 November 2014	4,963,394	12/11/2014	11/11/2024	0.0001	1.826
(2) B ordinary share options granted on 29 April 2015	356,280	29/04/2015	11/11/2024	0.0001	2.52

The awards vest in three equal tranches after one year, two years and three years. If any exit event occurs before some or all of the awards have vested, the remaining unvested awards will vest in full immediately.

Fair value of share options granted in the year

The weighted average fair value of share options granted during the financial year is £2.52. Options were priced using the Black-Scholes option pricing model. The expected life used in the model is equal to the Company's best estimate of the period of time until exercise. Expected volatility is based on the historical share price mean volatility of listed companies used in a comparator study over 5.5 years to the date of grant. No allowance has been included for the effects of early exercise.

Inputs into the model	Shares/options series	
	Series 1	Series 2
Grant date share price	£2.81	£5.83
Exercise price	£0.0001	£0.0001
Expected volatility	27%	30%
Option life	2.5 years	5.5 years
Dividend yield	0%	0%
Risk-free interest rate	0.92%	1.297%
Fair value per share (before discount)	£2.809	£3.87
Discount for minority interest and lack of marketability	35%	35%
Fair value per share (after discount)	£1.826	£2.52

Select Property Group (Holdings) Limited
Notes to the financial statements (continued)

30. Share-based payments (continued)

Movements in share options during the year

The following reconciles share options outstanding at the beginning and end of the year:

	31 December 2015		31 December 2014	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Balance at beginning of period	5,025,709	5.82	-	-
Granted during the period	356,280	5.32	5,025,709	5.82
Transferred during the period	(62,315)	5.82	-	-
Balance at end of period	5,319,674	5.79	5,025,709	5.82

A shares issued during the year

The following shares were issued during the year:

Shares series	Number issued	Issue date	Nominal value £
(1) A ordinary shares granted on 23 April 2015	62,315	23/04/2015	0.0001
(2) A ordinary shares granted on 29 April 2015	293,965	18/05/2015	0.0001

The share options outstanding at the end of the year had a weighted average exercise price of £5.78 (31 December 2014: £5.82) and a weighted average remaining contractual life of 693 days (31 December 2014: 1,047 days).

31. Subsequent events

Financial Instruments

In June 2016, the Group secured facilities of £169m with Lloyds Bank PLC, Wells Fargo Bank International (Senior facilities) and Pramerica Real Estate Capital VI S. À R.L. (Junior facility), for the purpose of funding build to hold developments in Manchester, Glasgow and Newcastle.

There have been no other significant events between the year end and the date of approval of these financial statements which would require a change to the accounts.

**Group Strategic Report, Directors' Report and
Consolidated Financial Statements
for the Year Ended 31 December 2016**

for

Select Property Group (Holdings) Limited

Select Property Group (Holdings) Limited
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for the Year Ended 31 December 2016

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Select Property Group (Holdings) Limited
Company information
for the Year Ended 31 December 2016

Directors: Mr M C Dawson
Ms N A Markelova
Mr A Monro
Mr T P Moore
Mr M J Oakes
Mr M K Slater
Mr M D Stott

Secretary: Mr G P Beswick

Registered office: The Box
Horseshoe Lane
Alderley Edge
Cheshire
SK9 7QP

Registered number: 08958577 (England and Wales)

Independent auditor: Ernst & Young LLP
2 St Peters Square
Manchester M2 3EY
M2 3EY

Solicitors: Shoosmiths LLP
The XYZ Building
2 Hardman Boulevard
Spinningfields
Manchester
M3 3AZ

Select Property Group (Holdings) Limited

Group strategic report

for the Year Ended 31 December 2016

The directors present their strategic report of the Company and the Group for the year ended 31 December 2016.

Review of business

The Group headed by Select Property Group (Holdings) Limited (known as "Select Property Group") is a fully vertically integrated developer, seller and operator of property investment products.

The Group currently has three brands: Vita Student, a high specification, experience led student accommodation brand; City Suites, a high quality serviced apartment brand and Affinity Living, a new build to rent brand based on the same high specification and customer service principles as Vita Student.

The Group's profit before interest, tax, depreciation, amortisation, exceptional items and fair value adjustments for the year ended 31 December 2016 was £15.4m (31 December 2015: £3.4m). The profit for the year ended 31 December 2016 was £1.9m (31 December 2015: loss of £3.8m). No dividends were paid or proposed during the year (31 December 2015: £nil). The net assets of the Group at 31 December 2016: were £10.9m (31 December 2015 £10.5m).

Key performance indicators

The Directors measure the performance of the Group based on revenue, gross profit and operating profit before interest, tax, depreciation, amortisation, exceptional items and fair value adjustments.

Revenue for the year ended 31 December 2016 was £105.4m (31 December 2015: £66.5m), gross profit was £22.5m (31 December 2015: £15.3m) and operating profit was £15.4m (31 December 2015: £3.4m), before interest, tax, depreciation, amortisation, exceptional items and fair value adjustments

The Directors expect the Group to make profits in the future as developments under construction and planned developments complete and sell. During the year, the Group completed the construction and sale of one Vita Student development in Newcastle and the first City Suites development in Manchester. Six additional Vita Student developments are scheduled for completion within the next two years, as well as the first Affinity Living site. Further developments are in the pipeline for each of the Group's brands.

Principal risks and uncertainties

The principal financial risks and uncertainties the Group faces are described in note 22 to the accounts and include credit risk, liquidity risk, currency risk and interest rate risk.

The Group faces operational risks and uncertainties which the directors take all reasonable steps possible to mitigate, however the Directors recognise that they can never be eliminated completely.

The principal operational risks and uncertainties the Company faces include those in relation to timing of development completions, establishing an appropriate infrastructure and controls framework, recruitment and retention of additional staff and succession planning to facilitate the Company's growth plans.

Risk and uncertainties outside the Company's control include those relating to changes in Government policy and alterations to the legislative and taxation framework in which the Company operates.

Strategy

Select Property Group develops, sells and manages investment property brands. The following strategies will maintain the Group's expansion of revenue and market share:

Land acquisition and expansion

The Group's acquisitions department continues to source land in highly sought-after locations. The team has worked alongside local influencers, councillors and key stakeholders to respond to location-specific challenges and secure further UK sites, adding to a significant pipeline of future stock. Furthermore, the Group continues to investigate key international sites in order to expand its international presence and bring new opportunities to the investor base.

Select Property Group (Holdings) Limited
Group strategic report
for the Year Ended 31 December 2016 – continued

Brand development

The Group creates and maintains market-leading, end-user-focused brands. This revolutionary approach allows products to evolve with changing customer dynamics, ensuring high occupancy levels and market rental premiums. Vita Student is the UK's only experience-led student accommodation brand, commanding a rental premium.

The Group continues to develop its City Suites and Affinity Living brands. Affinity Living is a dedicated build-to-rent product for the ever-growing proportion of young people opting to rent.

Investor relations

Regional teams in London, Manchester, Dubai, Beijing, Singapore and Shanghai have trusted relationships with a global investor base spanning across 183 countries. In regular dialogue with existing purchasers, as well as dealing with an influx of new enquiries, the team deliver detailed information on the properties they sell and the wider markets these opportunities are positioned in.

Management

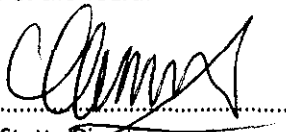
The Group fully manages the whole portfolio of properties including agreeing the rental terms, collecting rental monies and managing and maintaining properties.

In order to maximise the customer experience for end users and bring longevity to its investments, the Group recruits and employs exceptional in-house management from the retail and hospitality sectors. Consequently, as the brands expand, the Group retains full control over its developments and ensures continuous market-leading standards.

Diversified funding

As the brands become more established, the Group is able to diversify its potential funding arrangements. The strength and quality of the Vita Student brand enabled the Group to secure £169m of facility arrangements in the year, to fund the development of three Vita Student sites. Further funding has been secured since the year end.

By order of the board:



Mr M D Stott - Director

Date: 3 August 2017

Select Property Group (Holdings) Limited

Directors' report

for the Year Ended 31 December 2016

The Directors present their annual report and the financial statements for the year ended 31 December 2016.

This report relates to the group companies consisting of the parent company Select Property Group (Holdings) Limited ("the Company") and all of its subsidiaries (combined "the Group").

Principal activity

Select Property Group (Holdings) Limited is a holding company. The combined Group has the following principal activities:

- the sales and marketing of Group and third party property developments;
- the development of Vita Student, City Suites and Affinity Living accommodation and other property investments; and
- the management and rental of Vita Student, City Suites and Affinity Living accommodation and other Group property developments.

The directors do not expect the principal activities to change in the foreseeable future.

Dividends

No dividends will be distributed for the year ended 31 December 2016.

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

Mr M C Dawson
Ms N A Markelova
Mr A Monro
Mr T P Moore
Mr M J Oakes
Mr M K Slater
Mr M D Stott

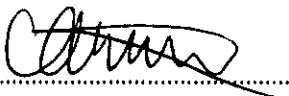
Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

By order of the board:



.....
Mr M D Stott - Director

Date: 3 August 2017

Select Property Group (Holdings) Limited

Statement of Directors' responsibilities

for the Year Ended 31 December 2016

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether international financial reporting standards as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Select Property Group (Holdings) Limited

We have audited the consolidated financial statements of Select Property Group (Holdings) Limited ("the Company") and all of its subsidiaries (combined "the Group") for the year ended 31 December 2016 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statements of Financial Position, the Statements of Changes in Equity, the Statements of Cash Flow, and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors

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 Group's and 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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the state of the Group's and of the Company's affairs as at 31 December 2016 and the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 has been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Select Property Group (Holdings) Limited - continued

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have identified no 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.



Alastair John Richard Nuttall (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Manchester

Date: 3rd August 2017

Select Property Group (Holdings) Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2016

	Year ended 31 December 2016			Year ended 31 December 2015			
	Notes	Before exceptional items, fair value adjustments, interest and share-based payments £'000	Exceptional items, fair value adjustments, interest and share-based payments* £'000	After exceptional items, fair value adjustments, interest and share-based payments £'000	Before exceptional items, fair value adjustments, interest and share-based payments £'000	Exceptional items, fair value adjustments, interest and share-based payments* £'000	After exceptional items, fair value adjustments, interest and share-based payments £'000
Revenue	2	105,384	-	105,384	66,487	-	66,487
Cost of Sales		(82,852)	(2,546)	(85,398)	(51,154)	1,718	(49,436)
Gross Profit		22,532	(2,546)	19,986	15,333	1,718	17,051
Other income		168	-	168	143	-	143
Gain on investment property		7,914	-	7,914	-	-	-
Administrative expenses		(15,740)	(4,794)	(20,534)	(12,468)	(6,915)	(19,383)
Operating profit/(loss) from continuing operations	4	14,874	(7,340)	7,534	3,008	(5,197)	(2,189)
Interest income	5			184			136
Interest expense	5			(5,398)			(2,265)
Share of profit of joint ventures	13			372			61
Profit/(loss) before tax	6			2,692			(4,257)
Taxation	7			(751)			491
Loss and total comprehensive income for the period				1,941			(3,766)
Profit/(loss) attributable to:							
Owners of the parent				1,968			(3,766)
Non-controlling interests				(27)			-
				1,941			(3,766)
Total comprehensive income attributable to:							
Owners of the parent				1,968			(3,766)
Non-controlling interests				(27)			-
				1,941			(3,766)

*See note 4 for more detail on exceptional items, fair value adjustments, interest and share-based payments.

The notes on pages 15 to 64 form part of these financial statements

Select Property Group (Holdings) Limited (Registered number: 08958577)
Consolidated Statement of Financial Position
31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Goodwill	9	17,488	17,488
Intangible assets	10	248	119
Property, plant and equipment	11	6,048	3,748
Investment property	12	158,977	20,353
Investment in joint ventures	13	9,537	14,542
Trade and other receivables	15	834	1,305
Deferred tax	24	7,946	5,318
		201,078	62,873
Current assets			
Inventories	14	89,840	47,153
Trade and other receivables	15	15,866	6,207
Cash and cash equivalents	16	1,419	1,018
Tax receivable		129	-
		107,254	54,378
Total assets		308,332	117,251
Equity			
Shareholders' equity			
Called up share capital	18	3	3
Share premium	19	15,892	15,878
Equity reserve	19	2,409	2,409
Share options reserves	19	8,845	6,124
Retained earnings	19	(15,920)	(13,898)
		11,229	10,516
Non-controlling interests	17	(22)	-
Total equity		11,207	10,516
Liabilities			
Non-current liabilities			
Trade and other payables	20	19,876	13,781
Borrowings	21	135,285	27,067
Deferred tax	24	4,162	560
Provisions	23	2,891	857
		162,214	42,265
Current liabilities			
Trade and other payables	20	92,760	52,752
Borrowings	21	41,114	7,664
Tax payable		-	3,288
Provisions	23	1,037	766
		134,911	64,470
Total liabilities		297,125	106,735
Total equity and liabilities		308,332	117,251

The financial statements were approved by the Board of Directors on 3 August 2017 and were signed on its behalf by:



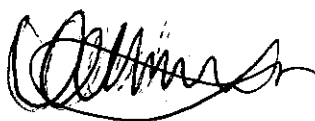
 Mr M D Stott - Director

The notes on pages 15 to 64 form part of these financial statements

Select Property Group (Holdings) Limited (Registered number: 08958577)
Company Statement of Financial Position
31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Intangible assets	10	2	3
Property, plant and equipment	11	46	-
Investments	13	12,851	12,851
		12,899	12,854
Current assets			
Trade and other receivables	15	24,734	22,671
		24,734	22,671
Total assets		37,633	35,525
Equity			
Shareholders' equity			
Called up share capital	18	3	3
Share premium	19	15,892	15,878
Equity reserve	19	2,409	2,409
Share options reserves	19	8,845	6,124
Retained earnings	19	(1,850)	491
Total equity		25,299	24,905
Liabilities			
Non-current liabilities			
Borrowings	21	12,142	10,463
Deferred tax	24	1	-
		12,143	10,463
Current liabilities			
Trade and other payables	20	191	157
		191	157
Total liabilities		12,334	10,620
Total equity and liabilities		37,633	35,525

The financial statements were approved by the Board of Directors on 3 August 2017 and were signed on its behalf by:



.....
Mr M D Stott - Director

The notes on pages 15 to 64 form part of these financial statements

Select Property Group (Holdings) Limited
Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2016

	Called up Share capital £'000	Retained earnings £'000	Share premium £'000	Equity reserve £'000	Share options reserves £'000	Total £'000	Non- controlling interests £'000	Total equity £'000
Balance at 1 January 2015	3	(5,847)	14,489	-	701	9,346	-	9,346
Changes in equity								
Issue of share capital	-	-	1,389	-	-	1,389	-	1,389
Total comprehensive loss	-	(1,518)	-	-	-	(1,518)	-	(1,518)
Equity component of convertible loan	-	-	-	2,409	-	2,409	-	2,409
Buyback of ordinary shares	-	(6,533)	-	-	-	(6,533)	-	(6,533)
B ordinary shares options cost	-	-	-	-	5,423	5,423	-	5,423
Balance at 31 December 2015	3	(13,898)	15,878	2,409	6,124	10,516	-	10,516
Changes in equity								
Total comprehensive income	-	1,968	-	-	-	1,968	(22)	1,946
Buyback of ordinary shares	-	(4,523)	-	-	-	(4,523)	-	(4,523)
B ordinary shares options cost	-	-	-	-	2,721	2,721	-	2,721
Share based payment adjustment	-	-	14	-	-	14	-	14
Deferred tax on share based payments	-	533	-	-	-	533	-	533
Balance at 31 December 2016	3	(15,920)	15,892	2,409	8,845	11,229	(22)	11,207

The notes on pages 15 to 64 form part of these financial statements

Select Property Group (Holdings) Limited
Company Statement of Changes in Equity
for the Year Ended 31 December 2016

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Equity reserve £'000	Share options reserves £'000	Total equity £'000
Balance at 1 January 2015	3	(29)	14,489	-	701	15,164
Changes in equity						
Issue of share capital	-	-	1,389	-	-	1,389
Total comprehensive income	-	7,053	-	-	-	7,053
Equity component of convertible loan	-	-	-	2,409	-	2,409
Buyback of ordinary shares	-	(6,533)	-	-	-	(6,533)
B ordinary shares options cost	-	-	-	-	5,423	5,423
Balance at 31 December 2015	3	491	15,878	2,409	6,124	24,905
Changes in equity						
Total comprehensive income	-	2,182	-	-	-	2,182
Buyback of ordinary shares	-	(4,523)	-	-	-	(4,523)
B ordinary shares options cost	-	-	-	-	2,721	2,721
Share based payment adjustment	-	-	14	-	-	14
Balance at 31 December 2016	3	(1,850)	15,892	2,409	8,845	25,299

The notes on pages 15 to 64 form part of these financial statements

Select Property Group (Holdings) Limited
Consolidated Statement of Cash Flows
for the Year Ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	30	4,626	7,377
Finance costs		2,284	-
Net foreign exchange gain		(388)	(8)
Increase in provisions		1,590	382
Tax paid		-	(391)
Increase in tax payable		(2,607)	-
Net cash from operating activities		5,505	7,360
Cash flows from investing activities			
Purchase of intangible fixed assets		(187)	(82)
Purchase of tangible fixed assets		(2,733)	(1,402)
Investment in joint ventures		(4,095)	(14,542)
Purchase of investment property		(122,584)	(16,467)
Sale of intangible fixed assets		2	-
Sale of tangible fixed assets		10	173
Net cash flow from acquisitions		(4,500)	-
Repayment of investment in JV		9,100	-
Net cash from investing activities		(124,987)	(32,320)
Cash flows from financing activities			
New loans in year		190,986	26,171
Loan repayments in year		(55,447)	(16,624)
Proceeds from convertible loan		-	11,000
Proceeds from preference shares		-	9,000
Borrowing costs		(6,321)	(1,271)
Interest paid		(5,010)	(29)
Payment for buy-back of shares		(4,500)	(6,500)
Payment for share buy-back costs		(23)	(33)
Interest received		184	-
Share based payment adjustment		14	-
Net cash from financing activities		119,883	21,714
Increase/(decrease) in cash and cash equivalents		401	(3,246)
Cash and cash equivalents at beginning of year	31	1,018	4,264
Cash and cash equivalents at end of year	31	1,419	1,018

The figures in the cash flow cannot always be tied through to the statement of financial position due to fair value adjustments

The notes on pages 15 to 64 form part of these financial statements

Select Property Group (Holdings) Limited
Company Statement of Cash Flows
for the Year Ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Cash generated from operations	30	4,622	(57)
Net cash from operating activities		4,622	(57)
Cash flows from investing activities			
Investment in subsidiary undertakings		-	(2,410)
Purchase of tangible fixed assets		(50)	-
Net cash from investing activities		(50)	(2,410)
Cash flows from financing activities			
Proceeds from preference shares		(63)	9,000
Payment for buy-back of shares		(4,500)	(6,500)
Payment for share buy-back costs		(23)	(33)
Share based payment adjustment		14	-
Net cash from financing activities		(4,572)	2,467
Increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year	31	-	-
Cash and cash equivalents at end of year	31	-	-

The notes on pages 15 to 64 form part of these financial statements

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

All Group entities, except for Select Property Dubai (a Dubai entity), Select Property Group PTE. Ltd. (a Singapore entity) and Vita Real Estate Brokerage (Shanghai) Co. Limited (a Shanghai entity) are incorporated and domiciled in the UK.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS').

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Group is expected to generate positive cash flows for the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current cash holdings and borrowing facilities.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Functional and presentational currency

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies – continued

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Changes in accounting policies

Accounting Standards Update

A number of updates to standards or interpretations were in issue as at 31 December 2016.

The following new or amended standards and interpretations, are effective for the first time for the period ended 31 December 2016 and have been applied in preparing these financial statements. The adoption of these standards and interpretations has not had a material effect on the financial statements of the Company.

Change in Standard or Interpretation	Effective date *
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	01-Jan-16
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	01-Jan-16
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	01-Jan-16
IAS 1 Disclosure in Financial Statements - Amendments	01-Jan-16
IAS 16 and IAS 38 Acceptable methods of Depreciation and Amortisation - Amendments	01-Jan-16
IAS 27 Equity Method in Separate Financial Statements - Amendments	01-Jan-16
Annual improvements to IFRSs 2012 to 2014 Cycle	01-Jan-16

*Effective for annual periods beginning on or after this date

The following new or amended standards and interpretations, are not yet effective for the period ended 31 December 2016 and have not been applied in preparing these financial statements.

Change in Standard or Interpretation	Effective date *
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments: Classification and Measurement	01-Jan-18
IFRS 16 Leases	01-Jan-19

*Effective for annual periods beginning on or after this date

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies - continued

The Directors do not anticipate that the adoption of IFRS 9 or IFRS 15 will have a material impact on the financial statements of the Company in the period of initial application. As the group has operating leases, IFRS 16 will increase both assets and liabilities on the balance sheet.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of off-plan property units are treated as sale of goods under IAS 18, in line with the guidance in IFRIC 15. Revenue is therefore recognised when the units are completed and title has passed to the buyer.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined by the individual contract type and are summarised as follows:

- for direct sales commissions, reservation fees are recognised on receipt, with commissions balances recognised on exchange of contracts;
- for commissions on Dubai resales, 50% of commission is recognised on exchange of contracts, with the remaining balance recognised on completion of sale;
- for commissions on Vita resales, commission is recognised on exchange of contracts; and
- agency administration fees are recognised on receipt

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described under leasing below.

Leasing

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies - continued

Lease and lease back arrangements

The Group has entered into a number of lease and lease back arrangements on property. These transactions are assessed individually to identify whether a true sale under the guidance of IAS 17 and IAS 18 has occurred. If the criteria have been met, the sale is treated as a sale of goods. If not, the transaction is treated as a financing transaction and the relevant Group assets remain on the balance sheet until such time as the sale completes in full.

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 June 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired including identifiable intangible assets. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment, by comparing the carrying amount of the unit and the goodwill, with the recoverable amount of the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortisation rates are applied as follows:

Domain name	20%
Software	20%
Student customer relationships	50%
Future student relationships	33%
Customer contracts	33%
Registration of Trademarks	33%

Internally-generated intangible assets

Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred.

Intangible assets acquired in a business combination

Intangible assets arising on acquisitions and recognised separately from goodwill are initially stated at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies - continued

Impairment of intangible assets other than goodwill

The Group reviews the carrying amounts of intangible assets at the end of each reporting period to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The amount of the loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and any recognised impairment in value. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of equipment. The rates applied are as follows:

Leasehold property	2% - 33%
Office equipment	33% - 50%
Furniture and fixtures	20% - 50%
Motor vehicles	25% - 33%
Plant and Machinery	33%

Property plant and equipment is also tested for impairment whenever there is an indication of potential impairment.

Investment property

Investment properties are measured initially at cost, including professional fees and borrowing costs capitalised in accordance with the Group's accounting policy, until completion. Investment properties are measured at fair value on completion. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise. Transfers of investment property are carried out at fair value.

Financial Instruments

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies - continued

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGUs"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial liabilities (including payables)

Financial liabilities (including borrowings and trade and other payables) are measured at amortised cost, using the effective interest method where applicable.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such instruments are initially measured at fair value and subsequently remeasured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories acquired as part of a business combination are initially measured at their fair value at the time of acquisition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies – continued

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Other short-term and long-term benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies - continued

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or counterparty renders the service.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method, except in the case of businesses under common control, where the pooling of interests method is used. Where the pooling of interests method is used, the carrying value of all assets and liabilities of the combining entities are added together. The income and expenses of the acquired entities are only recognised from the point of acquisition and any previous profit/loss is recognised in the Group's reserves. Under the acquisition method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets and liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies - continued

Acquisitions that do not meet the definition of a business combination

Acquisitions of an asset or a group of assets that do not constitute a business combination are accounted for by identifying and recognising the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible assets) and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Trade and other receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, restricted cash and deposits repayable on demand. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Intra-group financial instruments

Where a company within the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company, under IAS 37, treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a claim under the guarantee. When the claim becomes probable, a provision is made in that company for the amount expected to be payable, in accordance with IAS 37.

Select Property Group (Holdings) Limited

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2016

1. Accounting policies - continued

Convertible loans

Convertible loans are regarded as compound instruments, consisting of a liability element and an equity element. At the date of issue, the fair value of the two instruments is reapportioned, using a probability weighted expected return model, and cross checked to an option pricing model (the Monte Carlo model) which is customised to take into account the specific features of the conversion option of the loan.

Preference shares

Preference shares are regarded as compound instruments, consisting of a liability element and an equity element. At the date of issue, the fair value of the two instruments is reapportioned, using a probability weighted expected return model and cross checked to an option pricing model (the Monte Carlo model) which is customised to take into account the specific features of the conversion right attaching to the Preference Shares.

Related party transactions

Details of related party transactions are set out in note 27.

Use of estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

2. Segmental reporting

Revenue for the period comprises the following from continuing operations:

	2016 £'000	2015 £'000
Sale of Goods	88,802	55,017
Services rendered	16,582	11,470
	105,384	66,487

The Group operates as one combined entity and in the view of management, there is only one reportable segment.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

3. Employees and directors

	2016 £'000	2015 £'000
Wages and salaries	8,543	7,773
Social security costs	971	628
Other pension costs	8	5
	9,522	8,406

The average monthly number of employees during the year was as follows:

	2016	2015
Managerial	15	12
Operational and financial	125	92
Administration, sales and marketing	86	70
	226	174

	2016 £'000	2015 £'000
Director's emoluments	1,514	1,524

The highest paid director received £425k of emoluments (2015: £425k) during the year. Directors received no share based payments (2015: £24k) as part of a management incentive scheme. £1k of benefits accrued under the Company pension scheme during the year for the Directors (2015: £nil).

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

4. Exceptional items, fair value adjustments, interest & share-based payments

	2016 £'000	2015 £'000
Borrowing costs previously capitalised	2,284	1,081
Fair value adjustment	262	(2,799)
Cost of sales adjustment	2,546	(1,718)
Share-based payments	2,875	6,201
Exceptional items	1,919	714
Administrative expenses	4,794	6,915
Total	7,340	5,197

The fair value adjustment relates to the unwinding of part of the fair value adjustment to inventories made on the business combination in April 2014, which was released to the income statement on completion of unit sales, ground rent sales and retail unit sales in the current and prior year.

Exceptional items in the year includes professional fees relating to the issuance of shares and aborted project costs (2015: professional fees and taxes associated with the set up of the share option scheme and set up costs for a five year convertible loan facility and a preference share issuance).

Management consider these items to be exceptional as they are one off, significant expenses.

The Group monitors earnings before interest, taxes, depreciation and amortisation as a key performance indicator.

Group profit from continuing operations can be reconciled to earnings before interest, taxes, depreciation and amortisation as follows.

	2016 £'000	2015 £'000
Operating profit from continuing operations	14,874	3,008
Adjusted for:		
Depreciation	426	363
Amortisation	54	26
Earnings before interest, tax, depreciation and amortisation	15,354	3,397

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

5. Net finance costs

	2016	2015
	£'000	£'000
Finance income:		
Other interest income	184	136
	184	136
Finance costs:		
Bank interest	4	2
Loan interest	4,354	2,252
Other interest	1,040	11
	5,398	2,265
Net finance costs	5,214	2,129

Loan interest includes £1,742k (2015: £853k) of interest on preference shares, and £1,982k (2015: £1,360k) of interest on convertible loans.

6. Profit/(loss) before income tax

The profit before income tax (2015 - loss before income tax) is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Cost of inventories recognised as expense	69,591	37,116
Depreciation - owned assets	426	413
Profit on disposal of fixed assets	3	(3)
Domain name amortisation	12	8
Customer relationships and contracts amortisation	16	15
Computer software amortisation	26	3
Audit fees	193	176
Other non- audit services	30	24
Foreign exchange differences	(388)	(8)

The audit fee above relates to the audit of the Group Companies and the Group consolidation. The audit fees of the subsidiary companies have been incurred by the individual entities and are disclosed in their respective accounts. The other services in the year relate to corporate finance services.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

7. Income tax

Analysis of tax expense/(income)

	2016	2015
	£'000	£'000
Current tax:		
Current year tax charge	-	604
Adjustment in respect of prior year	(756)	(42)
Total current tax	(756)	562
Deferred tax	1,507	(1,053)
Total tax expense/(income) in consolidated statement of profit or loss and other comprehensive income	751	(491)

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016	2015
	£'000	£'000
Profit/(loss) before income tax	2,692	(4,257)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	538	(862)
Effects of:		
Adjustments to tax charge in respect of prior years	(123)	(49)
Items not deductible/(taxable)	(153)	355
Effects of other tax rates	(23)	70
Amounts not recognised	587	(2)
Share options	(75)	(3)
Tax expense/(income)	751	(491)

The standard rate of Corporation Tax in the UK remained at 20% for 2016. Accordingly, the Group profits for this accounting period are taxed at 20%. The reduction of the main rate of corporation tax from 20% to 19% from 1 April 2017 was announced in the Summer Finance Bill 2015 and substantively enacted on 26 October 2015. It was announced in the March 2016 budget that from 1 April 2020, corporation tax will reduce to 17%. Future profits will be taxed at the appropriate rate. Deferred tax as at 31 December 2016 has been calculated at a rate at which the deferred tax is expected to reverse.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

8. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income and income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £2,181k (2015: £7,053k).

9. Goodwill

Group	£'000
Cost	
At 1 January 2016 and 31 December 2016	17,488
Net book value	
At 31 December 2016	17,488
	£'000
Cost	
At 1 January 2015 and 31 December 2015	17,488
Net book value	
At 31 December 2015	17,488

For the purpose of impairment testing, goodwill has been allocated to the Group's property development and operation cash generating unit (CGU), as this represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections based on management's financial forecasts up to 2018, using an appropriate discount rate, based on the pre-tax weighted average cost of capital.

The amount recognised above in respect of Vita Ventures Limited (£17,488k) was valued by independent external valuers, as part of the acquisition of Vita Ventures Limited on 30 April 2014. The value in use calculated by a discounted cash flow shows significant headroom over the operating assets of the CGU. The Group has performed sensitivity analysis across a range of forecast cashflows as well as applying more prudent discount factors. On the range of sensitivities applied there is sufficient headroom within the impairment model, therefore, no impairment is required.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

10. Intangible assets

Group

	Domain name £'000	Customer relationships and contracts £'000	Computer software £'000	Totals £'000
Cost				
At 1 January 2016	40	44	72	156
Additions	-	-	185	185
Disposals	(2)	-	-	(2)
At 31 December 2016	38	44	257	339
Amortisation				
At 1 January 2016	9	25	3	37
Amortisation for year	12	16	26	54
At 31 December 2016	21	41	29	91
Net book value				
At 31 December 2016	17	3	228	248

	Domain name £'000	Customer relationships and contracts £'000	Computer software £'000	Totals £'000
Cost				
At 1 January 2015	27	44	3	74
Additions	13	-	69	82
At 31 December 2015	40	44	72	156
Amortisation				
At 1 January 2015	1	10	-	11
Amortisation for year	8	15	3	26
At 31 December 2015	9	25	3	37
Net book value				
At 31 December 2015	31	19	69	119

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

10. Intangible assets - continued

Group

The customer relationships and customer contracts were valued by an independent valuer as part of the acquisition fair value calculations.

These intangible assets are based on discounted cash flow calculations from expected cash flows from the existing and future student relationships and contracts in place at the year end. The discount rate was agreed as part of the independent valuation work carried out and is in line with management expectations.

Company

	Computer software £'000
Cost	
At 1 January 2016 and 31 December 2016	3
Amortisation	
Amortisation for year	1
At 31 December 2016	1
Net book value	
At 31 December 2016	2
	Computer software £'000
Cost	
At 1 January 2015 and 31 December 2015	3
Net book value	
At 31 December 2015	3

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

11. Property, plant and equipment

Group	Freehold/ leasehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Office equipment £'000	Totals £'000
Cost						
At 1 January 2016	3,339	14	747	91	298	4,489
Additions	1,979	54	431	114	155	2,733
Disposals	-	-	-	-	(10)	(10)
At 31 December 2016	5,318	68	1,178	205	443	7,212
Depreciation						
At 1 January 2016	71	2	462	53	153	741
Charge for year	129	8	112	142	35	426
Eliminated on disposal	-	-	(3)	-	-	(3)
At 31 December 2016	200	10	571	195	188	1,164
Net book value						
At 31 December 2016	5,118	58	607	10	255	6,048

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

11. Property, plant and equipment - continued

Group	Freehold/ leasehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Office equipment £'000	Totals £'000
Cost						
At 1 January 2015	2,322	-	623	98	217	3,260
Additions	1,146	14	124	19	99	1,402
Disposals	(129)	-	-	(26)	(18)	(173)
At 31 December 2015	3,339	14	747	91	298	4,489
Depreciation						
At 1 January 2015	23	-	216	45	68	352
Charge for year	48	2	246	29	88	413
Eliminated on disposal	-	-	-	(21)	(3)	(24)
At 31 December 2015	71	2	462	53	153	741
Net book value						
At 31 December 2015	3,268	12	285	38	145	3,748

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

11. Property, plant and equipment - continued

Company	Motor vehicles £'000
Cost	
Additions	50
At 31 December 2016	50
Depreciation	
Charge for year	4
At 31 December 2016	4
Net book value	
At 31 December 2016	46

12. Investment property

Group	Total £'000
Fair value	
At 1 January 2016	20,353
Additions	130,710
Revaluations	7,914
At 31 December 2016	158,977
Net book value	
At 31 December 2016	158,977
	Total £'000
Fair value	
At 1 January 2015	-
Additions	10,891
Reclassification/transfer	9,462
At 31 December 2015	20,353
Net book value	
At 31 December 2015	20,353

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

12. Investment property - continued

Group

Reconciliation of fair value

	Acquisition of land and buildings £'000	Property in the course of construction £'000	Fair value adjustment £'000	Revaluation gain £'000	Total £'000
Group					
At 1 January 2016	5,914	11,333	3,106	-	20,353
Additions	39,678	91,032	-	-	130,710
Revaluation gain	-	-	-	7,914	7,914
At 31 December 2016	45,592	102,365	3,106	7,914	158,977

	Acquisition of land and buildings £'000	Property in the course of construction £'000	Fair value adjustment £'000	Total £'000
Group				
At 1 January 2015	-	-	-	-
Reclassified from inventories	4,645	1,711	3,106	9,462
Additions	1,269	9,622	-	10,891
At 31 December 2015	5,914	11,333	3,106	20,353

The Group's investment property is held under freehold and leasehold interest.

Investment property under construction is held at cost until construction is completed, at which point the fair value of the property is expected to be reliably determinable.

Property in the course of construction includes £10,538k (2015: £780k) of capitalised borrowing costs.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the effective interest rate on the respective borrowings.

The following table shows the rental income earned and operating costs incurred on the Group's completed investment property.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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12. Investment property - continued

Group

Reconciliation of fair value

	2016	2015
	£'000	£'000
Rental income from investment properties	1,014	-
Operating expenses for investment properties	(301)	-
Profit arising from investment properties carried at fair value	713	-

Cost or valuation at 31 December 2016 is represented by:

	£'000
Valuation in 2016	40,340
Cost	118,637
	158,977

The investment property held at valuation by the Group was valued by an independent valuer in August 2016. The valuation was prepared in accordance with the RICS Valuation Professional Standards global (January 2014) and RICS Valuation Professional Standards UK (January 2014, revised April 2015). The valuation was prepared based upon the passing rent contracted for 2016/17 and applying the following assumptions:

- Occupancy rate of 98%, allowing 2% for bad debts and voids.
- Rental growth of 2.5%
- Cost growth of 3%
- Additional income of £1 per room per week for additional services.

Fair value hierarchy disclosures for investment properties are in note 22.

13. Investments

Group

**Interest in
joint venture
£'000**

Cost	
At 1 January 2016	14,542
Additions	3,723
Disposals	(9,100)
Share of profit/(loss)	372
At 31 December 2016	9,537
Net book value	
At 31 December 2016	9,537

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

13. Investments - continued

	Interest in joint venture £'000
Cost	
At 1 January 2015	-
Additions	14,481
Share of profit/(loss)	61
At 31 December 2015	14,542
Net book value	
At 31 December 2016	14,542

Group

Interest in joint venture

On 23 March 2015, the Group acquired 50% of the share capital of Bruntwood Oxford Road Holdings Limited, a joint venture, for £1. Bruntwood Oxford Road Holdings Limited was incorporated in England to purchase the entire issued share capital of Oxford Property Trading Limited, a property development company.

The Group's interest in Bruntwood Oxford Road Holdings is accounted for using the equity method. Summarised financial information of the joint venture, reconciling to the carrying amount in the consolidated financial statements, is as follows:

Statement of financial position of Bruntwood Oxford Road Holdings Limited

	2016 £'000	2015 £'000
Fixed assets		
Fixed asset investments	16,851	16,851
Current assets	2,212	13,215
Net current assets	19,063	30,066
Non-current liabilities	(19,063)	(30,066)
Net assets	-	-
Capital and reserves		
Called up share capital	-	-
Shareholders funds	-	-

Bruntwood Oxford Road Holdings Limited had no contingent liabilities and no capital commitments at 31 December 2016 (2015: £nil). The company cannot distribute its profits without the consent of the two joint venture partners.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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13. Investments - continued

Group

Statement of financial position of Oxford Property Trading Limited

	2016	2015
	£'000	£'000
Current assets	13,039	13,627
Current liabilities		
Corporation tax creditor	(787)	(21)
Other payables	(1,050)	(533)
Non-current liabilities	(7,127)	(13,215)
Net assets	4,075	(142)
Capital and reserves		
Called up share capital	-	-
Profit and loss account	4,075	(142)
	4,075	(142)

Summarised statement of profit or loss of Oxford Property Trading Limited

	2016	2015
	£'000	£'000
Turnover	14,900	122
Cost of sales	(9,805)	-
Administrative expenses	(44)	(1)
Profit before tax	5,051	121
Tax	(786)	-
Total comprehensive income for the year	4,265	121
Remove profit on sales to Group companies	(3,521)	-
Remaining profit	744	121
50% share of remaining profit	372	61

Oxford Property Trading Limited had capital commitments of £664k as at 31 December 2016 (2015: £694k). The company had no contingent liabilities.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

13. Investments - continued

Group

Reconciliation of investment in joint ventures

	2016	2015
	£'000	£'000
Amounts due from Bruntwood Oxford Road Holdings Limited	9,104	14,481
50% of Oxford Property Trading Company Limited post-acquisition profits	433	61
	9,537	14,542

Company

	Shares in group undertakings £'000
Cost	
At 1 January 2016 and 31 December 2016	12,851
Net book value	
At 31 December 2016	12,851

	Shares in group undertakings £'000
Cost	
At 1 January 2015	10,441
Additions	2,410
At 31 December 2015	12,851
Net book value	
At 31 December 2015	12,851

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

13. Investments - continued

Name of subsidiary	Principal activity	Place of incorporation and operation	Portion held by the group
Affinity Living 2 Limited	Holding company	United Kingdom	100%
Affinity Living Limited	Holding company	United Kingdom	100%
Affinity Living Riverside Comm-Prop Company Limited	Letting/operating of leased real estate	United Kingdom	100%
Affinity Living Riverside Holdco Limited	Development company	United Kingdom	100%
Affinity Living Riverside Operating Company	Operating company	United Kingdom	100%
Affinity Living Riverview Comm-Prop Company Limited	Letting/operating of leased real estate	United Kingdom	100%
Affinity Living Riverview Holdco Limited	Holding company	United Kingdom	100%
Affinity Living Riverview Operating Company	Operating company	United Kingdom	100%
Affinity Living Trinity Holdco Limited	Development company	United Kingdom	100%
City Suites Holdco Limited	Development company	United Kingdom	100%
City Suites Limited	Holding company	United Kingdom	100%
City Suites Management Limited	Property management	United Kingdom	100%
City Suites Manchester Limited	Development company	United Kingdom	100%
City Suites Operating Company Limited	Operating company	United Kingdom	100%
Crosshall Building (Liverpool) Limited	Development company	United Kingdom	100%
Crosshall Developments (Liverpool) Limited	Development company	United Kingdom	100%
Embankment West Limited	Development company	United Kingdom	100%
Bruntwood Oxford Road Holdings Limited	Holding company	United Kingdom	50%
New Co (Beith Street) Limited	Holding company	United Kingdom	100%
New Co (Newcastle) 2 Limited	Holding company	United Kingdom	100%
New Co (Newcastle) Limited	Holding company	United Kingdom	100%
New Co (Satellite) 2 Limited	Development company	United Kingdom	100%
New Co (Satellite) Limited	Holding company	United Kingdom	100%
Newco (First Street) 2 Limited	Holding company	United Kingdom	100%
Newco (First Street) Limited	Holding company	United Kingdom	100%
Oxford Property Trading Limited	Development company	United Kingdom	50%
Project Laundrette Limited	Holding company	United Kingdom	75%
Richmond House (Southampton) Limited	Development company	United Kingdom	100%
Select Money Limited	Management company & agent for foreign exchange	United Kingdom	100%
Select Property (Group) Limited	Holding company	United Kingdom	100%
Select Property Group Leisure Holdings Limited	Holding company	United Kingdom	100%
Select Property Group Limited	Sales & marketing company	United Kingdom	100%
Select Property Group PTE. Ltd.	Property sales & marketing	Singapore	100%
SPG(H) Newco one Limited	Development company	United Kingdom	100%

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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13. Investments - continued

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Place of incorporation and operation</u>	<u>Portion held by the group</u>
The Laundrette Manchester First Street Limited	Bar/restaurant	United Kingdom	75%
The Laundrette Newcastle Westgate Limited	Bar/restaurant	United Kingdom	75%
Tinlings (Liverpool) Limited	Development company	United Kingdom	100%
Trinity ICP Limited	Development company	United Kingdom	100%
Vita (Cardiff) 1 Limited	Development company	United Kingdom	100%
Vita (Man 2) Limited	Holding company	United Kingdom	100%
Vita (Sheff) 1 Limited	Development company	United Kingdom	100%
Vita (Sheff) Operating Company Limited	Operating company	United Kingdom	100%
Vita Birmingham 1 Limited	Development company	United Kingdom	100%
Vita Bristol 1 Limited	Development company	United Kingdom	100%
Vita Bristol and Exeter Operating Company Limited	Operating company	United Kingdom	100%
Vita China Holdco Limited	Holding company	United Kingdom	100%
Vita Edinburgh 1 Limited	Development company	United Kingdom	100%
Vita Exeter 1 Limited	Development company	United Kingdom	100%
Vita First Street Limited	Rental of investment property	United Kingdom	100%
Vita First Street Retail Limited	Commercial property landlord	United Kingdom	100%
Vita Glasgow 1 Limited	Holding company	United Kingdom	100%
Vita Glasgow 1 Op Co Limited	Operating company	United Kingdom	100%
Vita Glasgow Operating Company Limited	Operating company	United Kingdom	100%
Vita Leeds 1 Limited	Development company	United Kingdom	100%
Vita Liverpool 1 Limited	Holding company	United Kingdom	100%
Vita Liverpool 2 Limited	Holding company	United Kingdom	100%
Vita Liverpool 3 Limited	Holding company	United Kingdom	100%
Vita Liverpool Operating Company Limited	Operating company	United Kingdom	100%
Vita Management Bristol Limited	Operating company	United Kingdom	100%
Vita Manchester Limited	Development company	United Kingdom	100%
Vita Manchester Operating Company Limited	Operating company	United Kingdom	100%
Vita Newcastle 1 Ltd	Development company	United Kingdom	100%
Vita Newcastle 2 Limited	Development company	United Kingdom	100%
Vita Newcastle 2 Op Co Limited	Operating company	United Kingdom	100%
Vita Newcastle Operating Company Limited	Operating company	United Kingdom	100%
Vita Real Estate Brokerage (Shanghai) Co., Ltd	Sales & marketing company	Shanghai	100%
Vita Satellite 1 Limited	Holding company	United Kingdom	100%
Vita Satellite 1 Op Co Limited	Operating company	United Kingdom	100%
Vita Satellite 2 Limited	Development company	United Kingdom	100%

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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13. Investments - continued

Name of subsidiary	Principal activity	Place of incorporation and operation	Portion held by the group
Vita Southampton 1 Limited	Holding company	United Kingdom	100%
Vita Southampton Operating Company Limited	Operating company	United Kingdom	100%
Vita Southampton Portswood Holdco 1 Limited	Holding company	United Kingdom	100%
Vita Southampton Portswood Holdco 2 Limited	Holding company	United Kingdom	100%
Vita Student (Beith Street) Limited	Development company	United Kingdom	100%
Vita Student Limited	Student hub management company	United Kingdom	100%
Vita Student Management Limited	Student property management company	United Kingdom	100%
Vita Student York Holding Company Limited	Development company	United Kingdom	100%
Vita Ventures Limited	Holding company	United Kingdom	100%
Vita York 1 Limited	Development company	United Kingdom	100%
Vita York Operating Company Limited	Operating company	United Kingdom	100%
Westgate Road Newcastle Limited	Development company	United Kingdom	100%

The Group also controls a property sales and marketing business in Dubai (Select Property Dubai - a sole trader business) which is not a wholly owned subsidiary but is included in the consolidated results of the Group, as it meets all the definition criteria for control (see note 1 for definition of control for consolidation purposes). Its profit for the year was £2,815k (31 December 2015: £67k). Its non-current assets at 31 December 2016 were £36k (2015: £53k) and current assets were £4,572k (2015: £1,042k).

Registered addresses of subsidiaries

Name of subsidiary	Address
Select Property Group PTE. Ltd.	138 Market Street, CapitaGreen #15-01, Singapore, 048946
Vita Student (Beith Street) Limited	Vita Student, Beith Street, Glasgow, Scotland, G11 6DQ
Vita Real Estate Brokerage (Shanghai) Co., Limited	Room 632, Building 20, No. 1440 Middle Yan'an Road, Jing'an District, Shanghai, China, 200040

All other subsidiaries are registered at the address: The Box, Horseshoe Lane, Alderley Edge, SK9 7QP.

14. Inventories

Group	2016 £'000	2015 £'000
Properties under development	89,840	47,153

The carrying value of property under construction at 31 December 2016 was £89,840k (2015: £46,892k).

Included in inventories are £2,441k of capitalised borrowing costs. (2015: £1,067k).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the effective interest rate on the respective borrowings.

The cost of inventories expensed, including financing costs, during the period was £69,591k (2015: £37,116k).

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

15. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Current:				
Trade debtors	1,970	2,687	-	-
Bad Debt Provision	(782)	(601)	-	-
Share based prepayments	145	147	-	1
Amounts owed by group undertakings	-	-	21,905	22,658
Other debtors	10,708	1,874	2,818	-
Rental guarantees	317	230	-	-
Derivative assets	31	-	-	-
VAT	829	-	11	7
Prepayments and accrued income	2,648	1,870	-	5
	15,866	6,207	24,734	22,671
Non-current:				
Other debtors	336	674	-	-
Rental guarantees	398	440	-	-
Share based prepayments	47	191	-	-
Derivative assets	53	-	-	-
	834	1,305	-	-
Aggregate amounts	16,700	7,512	24,734	22,671

Trade receivables are regularly assessed for impairment based on the customer credit terms and any other evidence that the customer is unlikely to pay in full.

Impairment losses of £25k (2015: £72k), impairment losses on revalued assets of £106k (2015: £28k) and gains on revalued assets of £nil (2015: £6k) were recognised in administrative expenses during the year.

The Directors consider the carrying value to be approximate to fair value.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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16. Cash and cash equivalents

Group	2016	2015
	£'000	£'000
Cash in hand	346	1,018
Restricted cash & equivalents	1,073	-
	1,419	1,018

Restricted cash is money held in accounts operated by a security agent. It is restricted for the purpose of paying operating costs and repaying interest and capital on loans relating to the property.

17. Non-controlling interests

Non-controlling interest of (£22k) is made up of share capital and losses from the following companies:

	2016
	£'000
The Laundrette Manchester First Street Limited	(21)
Project Laundrette Limited	(1)
	(22)

18. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
16,276,640	Ordinary	£0.0001	1,628	1,797
5,319,674	A Ordinary shares	£0.0001	532	532
1,327,395	Preference	£0.0001	133	133
			2,293	2,462

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

19. Reserves

Group

	Retained earnings £'000	Share premium £'000	Equity reserve £'000	Share options reserves £'000	Totals £'000
At 1 January 2016	(13,898)	15,878	2,409	6,124	10,513
Profit for the year	1,968	-	-	-	1,968
Buyback of ordinary shares	(4,523)	-	-	-	(4,523)
B ordinary shares options cost	-	-	-	2,721	2,721
Share based payment adjustment	-	14	-	-	14
Deferred tax on share-based payments	533	-	-	-	533
At 31 December 2016	(15,920)	15,892	2,409	8,845	11,226

	Retained earnings £'000	Share premium £'000	Equity reserve £'000	Share options reserves £'000	Totals £'000
At 1 January 2015	(5,847)	14,489	-	701	9,343
Deficit for the year	(3,766)	-	-	-	(3,766)
Issue of shares	-	1,020	-	-	1,020
Conversion feature of preference shares	-	238	-	-	238
Call option feature of preference shares	-	131	-	-	131
Share based payment adjustment	2,248	-	-	-	2,248
Equity component of convertible loan	-	-	2,409	-	2,409
Buyback of ordinary shares	(6,533)	-	-	-	(6,533)
B ordinary shares options cost	-	-	-	5,423	5,423
At 31 December 2015	(13,898)	15,878	2,409	6,124	10,513

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

19. Reserves - continued

Company

	Retained earnings £'000	Share premium £'000	Equity reserve £'000	Share options reserves £'000	Totals £'000
At 1 January 2016	491	15,878	2,409	6,124	24,902
Profit for the year	2,182	-	-	-	2,182
Buyback of ordinary shares	(4,523)	-	-	-	(4,523)
B ordinary shares options cost	-	-	-	2,721	2,721
Share based payment adjustment	-	14	-	-	14
At 31 December 2016	(1,850)	15,892	2,409	8,845	25,296

	Retained earnings £'000	Share premium £'000	Equity reserve £'000	Share options reserves £'000	Totals £'000
At 1 January 2015	(29)	14,489	-	701	15,161
Profit for the year	7,053	-	-	-	7,053
Issue of shares	-	1,020	-	-	1,020
Conversion feature of preference shares	-	238	-	-	238
Call option feature of preference shares	-	131	-	-	131
Equity component of convertible loan	-	-	2,409	-	2,409
Buyback of ordinary shares	(6,533)	-	-	-	(6,533)
B ordinary shares options cost	-	-	-	5,423	5,423
At 31 December 2015	491	15,878	2,409	6,124	24,902

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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20. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Current:				
Trade creditors	8,876	7,971	81	49
Derivative liabilities	340	-	-	-
Other creditors	5,476	1,861	43	-
Student deposits	702	526	67	-
Deferred income	62,667	37,009	-	-
Accruals	14,600	5,359	-	108
VAT	99	26	-	-
	92,760	52,752	191	157
Non-current:				
Other creditors	34	499	-	-
Student deposits	184	107	-	-
Derivative liabilities	490	-	-	-
Accruals and deferred income	19,168	13,175	-	-
	19,876	13,781	-	-
Aggregate amounts	112,636	66,533	191	157

The Director's consider the carrying value to approximate to fair value.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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21. Financial liabilities - borrowings

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current:				
Bank and other loans	40,753	7,664	-	-
Unamortised cost	(3,134)	-	-	-
Convertible loan	3,495	-	-	-
	41,114	7,664	-	-
Non-current:				
Bank and other loans	117,515	8,014	-	-
Unamortised cost	(497)	-	-	-
Convertible loan	6,125	8,590	-	-
Preference shares	12,142	10,463	12,142	10,463
	135,285	27,067	12,142	10,463
Aggregate amounts	176,399	34,731	12,142	10,463

Borrowings

Borrowings are secured over freehold and leasehold property of £4,336k (2015: £3,161k) included within property, plant and equipment, investment property of £162,751k (2015: £14,884k) and £77,729k (2015: £35,553k) of property under development included within inventories.

Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses interest rate swaps to manage some of its transaction exposures.

At 31 December 2016, the Group had interest rate swaps with a notional value of £50,087k (2015: £nil) to hedge its exposure to variable rate loans with interest payable based on 3m libor. The Group pays fixed rates of 0.382% (on £22,860k notional) and 0.885% (on £27,227k notional) and receives 3m libor on these swaps.

The total change in fair value of these instruments of £746k (2015: £nil) has been recognised in finance costs and finance income.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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21. Financial liabilities - borrowings - continued

Convertible Loan

The convertible loan is secured by fixed and floating rate charges over all assets of Vita (Man 2) Limited and Affinity Living 2 Limited, subsidiaries of Select Property Group (Holdings) Limited.

The net proceeds received from the issue of the convertible loan notes were split between the liability element and equity components, representing the embedded option to convert the liability into equity. The following table shows the balances of the equity and liability components:

Group and Company	2016	2015
	£'000	£'000
Equity component	2,409	2,409
Equity total	2,409	2,409
Liability component at date of issue	7,611	7,611
Accrued interest on liability	2,009	979
Liability total	9,620	8,590
Total fair value of convertible loan	12,029	10,999

The convertible loan liability balance includes accrued interest. The interest charged for the year is calculated by applying the effective interest rate to the liability component for the period from which the loan was issued.

The Company has the following options, with regard to the convertible loan:

- the option to prepay individual tranches, in whole or in part;
- the option to repay the facility in full, following the second anniversary of the date of issue. To the extent that this option is exercised, the Company must grant the Investor a call option, capped at the amount of the facility repaid.

The facility is convertible into ordinary shares in the Company at the option of the Investor, Kismet International S.à R.L. The conversion option is exercisable on the occurrence of an initial public offering (IPO), strategic sale or on maturity of the facility.

On exercise of the call option, the Investor has the right to convert the amount of the loan repaid under the repayment option into ordinary shares in the Company using the same mechanics as the conversion option.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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21. Financial liabilities - borrowings - continued

On 12 June 2015, 1,327,395 preference shares were issued, each with a value of £6.7802. The investor holds a put option, under which the investor can sell the preference shares back to the Company, a conversion right, in the event of an initial public offering (IPO) or a strategic sale and a call option, under which the investor can subscribe for ordinary shares for additional cash subscription proceeds.

Interest is payable on the preference shares from the third anniversary of issue. The preference shares rank ahead of the ordinary shares in the event of a strategic sale.

The preference shares have both an equity and a financial liability element. The fair values of each element that were recognised on issue are shown below:

Group and Company	2016	2015
	£'000	£'000
Equity - conversion features	238	238
Equity - call option	131	131
Equity component	369	369
Financial liability	9,610	9,610
Accrued interest on financial liability	2,532	853
Liability component	12,142	10,463
Total fair value of preference shares	12,511	10,832

The total liability at 31 December 2016 includes accrued interest. The interest was calculated using the effective interest rate.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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22. Financial instruments

Financial risk management

The Group has exposure to the followings risks from its use of financial instruments:

Credit risk
Liquidity risk
Currency risk
Interest rate risk

The Board has overall responsibility for establishing appropriate management of exposure to risk.

Capital management

The Group's objectives in managing its capital are to provide adequate returns to the shareholders by operating the business at a predetermined optimal level, by ensuring the present revenue stream from operations continues to increase and by effectively collecting its receivables as agreed with debtors.

The Group is not subject to any externally imposed capital requirements. Dividends can be paid provided adequate resources remain to sustain the Group's development.

Financial instruments policy

All instruments utilised by the Group are for financing purposes.

Fair value of financial instruments

As at 31 December 2016, the Group had no other financial instruments other than those disclosed below (2015: £nil). The carrying value of all financial instruments in these financial statements is considered to approximate to their fair value.

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents	1,419	1,018	-	-
Trade and other receivables	13,776	5,304	24,734	22,671
Derivative assets	84	-	-	-
Tax receivable	129	-	-	-
	15,408	6,322	24,734	22,671
Financial Liabilities				
Borrowings	154,637	15,678	-	-
Trade and other payables	30,804	16,349	191	157
Convertible loan	9,620	8,590	-	-
Preference shares	12,142	10,463	12,142	10,463
Derivative liabilities	830	-	-	-
Provisions	3,928	1,623	-	-
	211,961	52,703	12,333	10,620

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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22. Financial instruments - continued

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group's exposure and the credit ratings of its customers are continuously monitored. Credit exposure is controlled by regular monitoring based on customer adherence to credit terms and any other evidence that the customer is likely to default. The Group does not have significant credit exposure to any single party.

Exposure to credit risk

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,419	1,018	-	-
Trade and other receivables	13,776	5,304	24,734	22,655
Derivative assets	84	-	-	-
Tax receivable	129	-	-	-
	15,408	6,322	24,734	22,655

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
UK	898	1,872	-	-
Rest of the World	290	214	-	-
	1,188	2,086	-	-

Select Property Group (Holdings) Limited
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22. Financial instruments - continued

Impairment losses

As detailed in note 15, trade receivables are regularly assessed for impairment. Sales in the "rest of the world" relate to commissions receivable. These commissions are due on exchange of contracts of the related property sales. At 31 December 2016, none of the unimpaired sales were past due (2015: £nil).

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of specific trade receivables.

The provision in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amounts owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. The Group reviews all debt on an individual basis, based on trading experience with that customer and on the related products.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by regular reviews of forecast cash flows in line with contractual maturities of financial liabilities and credit facilities available.

The following are the contractual maturities of financial liabilities of the Group:

Group	Carrying amount	Contractual Cash flows	3 months or less	3-12 Months	1-2 Years	2-10 Years
	£'000	£'000	£'000	£'000	£'000	£'000
2016						
Trade and other payables	30,804	30,804	17,086	13,010	531	177
Convertible loan	9,620	9,620	-	3,495	-	6,125
Preference shares	12,142	12,142	-	-	-	12,142
Borrowings	154,637	158,268	11,591	29,162	740	116,775
Provisions	3,928	3,928	(238)	1,275	1,213	1,678
2015						
Trade and other payables	16,349	16,349	15,090	653	606	-
Convertible loan	8,590	8,590	-	-	-	8,590
Preference shares	10,463	10,463	-	-	-	10,463
Borrowings	15,678	15,678	2,534	5,131	7,140	873
Provisions	1,623	1,623	19	747	447	410

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016

22. Financial instruments - continued

Company	Carrying amount £'000	Contractual Cash flows £'000	3 months or less £'000	3-12 Months £'000	1-2 Years £'000	2-10 Years £'000
2016						
Trade and other payables	191	191	83	73	8	27
Preference shares	12,142	12,142	-	-	-	12,142
2015						
Trade and other payables	157	157	109	48	-	-
Preference shares	10,463	10,463	-	-	-	10,463

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than its functional currency. The Group's management review the size and probable timing of settlement of all financial assets and liabilities denominated in foreign currencies. The Group only holds currency that will be used for future trading. All other currency is exchanged to sterling to minimise currency risk.

Interest rate risk

The Group finances its operations through a mixture of existing capital and other borrowings, not exceeding 10 years.

At 31 December 2016, £56,788k (2015: £1,128k) of the Group's borrowings were variable based on a margin above libor. The Company has taken out interest rate swaps to manage this risk. All other borrowings, convertible loans and preference shares were at fixed interest rates.

If libor had increased/decreased by 0.5%, the effect on equity would be a decrease/increase of £34k (2015: £6k) per annum. There are no other significant risk areas that require sensitivity analysis.

Select Property Group (Holdings) Limited
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22. Financial instruments - continued

Fair Value Measurement note

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy as at 31 December 2016:

	Date of valuation	Fair value measurement using			
		Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets measured at fair value					
Investment property	31-Dec-16	158,977	-	-	158,977
Derivative financial asset	30-Dec-16	84	-	84	-
		159,061	-	84	158,977
Liabilities measured at fair value					
Derivative financial liabilities	30-Dec-16	830	-	830	-
		830	-	830	-

Fair value measurement hierarchy as at 31 December 2015:

	Date of valuation	Fair value measurement using			
		Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets measured at fair value					
Investment property	31-Dec-15	20,353	-	-	20,353
Derivative financial assets	31-Dec-15	-	-	-	-
		20,353	-	-	20,353
Liabilities measured at fair value					
Derivative financial liabilities	31-Dec-15	-	-	-	-
		-	-	-	-

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23. Provisions

Group	2016	2015
	£'000	£'000
Other provisions	3,928	1,623
Analysed as follows:		
Current	1,037	766
Non-current	2,891	857
	3,928	1,623

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Rental guarantee provision				
At the start of the period	1,623	1,241	-	-
Release of provision	(149)	(376)	-	-
Provided for	4,271	2,789	-	-
Utilised	(1,817)	(2,031)	-	-
At the end of the period	3,928	1,623	-	-

The Group is party to agreements whereby any shortfall in rental returns, payable to investors relating to leases held, is guaranteed and payable by the Group. Therefore, the Group recognises a provision for any such shortfall, based on the estimated rental shortfall for the total period of the guaranteed rental return. At 31 December 2016, the total amount covered by the financial guarantee contract was £36,519k (2015: £26,533k).

The provisions include assumptions on future rental income and future costs. The rental guarantee provision is expected to be fully utilised by December 2021.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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24. Deferred tax

Group	2016	2016	2015	2015
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Short term timing differences:				
- Investment Property	-	1,345	-	-
- Property, plant and equipment	-	2,227	-	53
- Share based payments	4,284	-	3,335	-
- Other short-term timing differences	2,145	590	1,910	507
Carry forward losses	1,517	-	73	-
Balance at 31 December	7,946	4,162	5,318	560

Movement in deferred tax during the year

Group	Recognised in income		Net movement £'000
	Assets £'000	Liabilities £'000	
At 31 December 2016			
Short term timing differences:			
- Investment Property	-	1,345	1,345
- Property, plant and equipment	-	2,174	2,174
- Share based payments	416	-	(416)
- Other short-term timing differences	235	83	(152)
Carry forward losses	1,444	-	(1,444)
	2,095	3,602	1,507

Group	Recognised in equity		Net movement £'000
	Assets £'000	Liabilities £'000	
At 31 December 2016			
Short term timing differences			
- Share based payments	533	-	(533)
	533	-	(533)

Select Property Group (Holdings) Limited
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24. Deferred tax - continued

Group	Recognised in income		Net
	Assets	Liabilities	movement
	£'000	£'000	£'000
At 31 December 2015			
Short term timing differences:			
- Property, plant and equipment	-	3	3
- Share based payments	947	(3)	(950)
- Other short-term timing differences	404	294	(110)
Carry forward losses	(5)	-	5
	1,346	294	(1,052)

Group	Recognised in equity		Net
	Assets	Liabilities	movement
	£'000	£'000	£'000
At 31 December 2015			
Short term timing differences:			
- Share based payments	2,248	-	(2,248)
	2,248	-	(2,248)

	2016	2016	2015	2015
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Company				
Short term timing differences:				
- Property, plant and equipment	-	1	-	-
Balance at 31 December	-	1	-	-

Company	Recognised in income		Net
	Assets	Liabilities	movement
	£'000	£'000	£'000
At 31 December 2016			
Short term timing differences:			
- Property, plant and equipment	-	1	1
	-	1	1

The deferred tax assets and liabilities have not been offset in the statement of financial position as they relate to income tax levied by the same tax authority on taxable entities which are not expected to unwind during the same period in the future.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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25. Capital commitments

At 31 December 2016, the Group had capital commitments of £86.9m (2015: £65.0m) relating to construction contracts entered into but not completed. Capital commitments and contingent liabilities relating to securities over borrowings and a convertible loan are detailed in note 21.

26. Other financial commitments

Non-cancellable operating lease rentals are payable as follows:

Group	2016	2015
	£'000	£'000
Land and buildings		
Within 1 year	4,877	475
In 1-5 years	25,980	16,787
	30,857	17,262

The amounts disclosed above represent the Group's liability in respect of the property leases contracted at year end less rental income from non-cancellable sub-leases.

Operating lease commitments - Group as lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain student accommodation buildings. These leases are all short-term tenancy agreements less than 1 year.

There were no contingent rents recognised as income during the year (2015: £nil). Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2016 are as follows:

	2016	2015
	£'000	£'000
Within one year	2,230	-

27. Related party disclosures

The Directors consider all subsidiaries of Select Property Group (Holdings) Limited and all entities where there is common directorship, to be related parties of the Company.

Group

At the year end, the Group had a net balance receivable from Select Group International Limited of £0.5m (2015: £869k payable) and a receivable balance from Alderley Land Owning Company Limited of £50k (2015: 50k).

The Group had the following transactions with entities where there is common directorship/control:

- Car lease charges of £nil (2015: £2k) were charged to the Group by Cheddar Bank LLP.
- Rent and service charges of £134k (2015: £171k), vehicle charges of £nil (2015: £19k) and a mobile phone credit of £1k (2015: £20k charge) were charged to the Group by Select Group International Limited.

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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27. Related party disclosures - continued

Company

The Company had the following balances with other Group companies at the year end:

	Dividends received £'000	Balance owed to Company £'000
31 December 2016		
Affinity Living 2 Limited	-	1,678
Embankment West Limited	-	105
Select Property Group Limited	-	2,698
Select Property (Group) Limited	175	177
SPG(H) Newco One Limited	-	550
The Laundrette Manchester First Street Limited	-	43
The Laundrette Newcastle Westgate Limited	-	26
Trinity ICP Limited	-	39
Vita (Sheff) Operating Company Limited	-	8
Vita Bristol & Exeter Operating Company Limited	-	5
Vita Liverpool Operating Company Limited	-	7
Vita (Man 2) Limited	-	1,949
Vita Newcastle Operating Company Limited	-	15
Vita Southampton Operating Company Limited	-	4
Vita Student Management Limited	-	147
Vita Ventures Limited	5,600	14,454
	Dividends received £'000	Balance owed to Company £'000
31 December 2015		
Vita Ventures Ltd	8,650	8,650
Vita (Man 2) Limited	-	1,511
Select Property Group Limited	-	12,497

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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28. Events after the reporting period

Since the year end, the Group has completed the following transactions:

- 1) In March 2017, the Group acquired the £3 shares of Bruntwood Oxford Road Holdings Limited from its joint venture partner Bruntwood Science Limited, so that Bruntwood Oxford Road Holdings Limited and its subsidiary Oxford Property Trading Limited are now wholly owned subsidiaries of the Group. As part of this transaction Bruntwood Oxford Road Holdings Limited repaid its outstanding loan from Bruntwood Science Limited. The Group obtained a loan for £11m to fund this.
- 2) The Group has secured further funding of £54m across four of its Vita Student and Affinity Living sites.
- 3) In June 2017, the Group repaid and cancelled £4m of its convertible loan facility. The Group issued £4m of additional preference shares to Kismet International S.à.R.L.

29. Share-based payment transactions

Employee share option plan of the Company

Details of the employee share option plan of the Company

The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. In accordance with the terms of the plan, certain executives and senior employees may be granted A ordinary shares and options to purchase B ordinary shares.

The nature of the A Shares and B Shares means that the combined return of one A Share and one B Share will entitle the participants to the same return as one ordinary share in the Company. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence at the year end:

Options series	Number	Grant date	Expiry date	Nominal value £	Fair value at grant date £
(1) B ordinary share options granted on 12 November 2014	4,963,394	12/11/2014	11/11/2024	0.0001	1.826
(2) B ordinary share options granted on 29 April 2015	356,280	29/04/2015	11/11/2024	0.0001	2.52

The awards vest in three equal tranches after one year, two years and three years. If any exit event occurs before some or all of the awards have vested, the remaining unvested awards will vest in full immediately.

The share options outstanding at the end of the year had a weighted average exercise price of £5.78 (2015: £5.78) and a weighted average remaining contractual life of 327 days (2015: 693 days).

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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29. Share-based payment transactions - continued

Movements in share options during the year

The following reconciles share options outstanding at the beginning and end of the year:

	2016		2015	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Balance at beginning of period	5,319,674	5.78	5,025,709	5.82
Granted during the period	-	-	356,280	5.82
Transferred during the period	-	-	(62,315)	5.82
	5,319,674		5,319,674	

30. Reconciliation of profit/(loss) before income tax to cash generated from operations

Group

	2016 £'000	2015 £'000
Profit/(loss) before income tax	2,692	(4,257)
Depreciation charges	426	392
Loss/(profit) on disposal of fixed assets	3	(3)
Share based payment expense	2,720	6,124
Fair value movements	221	(2,974)
Impairment loss recognised on receivable	25	94
Amortisation of intangibles	38	11
Revaluation gain on investment property	(7,914)	-
Finance costs	5,398	2,265
Finance income	(184)	(136)
	3,425	1,516
Increase in inventories	(35,067)	(15,247)
Increase in trade and other receivables	(7,771)	(2,591)
Increase in trade and other payables	44,039	23,699
Cash generated from operations	4,626	7,377

Select Property Group (Holdings) Limited
Notes to the Consolidated Financial Statements
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30. Reconciliation of profit/(loss) before income tax to cash generated from operations - continued

Company	2016	2015
	£'000	£'000
Profit before income tax	2,183	7,052
Depreciation charges	1	-
Share based payment expense	100	814
Finance costs	1,742	853
	4,026	8,719
Decrease/(increase) in trade and other receivables	562	(8,711)
Increase/(decrease) in trade and other payables	34	(65)
Cash generated from operations	4,622	(57)

31. Cash and cash equivalents

The amounts disclosed on the Statements of cash flows in respect of cash and cash equivalents are in respect of these Statement of financial position amounts:

	Group		Company	
	31 Dec 2016	1 Jan 2016	31 Dec 2016	1 Jan 2016
	£'000	£'000	£'000	£'000
Year ended 31 December 2016				
Cash and cash equivalents	1,419	1,018	-	-
Year ended 31 December 2015				
Cash and cash equivalents	1,018	4,264	-	-

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