

Kirly Business Plan

Following a successful deal with Brown Shipley a number of shareholders have indicated a wish to sell some or all of their NW Brown Group shares to Kirly Ltd . No shareholder will be forced to sell for the foreseeable future , some may prefer to wait in and hope for a higher price later, and others are restricted from taking 100% cash up front. Kirly Ltd and its associates are already the largest shareholders and as a result of facilitating the exit of other shareholders are likely to be in a position to control NW Brown Group (NWB), and below are what Kirly's plans might be should this arise.

In exchange for a cash payment NWB will have disposed of almost all its current trading assets, and will in due course probably have in excess of £ 30 million of cash and investments to deploy. It would clearly not be in the interest of the majority of, if any, continuing shareholders if that were to sit in bank deposits and therefore we will seek to establish a balanced portfolio of trading assets in some of the areas Kirly is already familiar with. A large portion of Kirly's assets will be tied up in NWB and therefore it has a keen interest in seeing them deployed efficiently and a keen desire to control risk both by asset selection and by diversification of asset class. It will consequently expect to deploy the majority of assets in areas where it has experience and professional contacts.

Some of these activities will be established on the back of existing NW Brown investments and Kirly subsidiaries (see the Kirly website <https://kirly.co.uk/> for further details) and others may be established from scratch, but we expect them to fall under the headings of Insurance, property development, forestry, and early stage equity and joint ventures. There will also be a conventional investment portfolio for reserves and assets used to back the insurance operations.

Any trade involves risk and so there is no guarantee that any of the trades described below will be profitable nor can what is described below be certain to happen. At this point it is an indication of intentions and cannot and does not bind the Board of NW Brown Group to any particular course of action. It involves transactions which may have adverse tax consequences of which we have no current knowledge and any shareholder who decides to retain their stake must realise they will probably be minority shareholders in a tightly controlled company.

Having said this it is perhaps also worth saying that the reason for structuring the sale of NW Brown & Co to Brown Shipley in this way was to give the largest number of shareholders possible the best chance of structuring their disposal in ways which minimise their liability for CGT or income tax on selling their shares, or in the case of staff, exercising their options. All shareholders of NW Brown Group have slightly different circumstances and will need to consider carefully their disposal strategies having taken appropriate advice. In particular those who hope to obtain Entrepreneur's relief either via options or on their existing shares face particularly complex choices. Kirly cannot guarantee that deploying the assets in the ways described below will achieve a classification of the company as a trading concern but to the extent it conveniently can it will seek to organise its affairs in a way calculated to do so.

Insurance

We anticipate that Freedom Insurance Services Ltd in which Group already participates may become a subsidiary of NWB. Currently Freedom handles premium income of approximately £6 million per annum and its profits last year were £200,000. It has recently acquired one of its competitors and is actively seeking other opportunities within the sector as it believes it can profitably combine these into its St Neot's operation.

We anticipate that Chariot Underwriting Ltd may also, subject to Lloyd's consent become a trading subsidiary. Currently this underwrites approximately £3 million per annum of premium income. There are often opportunities to purchase other Lloyd's vehicles and over the years Kirly has bought and then wound up 4 separate companies or partnerships. We are currently negotiating to purchase one such vehicle at a discount of 20% to net asset value.

Insurance is a cyclical market and although it has been extremely profitable on average for the last 18 years we feel that now is a time to be cautious and so although we would aim in the medium term to deploy 1/4 of the company's assets in insurance this will not happen in the short term unless we see new opportunities arise to purchase other vehicles or rates dramatically improve. Rates are improving today and so we may well see opportunities over the next year to increase our underwriting. In the medium term it would be likely that we expanded both by purchasing vehicles from eg estates of dead or ceasing members and by taking capacity on syndicates who offer it when rates improve.

Property development

Kirly has in the past and continues to trade as a property developer in its subsidiary Paddock St Holdings Ltd. Activity has been increasing in recent years. Kirly believes that in the future the cash within NWB can be deployed to make profits in carrying out such developments. The Pembroke House site which is owned and used within the NW Brown Group may itself be an attractive development opportunity in due course. It is currently used in the trade and we have undertaken to allow the current trading business to use it for up to ten years as part of the disposal.

Paddock St Holdings currently has two development projects in Cambridge for a total of about 25 residential units. (The number is slightly dependant on planning consents) It has recently completed a refurbishment of an office block in Saint Neot's (occupied by Freedom) and has other properties awaiting development in Norwich and Northampton. In total its property portfolio is worth over £5 million and we expect to see some substantial growth. We have a close relationship with two local developers, Bloomhall and Pigeon. Kirly Ltd has recently acquired a majority stake in a joint-venture owning a commercial centre in Tartu which has an expected yield in excess of 8% and development potential but at this stage there is no intention to transfer this into NWB. But our associates (a local property management company with whom we have a long relationship (<http://www.estkinnisvara.ee/index.php/2>) in Estonia can be expected to continue to present us with interesting and remunerative opportunities and therefore we would remain open to including such ventures within the company. Our ambition would be to deploy approximately 1/4 of the company's assets in property development.

Forestry

Kirly Ltd divested its forestry company in Estonia to its shareholders some years ago but we maintain contact in the Baltics which will allow us to build a trading Company operating in the forest products area. Any acquisitions we make are highly likely to be in Lithuania rather than in the other Baltic countries due to market conditions. They would consist primarily of land and standing timber but there would be likely to be small ancillary agricultural areas which would be let to local farmers. The target rate of return we have a new purchases in this area is 6%, and at this level we believe we can expect to deploy about £1 million per annum, but we would also look for potential acquisitions of existing forestry trading companies which would allow more rapid progress towards A target of employing approximately 1/4 of the companies funds in this area over time might be achievable. Our advisers in this business are experienced foresters and we have been profitably engaged in the Baltics for nearly 20 years.

Early stage equity and joint ventures

Kirly Ltd has a portfolio of early stage equity investments, and as and when opportunities arise in this area we would expect to take advantage of attractive opportunities. Subject to tax advice and to valuation difficulties we might consider transferring some of the existing holdings, but in the first instance we would expect only new investments to be made by NWB. We have a close relationship with a venture capital firm (Chrysalis: <http://www.chrysalisvct.co.uk/>) and will from time to time see opportunities to invest alongside them. It seems unlikely that this area of the portfolio will ever exceed 10% of the total assets. We also have entered into joint ventures and/or funded schemes associated with Pigeon (<http://www.pigeon.co.uk/about-us/>) and with the previous owners of Paddock St Holdings (then Wentworth Homes) (<https://wentworthhomes.co.uk/>). We would not expect this activity ever to exceed 10% of the total shareholders' funds.

An investment portfolio

We would expect to keep our cash reserves deployed in an investment portfolio similar to that of today, with an emphasis on franked investment income generators, and other fixed-income stocks. We would not expect this part of the portfolio to exceed 20% of the shareholders' funds in the medium term, but clearly in the short term as cash is deployed in other opportunities the cash element is likely to be somewhat higher. There will also be conventional investments used to secure Lloyd's underwriting so that up to 30 % of total shareholders' funds might be in equity or fixed income investments at any one time. There are strict concentration limits and other requirements on any Funds at Lloyd's supplied so this element of the investment portfolio is rather constrained as to risk and quality. It is likely this part of the portfolio would continue to be managed by NW Brown & Co on arm's length terms.

**Kirly Ltd Variable Redemption Stock (VRS)
CERTIFICATE No
AMOUNT OF STOCK
REGISTERED STOCKHOLDER**

1. Definitions

“Company”

means KIRLY Limited;

“Fidelity Condition” for any person employed by NW Brown & Co on 1st June 2019 means they must be in continuous employment up to and including 1st June 2021

"Final Redemption Date" 31 December 2029;

“Final Actual Payment” Bears the same meaning as in the SPA dated xx/xx/xx

“Original Projected Payment” Bears the same meaning as in the SPA dated xx/xx/xx

“The Register” means the register of VRS holders to be kept by the Company,

“Stockholder” means any person for the time being entered as a holder of the Stock on the Register.

2. Principal

The principal amount of the Stock is an obligation of Kirly Ltd and has been issued to shareholders of NW Brown Group Ltd in exchange for their shares in that company. The whole of the Stock shall rank pari passu in all respects .

3. Interest

Interest on the Stock is payable at the rate of 1% per annum above the Barclay’s Bank Base Rate at the start of each calendar year on 31 December in every year. Interest shall accrue daily. The first interest payment will be made on December 31st 2019 and will amount to £0.88 for every £100 nominal loan stock.

4. Early Repayment the Company may make an early repayment of the whole or any part of the Loan at any time on or after 31st December 2022 with 3 months’ notice. The Stockholder may give 3 or more months’ notice at any time after 1st September 2021 that they wish for repayment at the end of the next quarter. Accrued interest will be paid up to the date of repayment.
5. Repayment of the Loan The loan will be repaid on 31 December 2029 if not previously repaid as described above. Each £1 nominal will be repaid at a rate varying between a minimum of 83p and £1.00 dependant upon the Final Consideration and the Fidelity Condition. If the Fidelity Condition has been breached then repayment is at 83p . If it has not been breached then the repayment amount will bear the same percentage relationship to £30 as the Final Actual Payment bears to the Original Projected Payment

Kirly Ltd REDEEMABLE LOAN STOCK CERTIFICATE No AMOUNT OF STOCK REGISTERED STOCKHOLDER

1. Definitions

“Company” means KIRLY Limited;

"Final Redemption Date" 31 December 2029;
"The Register" means the register of Loan Stockholders to be kept by the Company,
"Stockholder" means any person for the time being entered as a holder of the Stock on the Register.

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