

REJECT THE OFFER



WALLS & FUTURES
ETHICAL HOUSING

We're building the future of Specialist Supported Housing



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WALLS & FUTURES REIT PLC

(incorporated in England and Wales with limited liability under registration number 10071765)

RESPONSE TO THE UNSOLICITED CASH OFFER FOR WALLS & FUTURES REIT PLC BY VIRGATA SERVICES LIMITED

The Offer is subject to the jurisdiction of the Panel.

Allenby Capital Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Walls & Futures and no one else in connection with the Offer and/or other matters set out in this Document and will not be responsible to anyone other than Walls & Futures for providing the protections afforded to its clients or for providing advice in relation to the Offer, the contents of this Document or any other matters referred to in this Document.

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IMPORTANT NOTICE

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US investors

The Offer is being made for securities in a company incorporated in England and Wales with a listing on the AQSE Growth Market of the Aquis Stock Exchange and Walls & Futures Shareholders in the United States should be aware that this document and any other documents relating to the Offer have been prepared in accordance with English law, the Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules, format and style, all of which differ from those in the United States. All financial information relating to Virgata and Walls & Futures that is included in this document or any other documents relating to the Offer may not be comparable to financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved the Offer, or passed comment upon the adequacy or completeness of this document. Any representation to the contrary is a criminal offence in the United States.

Forward-looking statements

This document, including information included or incorporated by reference in this document, may contain “forward-looking statements” concerning Walls & Futures. All statements other than statements of historical fact may be forward-looking statements. Generally, the words “will”, “may”, “should”, “continue”, “believes”, “expects”, “intends”, “anticipates” or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the relevant persons abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants and, therefore undue reliance should not be placed on such statements, which speak only as of the date of this document.

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Except as expressly provided in this document, no forward-looking or other statements have been reviewed by the auditors of Walls & Futures. All subsequent oral or written forward-looking statements attributable to any member of Walls & Futures, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

No profit forecasts or estimates

No statement in this document is intended to constitute a profit forecast or estimate for any period, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or less than those of the preceding financial periods for Walls & Futures.

Publication on website

This document, together with those documents listed in paragraph 14 of Appendix I of this Document, and all information incorporated into this document by reference to another source, will be available free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Walls & Futures' website at <https://reit.wallsandfutures.com/unsolicited-offer-disclaimer/>, until the Offer closes. For the avoidance of doubt, except as expressly provided in this document, the content of such website is not incorporated into, and does not form part of, this document.

Dealing and Opening Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company, or of any securities exchange offeror, must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3. Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Availability of hard copies

You may request hard copies of any document published on Walls & Futures website in connection with the Offer by contacting Walls & Futures' registrar, SLC Registrars, Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 1TS, United Kingdom; by sending an email request to application@slcregistrars.com; or by telephone (UK): 020 3890 2122. Calls are charged at standard geographic rates plus your phone company's access charge. If you are outside the UK, please call +44 (0)20 3890 2122. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales. Alternatively, you may submit a request in writing to the registered office of Walls & Futures. You may also request that all future documents, announcements, and information to be sent to you in relation to the Offer should be in hard copy form.

Rounding

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Definitions

Certain words and terms used in this document are defined in Appendix III of this Document.

Time

All references to time in this document are references to London time unless otherwise stated.

Date of publication

The date of publication of this document is 20 May 2021.



KEY REASONS TO REJECT THE OFFER

1

The Offer of 50 pence per Walls & Futures Share significantly undervalues your company, whose NAV is 102 pence per share

2

The Offer values our property assets at just £1.2 million compared to their open market value of £3.2 million - a discount of 62 per cent

3

The Offer would result in Virgata having control of your company. Should it become the majority shareholder, it may be able to use its voting power without restriction to significantly dilute your shareholding

4

We have a proven track record in delivering Specialist Supported Housing developments

5

We have outperformed our benchmark, the MSCI UK Property Index for the last four consecutive years

6

We believe that Walls & Futures has a bright future as an independent company. We have an ambitious and credible growth strategy to deliver the high quality, design led, specialist housing for children and adults with autism this country desperately needs and create value for you, our shareholders



LETTER FROM THE DIRECTORS OF WALLS & FUTURES REIT PLC

(Incorporated in England and Wales with limited liability under registration number 10071765)

WALLS & FUTURES

Joe McTaggart Chief Executive
David White Head of Partnerships
Peter Wylie Non-Executive Director

Registered Office:
3rd Floor
111 Buckingham Palace Road
London
SW1W 0SR

(the “Board” or the “Walls & Futures Directors”)

20 May 2021

Dear Walls & Futures Shareholder,

Response to the unsolicited cash Offer for Walls & Futures REIT plc by Virgata Services Limited

On 8 April 2021, Virgata, an entity controlled by the family office of the Goetstouwers, made an unsolicited firm cash Offer for Walls & Futures REIT plc which seeks to capture control of your company from you at just 50 pence per share. Your Board unanimously rejects this wholly inadequate offer, and we believe that you should reject it too.

On behalf of the Board of Walls & Futures, I am writing to you to set out:

1. Why the Board believes you should reject the Offer
2. Our observations on the share price performance
3. How we create value for our partners and shareholders
4. Our growth strategy and investment plans

Shareholders are strongly advised to take absolutely NO ACTION in relation to this utterly unattractive and opportunistic offer. TO REJECT THE OFFER, YOU NEED TO TAKE NO ACTION.

1. Why the Board believes you should reject the Offer

In the opinion of the Board, the Offer of 50 pence per share (approximately £1.9 million) materially undervalues your company and its future prospects. It represents a **51 per cent discount** to the unaudited Net Asset Value (“NAV”) of 102 pence per share (approximately £3.83 million) as at 31 March 2021.

As at 31 March 2021 the Company’s assets materially consisted of:

1. Two freehold SSH buildings in Gloucestershire and Oxfordshire, consisting of:

- Three self-contained 1-bedroom apartments (Gloucestershire)
- One self-contained 3-bedroom apartment (Gloucestershire)
- One 4-bedroom detached house (Oxfordshire)

All of these properties are Specialist Supporting Housing (SSH), let on long-term, FRI leases, indexed with inflation, to one of the UK’s largest and longest-established charities supporting people with learning disabilities;



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2. One PRS building in London consisting of:

- One 2-bedroom apartment, let on AST
- Freehold to the whole building
- Currently on the market for sale with funds earmarked for further Specialist Supported Housing investments; and

3. £658,468 of cash and cash equivalents

- Equivalent to 17.5 pence per Walls & Futures Share.

In the opinion of the Board, the Offer is opportunistic and seeks to take advantage of the current weakness in our share price in order to obtain a portfolio of high-quality property assets, together with substantial cash deposits, and take control of a quoted company at a fraction of its true value.

On 27 April 2021, the Board obtained a valuation of our property assets as at 31 March 2021 by John D. Wood & Co which shows a total value of the three properties of £3,215,000. The valuation was prepared in accordance with valuation standards published by the Royal Institution of Chartered Surveyors on a basis consistent with past practice in relation to the assets concerned. The £3,215,000 was comprised of:

- £1,315,000 – SSH in Gloucestershire
- £1,250,000 – SSH in Oxfordshire
- £650,000 – PRS in London

After deducting the cash and cash equivalent balances, this inadequate Offer values the property assets (less some small balance sheet adjustments) at a mere £1,219,000, **a discount of 62 percent** of their open market value of £3,215,000 as per the Valuation Report.

YOUR DIRECTORS URGE YOU TO TAKE NO ACTION ON THE OFFER

2. Our observations on the share price performance

The Board believes that the majority of the Shareholders are long term holders. While a small percentage of shareholders have sold their shares over the last few years, the Board believes that a significant component of the current discount in our share price relative to NAV is due to certain shareholders who held their Walls & Futures Shares on one particular investment platform selling their Walls & Futures Shares. The Board believe that this selling is because the investment platform was unfamiliar with the regulatory status of the AQSE Growth Market and has requested that Aquis attempt to clarify with the platform the regulatory status of the AQSE Growth Market.

Covid-19 has also impacted our share price as a closed-ended property fund, with investor sentiment turning against real estate during this global pandemic.

The closure of offices and shops as a result of Covid-19 led to some rents not being paid which had a direct impact on the value of property assets. This led to certain regulated members of the Royal Institute of Chartered Surveyors (RICS) to introduce the material uncertainty clause on their independent valuations, prompting certain open-ended funds to suspend dealings in line with FCA rules and guidance when there is material uncertainty surrounding valuations on at least 20 per cent. of their portfolio.



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Liquidity in open-ended property funds is created by either fresh capital from new investors (inflows), disposing of property assets, holding sufficient cash reserves or other liquidity management techniques. During periods of extreme uncertainty and where valuations are uncertain, property assets may have to be sold at distressed prices in order to meet short-term investor redemptions, which in turn can have a materially detrimental effect on shareholder value.

Walls & Futures REIT plc is a closed-end property fund whose shares have not been suspended as a result of Covid-19. As Walls & Futures Shares do not have redemption rights attached, the Company is not reliant on the sale of assets to create liquidity in order to meet investor redemptions. In addition, our rent collection has been exemplary, with 100 per cent. of the SSH and 97 per cent. of PRS rents due being successfully collected in the year to 31 March 2021.

Liquidity for closed-ended funds is driven by market makers who set the bid/ask price. Market makers are committed to buying a certain number of shares at a given price. If there are more buyers this price increases, conversely the price falls when there are more sellers than buyers as has been the case for a number of closed-ended property funds as a result of Covid-19. The Board believes that the Company's share price has been severely impacted by these broader issues within the property fund sector, all unreflective of the performance of Walls & Futures' business.

Developments at the AQSE Growth Market

Historically as a junior stock exchange, the AQSE Growth Market has not had the exposure and access to the large number of retail and institutional investors and therefore the ability to offer the same levels of liquidity as AIM and the London Stock Exchange Main Market.

We have had constructive discussions with Aquis regarding improving liquidity in Walls & Futures Shares. Particular focus has been given to addressing the issues in small and mid-cap trading by creating greater liquidity and improving access for individual investors since Aquis' completion of the acquisition of the NEX Exchange (now called the Aquis Stock Exchange) in March 2020.

In November 2020, the Aquis Stock Exchange introduced a new market-making scheme with founding market makers Canaccord Genuity, Liberum, Peel Hunt, Shore Capital, Stifel and Winterflood Securities all supporting the initiative to reduce spreads and increase liquidity. On 16 April 2021, Aquis announced in their AQSE Newsletter that in just three months since the introduction of the new market making scheme, they have seen an average reduction of over 40 per cent. in the spreads across both the Access and Apex segments of the AQSE Growth Market.

Increased online trading options and institutional investment

Both AJ Bell and Interactive Investor recently announced that they have added AQSE Growth Market securities to their online trading platforms, extending AQSE Growth Market investment opportunities to over 500,000 retail investors. It is reported that Hargreaves Lansdown and IG Group are also working with Aquis to include Aquis Stock Exchange traded securities on their online offering, joining Barclays Smart Invest and Jarvis who already offer most AQSE Growth Market securities online.

Attracting new institutional investors to Walls & Futures is an important part of our growth strategy and we are working to attract funds seeking credible and impactful ethical investments. At the end of November 2020, we welcomed Churchill Discretionary Asset Management, who acquired 200,000 Walls & Futures Shares as part of their ethical and property investment strategy.

In April 2021, Aquis notified investors of their full year results for 2020, which included a list of 16 institutions including Guinness Asset Management, JO Hambro, Octopus Investments, Sterling Investments, Redmayne Bentley, Schroders and JM Finn, that have expressed their support for the exchange and are open to investing in companies admitted to its markets.



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In recent weeks, we have progressed the formalisation of our **Ethical Investment Policy**, assisting ESG investors with their ethical screening process and therefore hopefully enhancing our overall appeal. A copy of this can be found on the Company's website.

Rejection of previous capital injection proposal from Virgata

Notwithstanding the desire to attract institutional investment, we have consciously not sought to issue new equity at the current share price levels, which is why the Board rejected the offer of a £2 million investment from Virgata.

On the surface, the proposed £2 million investment may look appealing, however it is important to note the investment was at 50 pence per share and would have significantly diluted your holdings in the Company and provided Virgata with overall voting control.

The Walls & Futures Directors wish to highlight that Virgata could use its voting power, should it become the majority shareholder, to take actions that may be to the potential detriment of other Walls & Futures Shareholders. Specifically, on any ordinary resolution put to Walls & Futures Shareholders, Virgata would have been able to pass the resolution on its own and, as such, Independent Shareholders would have reduced influence. For example, subject to complying with applicable law, Virgata may dilute Independent Shareholders without any restriction and at any price at or above the nominal value of 5 pence per Walls & Futures Share should they hold 75 per cent. of Walls & Futures Shares.

The Board also notes that this £2 million investment could have impacted Walls & Futures' REIT status as detailed in paragraph 5 below.

Closing the gap between our NAV & Share price

The Board acknowledges that the Walls & Futures Shares are trading at a significant discount to NAV and have been working to put in place strategies and mechanisms to close the discount, alongside the initiatives that Aquis are putting in place which have been set out above.

Whilst the Walls & Futures Directors believe that the future prospects for the Company are strong and are best served by remaining as a REIT on the AQSE Growth Market, they intend to put a winding up resolution to shareholders at the Company's 2022 annual general meeting, so if the gap between the share price and NAV has not substantially narrowed, Walls & Futures Shareholders will be able to vote to solvently liquidate the Company. The Walls & Futures Directors expect that this would result in the distribution of the value of the assets at a level much closer to their open market value, rather than the significantly discounted value under the Offer. Further detail of this undertaking is set out in section 7 below.

3. How we create value for our partners and shareholders

We wanted to take this opportunity to provide a more in-depth insight and understanding of how our strategy differs in terms of the properties we offer and the additional value we believe we create for our partners and our shareholders.

Returns in the sector are generated by executing one of two principal strategies: development and rental income. Typically, REITs have used the latter and built their portfolios by acquiring ready-made, income producing assets at a target yield from aggregators. This enables rapid growth and satisfies the demand for immediate income, albeit at a premium cost.

Whilst many investors may be willing to pay a premium, we believe that too much value is being extracted from key stakeholders. They include the residents who live in the properties, partners who take on the responsibilities of the long-term lease, central government who pay the rent through housing benefit and shareholders who fund the investments.



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While taking longer to implement, our strategy is focused around building long-term, direct relationships with our partners, negotiating our own leases and developing our own properties. Removing aggregators from the value chain and retaining the premium allows us to redistribute the value to stakeholders, to improve the design, specification and quality of our properties, provide competitive and sustainable rents for our partners and create additional value for our shareholders.

To date, we have funded and developed SSH properties in two locations, comprising three self-contained one-bedroom apartments, one three-bedroom apartment and one detached four-bedroom house.

These developments are home to eleven individuals with a range of specialised needs who receive care and are supported 24 hours a day, seven days a week by our partner, one of the UK's largest and longest established charities supporting more than 2,500 adults with learning disabilities nationwide.

In our view, by initiating and controlling most stages of the process through vertical integration, we are able to create homes that set the gold standard in SSH. Our properties offer a high specification, flexibility, safety and innovation, enabling our partners to support a broader range of needs, for longer.

To illustrate the financial impact of our strategy, we have to date invested a total of £1.34 million in SSH developments. Based on the long-term nature of the leases, the quality of the covenants and the income generated they are currently valued at £2.57 million. This **92 percent or £1.23 million increase in value** is reflected in our NAV rather than being paid to aggregators.

We believe this strategy has been instrumental in us outperforming our benchmark, the MSCI UK Residential Property index, which measures the total return (income & value growth), for the last four years based on the figures published by MSCI in respect of those years.

	2017	2018	2019	2020
Walls & Futures	11.50%	8.75%	23.00%	3.53%
MSCI	7.00%	5.20%	4.40%	0.57%
Outperformance	64%	68%	423%	519%

4. Our growth strategy and investment plans

We are ambitious in our plans for growth and developing your company, however in a new and rapidly developing sector, we have been mindful that being first is not necessarily the route to long term success.

Over the years we have reviewed a long list of SSH investment opportunities which would have provided a faster path to growing our rental income. We rejected them as they did not meet our strict investment criteria with specific concerns raised over the quality and suitability of the accommodation and the sustainability of the rents.

With the Regulator for Social Housing (RSH) taking a more active role due to the number of private companies investing in the sector, we feel vindicated in our decision, as several of those opportunities were acquired by other investors and do not meet RSH standards.



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More broadly, the RSH has concluded that in certain cases providers are not compliant with the rent standard and/or have been unable to provide adequate assurances that the accommodation they provide meets the government's definition of SSH and/or do not meet governance and/or viability requirements. The RSH has issued judgements and notices against a number of registered social housing providers for breaches.

Throughout 2020, we actively engaged with stakeholders including special education needs (SEN) schools, care providers, local authority commissioners, charities and housing associations in order to identify an area that was not being adequately served. We concluded that autism was an area where we could apply our experience of delivering high quality, design led, specially adapted homes. This has enabled us to maximise both our positive social impact and generate returns for our ethically minded investors.

What is Autism?

Autism is a complex, lifelong developmental disability that typically appears during early childhood which affects how people communicate and interact with the world.

Autism is a spectrum condition and affects people in different ways. Like all people, individuals with autism have their own strengths and weaknesses. One in 100 people are on the autism spectrum and there are around 700,000 persons with autism in the UK. Autism can present in a number of different ways, characterised by:

- Social communication and social interaction challenges
- Repetitive and restrictive behaviour
- Over or under sensitivity to light, sound, taste or touch
- Highly focused interests or hobbies
- Extreme anxiety
- Meltdowns and shutdowns

The need for Specialist Supported Housing

A Children's Commissioner Report from May 2019 (the "CC Report"), identified children with autism who are being kept in hospital for too long. Data provided to the Children's Commissioner's Office by NHS Digital shows that on average, children with autism and/or a learning disability had spent six months (184 days) living in their current hospital, and eight months (240 days) in inpatient care in total. Around one in seven children had spent at least a year in their current hospital spell with their current provider; any could have returned home if support was available.

The CC Report identified that there were 250 children with a learning disability and/or autism in England living in children's mental health institutions - an increase from 110 in March 2015. These are some of the most vulnerable children, with very complex needs, growing up in institutions often far away from their family home. For many of them this is a frightening and overwhelming experience, while for many of their families it can be extremely challenging.

The need is such, that Anne Longfield, the former Children's Commissioner for England said in the CC Report:

“

I will never forget the stories I heard, and the tears of frustration and anger, from Mums and Dads of these children at a meeting I arranged for them. Some of them have a child who has been locked away in a series of rooms for months. Others have to listen as they are told by institutions that their children have had to be restrained or forcibly injected with sedatives. They feel powerless and, frankly, at their wits end as to what to do.

”



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What we are doing about it

We have been developing direct relationships with new partners across a network of specialist charities, care providers and housing associations who provide support, care and advice to those affected by autism.

Together with these partners, who geographically cover most of England, we plan to provide small, innovative housing solutions to accommodate three to ten individuals with autism per development. The aim is to provide our partners with the ability to deliver a pathway of progress and highly specialised services which can support individuals, from childhood (as young as seven), through adolescence and onto adulthood. With the right support, individuals will be able to progress through autism-specific homes and avoid hospitals.

We have now agreed lease terms and signed memorandums of understanding with new partners covering the North East, South West and the South East. These memorandums set out the framework for the provision of SSH which will be let to our partners on long term leases and work together on joint venture opportunities to deliver new schemes. There is no guarantee that these memorandums will result in final agreements being entered into with these partners.

Bespoke designed home for autism

We have already started work with a specialist Royal Institute of British Architects member architectural practice to design a bespoke housing solution to support the needs and sensory requirements of individuals across the autism spectrum.

Designed in pods and constructed off site, using modern building methods (modular), we will be able to offer a wide range of configurations from a single one-bedroom self-contained apartment to a cluster of eight one- or two-bedroom apartments with communal areas and sensory/therapy rooms plus staff office and overnight accommodation, providing 24/7 care if required.

The use of modular construction can reduce the build process by up to 50 per cent, enabling us to deliver projects in as little as 12 weeks when compared to traditional construction methods. Additionally, the materials used in modular construction make it more sustainable and have less of an impact on the environment, enabling us to make progress towards net zero.

Future funding

We announced in our 2019-20 annual report, our intention to dispose of our private rental residential assets in London. Comparatively they were underperforming, both in terms of income and growth, while the historical performance of our SSH properties illustrates that we can generate an excellent rental income, increase our NAV and make a greater positive social impact.

In the short term, our new investments will be made from our cash deposits and from the capital released from the expected sale of our final London property, although for so long as the Company remains in an offer period any sale of the property would be subject to shareholder approval at a general meeting, in accordance with the requirements of Rule 21.1 of the Code. Based on our internal estimates, we estimate we would be able to invest approximately £1 million in these projects.

We will seek to raise fresh capital to fund the remainder of our pipeline, which will consist of new build developments, from investors seeking to make a real positive social impact; however, we will not raise new equity at the current substantial discount to net asset value, as this would result in a significant dilution to Shareholders. The Company is also able to draw down on its £600,000 secured revolving credit facility until April 2024, on which it currently has no funds drawn.



WALLS & FUTURES

5. Potential impact on REIT status should the Offer become unconditional in all respects

Walls & Futures currently meets all of the qualifying conditions for REIT status in Part 12 of the Corporation Tax Act 2010 (CTA 2010) and has elected to operate within the REIT regime. In summary, this means that, as a REIT, Walls & Futures does not pay UK corporation tax on profits and gains from its Qualifying Property Rental Business and investors pay tax on distributions of property rental income (PIDs) as if they were property income rather than dividends.

The Offer is conditional, inter alia, on Virgata receiving valid acceptances in respect of not less than 51 per cent. of the Walls & Futures Shares to which the Offer relates.

In these circumstances, should the Offer become unconditional in all respects Walls & Futures is likely to fail to meet the requirements for being a REIT. It would therefore be treated as having automatically left the REIT regime from the end of the accounting period before the one in which the Offer became unconditional.

If Walls & Futures leaves the REIT regime as described above, then:

- From the date it is treated as leaving the REIT regime, it would cease to benefit from tax exemptions on the profits of, and capital gains on disposal of property forming part of, its Qualifying Property Rental Business. This means that corporation tax would become payable on future profits and gains.
- For corporation tax purposes the properties in the company's Qualifying Property Rental Business would be treated as having been sold and reacquired at market value immediately before the date when Walls & Futures is deemed to have left the REIT regime.

These deemed disposals should be tax exempt as they are treated as being made at a time when Walls & Futures was still in the REIT regime. The tax base cost of the relevant assets would be rebased to their market value at the date Walls & Futures leaves the REIT regime, and future capital gains would be calculated by reference to those revised base costs. This increased base cost represents a substantial upside for Virgata compared to buying a non-REIT company holding an equivalent portfolio, which we do not consider to be reflected in the Offer.

6. Current Trading

The Company released a Trading Statement & Valuation on 27 April 2021, covering the year to 31 March 2021, and there has been no material change since then. A copy of the Trading Statement & Valuation can be found in Appendix II.

7. Intention of Walls & Futures should the Offer not become unconditional

The Walls & Futures Directors consider that the value receivable by Shareholders in the event of a solvent winding up of the Company would be substantially higher than that achievable pursuant to the Offer. Should the Offer not become unconditional in all respects, the Walls & Futures Directors therefore intend to include a winding up resolution in the Company's 2022 notice of annual general meeting, such meeting to take place before the end of September 2022. This will be the first annual general to follow the fifth anniversary of the Company joining the AQSE Growth Market in November 2016. The winding up resolution will provide Shareholders with the opportunity to vote in favour of a solvent liquidation of Walls & Futures and return of capital to Shareholders. It should be noted that the resolution would only be passed should shareholders representing at least 75 per cent. of votes cast vote in favour of the winding up resolution.

No statement in this paragraph is a "post-offer undertaking" for the purpose of Rule 19.5 of the Code.



WALLS & FUTURES

8. Recommendation

Your decision as to whether you accept the Offer will depend upon your individual circumstances. If you are in any doubt as to what action you should take, you should seek your own independent professional advice. **However, your Board, which has been so advised by Allenby Capital Limited (the “Financial Adviser”) as to the financial terms of the Offer, believes that Virgata’s Offer significantly undervalues the Company and its prospects and unanimously recommends that Walls & Futures Shareholders reject the Offer.**

In providing its financial advice to the Board, the Financial Adviser has taken into account the Board’s commercial assessments. Allenby Capital is providing independent financial advice to the Board for the purposes of Rule 3 of the Code.

We believe that Walls & Futures has a bright future as an independent company. Creating the much-needed specialist supported housing this country desperately needs and creating value for you, our shareholders.

Accordingly, the Walls & Futures Directors unanimously recommend that YOU SHOULD TAKE NO ACTION in relation to the Offer and that YOU SHOULD NOT SIGN ANY DOCUMENT WHICH VIRGATA OR ITS ADVISERS SEND TO YOU. If you have already accepted the Offer, there are certain circumstances in which you can withdraw your acceptance of the Offer and a summary of the rights of withdrawal is set out in paragraph 3 of Section B of Part II of the Offer Document (Rights of Withdrawal).

The Walls & Futures Directors all hold Walls & Futures Shares and WILL NOT accept the Offer in respect of their own beneficial interests in those Walls & Futures Shares.

Yours faithfully

Joe McTaggart

Chief Executive Officer

for and on behalf of the Walls & Futures Directors



APPENDIX I

ADDITIONAL INFORMATION

1. Responsibility

- 1.1. The Directors accept responsibility for the information contained in this document (including any expressions of opinion). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document (including any expressions of opinion) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information on Walls & Futures

- 2.1. Walls & Futures is a public company limited by shares in England and Wales with registered number 10071765. Walls & Futures' ordinary shares are quoted on the AQSE Growth Market of the Aquis Stock Exchange with designation GB00BD04QG09.
- 2.2. The principal legislation under which Walls & Futures operates is the Companies Act and the regulations made thereunder.
- 2.3. Walls & Futures' registered office is at 3rd Floor, 111 Buckingham Palace Road, London, SW1W 0SR, United Kingdom.

3. Directors

- 3.1. The Directors of the Company and their respective functions are as follows:

NAME	POSITION
<u>Joe McTaggart</u>	<u>Chief Executive</u>
<u>David White</u>	<u>Head of Partnerships</u>
<u>Peter Wylie</u>	<u>Non-Executive Director</u>

4. Interests and Dealings

- 4.1. For the purposes of this paragraph 4:
- (a) **“acting in concert”** with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the Code;
- (b) **“connected adviser”** includes an organisation which: (i) is advising Virgata or (as the case may be) Walls & Futures in relation to the Offer; (ii) is a corporate broker to Virgata or (as the case may be) Walls & Futures; or (iii) is advising a person acting in concert with Virgata or (as the case may be) Walls & Futures in relation to the Offer or in relation to the matter which is the reason for that person being a member of the concert party;
- (c) **“dealing”** or **“dealt”** includes the following:
- (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or of general control of securities;
 - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
 - (iii) subscribing or agreeing to subscribe for relevant securities;
 - (iv) The exercise or conversion, whether in respect of new or existing securities, of any relevant securities carrying conversion or subscription rights;
 - (v) the acquisition or disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities;
 - (vii) the redemption or purchase of, or taking or exercising an option over, any of Virgata's or Walls & Futures' own relevant securities; and

- (viii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he/she has a short position;
- (d) **“Dealing Arrangement”** means an arrangement of the kind referred to in Note 11(a) on the definition of acting in concert in the Code;
- (e) **“derivative”** includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;
- (f) **“Disclosure Date”** means 19 April 2021 (the latest practicable day prior to the publication of this Document);
- (g) **“Disclosure Period”** means the period commencing on 8 April 2021 (being the start of the Offer Period) and ending on the Disclosure Date;
- (h) **“Financial Collateral Arrangement”** means an arrangement of the kind referred to in Note 4 on Rule 4.6 of the Code;
- (i) a person has an **“interest”** or is **“interested”** in relevant securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he only has a short position in such securities) and in particular if: (i) he owns them; (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them; (iii) by virtue of any agreement to purchase, option or derivative, he: (A) has the right or option to acquire them or call for their delivery; or (B) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or (iv) he is party to any derivative: (I) whose value is determined by reference to their price;
- (j) **“relevant securities”** includes: (1) Walls & Futures Shares and any other securities of Walls & Futures conferring voting rights or, as the context requires, shares and any other securities of Virgata conferring voting rights; (2) equity share capital of Walls & Futures or, as the context requires, Virgata; and (3) any securities convertible into or rights to subscribe for the securities of Walls & Futures or, as the context requires, Virgata, described in (1) and (2) above and securities convertible into, rights to subscribe or, options (including traded options) in respect of and derivatives referenced to any of the foregoing; and
- (k) **“short position”** means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

4.2. Walls & Futures' Directors

(a) As at the close of business on the Disclosure Date the interests of the Walls & Futures Directors and their respective connected parties in the issued share capital of the Company are as follows:

NAME	NUMBER OF WALLS & FUTURES SHARES	PERCENTAGE OF WALLS & FUTURES SHARES HELD
Joseph McTaggart	102,085	2.72
Peter Wylie	60,347	1.61
David White	19,386	0.52
Mrs C Johnston ¹	7,614	0.20
Victoria White ²	7,582	0.20
Mrs J McTaggart ³	5,890	0.16
Mr A McTaggart ⁴	1,250	0.03
TOTAL	204,154	5.44

1 Mother of David White

2 Wife of David White

3 Mother of Joseph McTaggart

4 Brother of Joseph McTaggart

(b) The following Walls & Futures Directors and their respective related parties had the following outstanding options and awards over Walls & Futures Shares:

NAME	AWARD DATE / TYPE	NUMBER OF WALLS & FUTURES SHARES UNDER OPTION	% OF ENLARGED SHARE CAPITAL*	VESTING DATE
Joseph McTaggart	29 NOVEMBER 2016 / WARRANT	7,175	0.19	30 SEPTEMBER 2022
David White	29 NOVEMBER 2016 / WARRANT	3,075	0.08	30 SEPTEMBER 2022
TOTAL		10,250	0.27	

The Management Incentive Plan ("MIP") adopted by the Company provides the following:

The primary purpose of the MIP is to incentivise and reward management for increasing the Company's Net Asset Value ("NAV") in excess of property inflation as measured by reference to the MSCI UK Residential Property Index ("Index"). The Company's growth in NAV must exceed inflation as measured by the 31 December 2017 figure taken from the Index ("Base Figure").

For these purposes NAV means: for any Financial Year the net asset value per ordinary share in the capital of the Company as reported in the balance sheet within the Company's accounts, including adjustments, in such manner as the Board determines for adding back dividends paid, recognising any share buybacks or where there has been a return of capital in the Financial Year.

Participants in the MIP are entitled to 20 per cent. of any growth in value of the NAV in excess of the Base Figure ("Payment Pool"), to be satisfied by the issue of Walls & Futures Shares, and the Board shall determine each Participant's individual allocation from the Payment Pool. The Participants in the MIP are Joe McTaggart and David White.

The Board has exercised its discretion not to make any NAV based Payment Pool allocations under the MIP at the present time.

*assuming all outstanding warrants in Walls & Futures are exercised and no other Walls & Futures Shares are issued.

4.3. General

Save as disclosed in this paragraph 4, as at the Disclosure Date;

(i) none of:

- (A) the Walls & Futures Directors (and their close relatives and related trusts and connected persons); nor
- (B) so far as Walls & Futures is aware, any other person acting in concert with Walls & Futures; nor
- (C) so far as Walls & Futures is aware, any person who is party to an arrangement with Walls & Futures,

held any interest in or right to subscribe for or any short position, including any short position under a derivative in relation to, is party to any agreement to sell or has any delivery obligation or right to require another person to purchase or take delivery of any relevant securities of Walls & Futures;

(ii) none of:

- (A) Walls & Futures; nor
- (B) so far as Walls & Futures is aware, any other person acting in concert with Walls & Futures,

save for any borrowed shares which have either been on-lent or sold, had borrowed or lent any relevant securities of Walls & Futures (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code);

(iii) none of:

- (A) Walls & Futures; nor
- (B) the Walls & Futures Directors,

held any interest in or right to subscribe for or any short position, including any short position under a derivative in relation to, is party to any agreement to sell or has any delivery obligation or right to require another person to purchase or take delivery of any relevant securities of Virgata;

(iv) none of:

- (A) the Walls & Futures Directors (and their close relatives and related trusts and controlled companies); nor
- (B) so far as Walls & Futures is aware, any other person acting in concert with Walls & Futures; nor
- (C) so far as Walls & Futures is aware, any person who is party to an arrangement with Walls & Futures,

has dealt in any relevant securities of Walls & Futures during the Disclosure Period; and

(v) none of:

- (A) Walls & Futures;
- (B) the Walls & Futures Directors; nor
- (C) so far as Walls & Futures is aware, any other person acting in concert with Walls & Futures,

has dealt in any relevant securities of Virgata during the Disclosure Period.

4.4. Dealing arrangements

As at the Disclosure Date, save as disclosed in this document, there were no arrangements between the Company, or any person acting in concert with the Company, and any other person.

5. Service Contracts and Letters of Appointment of Directors

5.1. Save as disclosed below, there are no service contracts in force between any Walls & Futures Director, or any proposed Walls & Futures Director and Walls & Futures and no such contract has been entered into or amended during the six months preceding the date of publication of this Document.

DIRECTOR	POSITION	EFFECTIVE DATE OF CONTRACT	CURRENT ANNUAL REMUNERATION (INCLUDING OTHER BENEFITS)	UNEXPIRED TERM & NOTICE PERIOD	COMPENSATION ON EARLY TERMINATION
Joe McTaggart	Chief Executive	29 November 2016	£50,000	There is no fixed expiry date for the term of appointment. 6 month notice period	Payment of basic salary in lieu of part or all of 6 month notice period
David White	Chief Operating Officer	29 November 2016	£50,000	There is no fixed expiry date for the term of appointment. 6 months	Payment of basic salary in lieu of part or all of 6 month notice period
Peter Wylie	Non-Executive Director	29 November 2016	£8,000	The initial one year term has continued on a rolling basis and is subject to a 1 month notice period.	N/A

6. Effects of the Offer on Walls & Futures Interests

- 6.1. On giving its opinion on the Offer, the Code requires the Board to give its views on: (i) the effect of implementation of the Offer on all of Walls & Futures' interests, including, specifically, employment; and (ii) Virgata's strategic plans for Walls & Futures and their likely repercussions on employment and the locations of Walls & Futures' places of business, as set out in the Offer Document.
- 6.2. In fulfilling their obligations under the Code, the Walls & Futures Directors can only comment on the intentions provided in the Offer Document and in doing so have considered, in particular, paragraph 6 of Part I of the Offer Document.
- 6.3. The Board notes, should the Offer become unconditional, Virgata's intention to undertake a strategic review of the business before it can form a detailed plan or intention in respect of Walls & Futures' business.
- 6.4. The Board notes that Virgata has only had access to and reviewed publicly available information on Walls & Futures and has not had any discussions with the Board in relation to the Offer, and Virgata's statement in its Offer Document that its detailed review of the business will take approximately three months following the Offer becoming unconditional.
- 6.5. The Offer Document states that Virgata has significant management and financial capabilities that it can deploy to support the growth of Walls & Futures, however, the Board notes that no indication has been given to how much Virgata would charge the Company for the provision of such services. The Board also notes that no information has been provided by Virgata as to the expected composition of the board of directors, should the Offer become or be declared unconditional.
- 6.6. The Company's London office is a serviced office only and therefore the Walls & Futures Directors do not believe that should the London office be closed that such closure would have a material impact on the business.
- 6.7. The Offer Document states that Virgata's main asset is the Van Nellefabriek campus in Rotterdam. The Board notes that the Offer Document does not indicate whether Virgata has any experience in the SSH sector and it does not comment on whether Virgata would continue to pursue assets in this sector. In the Offer Document Virgata states that its strategic plans "may include broadening the categories of property in which Walls & Futures invests". The Board therefore believes that it is possible that Virgata would seek to change the focus of investment away from SSH.
- 6.8. Shareholders should be aware that should the Offer become unconditional, then Virgata may conclude from its strategic review that they should change the management team as indicated in the Offer Document. Board believes that the Executive Directors have built and are building strong relationships with partners that they believe are core to the strategy to pursue SSH housing developments and should Virgata's strategic review determine that the Executive Directors are no longer required then this could negatively impact the Company's future prospects.
- 6.9. Given that there remains significant work to be undertaken (which may take several months to complete) in order for Virgata to finalise its review of the Walls & Futures business, the Board is unable to express a more detailed opinion on the impact of Virgata's strategic plans for Walls & Futures and its impact on management, employees and locations of business.

7. Material Contracts

- 7.1. The following are summaries of the principal contents of each material contract (not being a contract entered into in the ordinary course of business) that has been entered into by Walls & Futures in the period from 8 April 2019 (the date two years prior to the commencement of the Offer Period) to 19 May 2021 (the last practicable date prior to publication of this Document).
- 7.2. *Revolving Credit Facility* - On 30 May 2019, Monastery Hire and Sales Ltd ("Monastery") provided Walls & Futures with a £600,000 revolving credit facility. Such facility is set to run for an initial term of 5 years and is subject to an interest rate of 3.5 per cent. per annum over LIBOR. The facility is secured by a debenture granted by Walls & Futures in favour of Monastery and is subject to terms customary to a transaction of this nature.

8. Pension Scheme and Management Incentive Plan

8.1. Walls & Futures does not operate a company pension scheme.

8.2. Walls & Futures operates a Management Incentive Plan (MIP) as approved by shareholders at the General Meeting held on 27 September 2018. The MIP is a discretionary cash and share incentive plan operated by Walls & Futures for the benefit of its senior management for their contribution to the achievement of Walls & Futures company goals and objectives. It is designed so as to;

- align with the business strategy and the achievement of planned business goals;
- support the creation of sustainable long-term shareholder value; and
- provide an appropriate balance between remuneration elements that attract, retain and motivate the highest calibre of executive talent.

8.2.1. Structure of the MIP

Payments under the MIP can take three forms:

- (i) Payments linked to dividends the Company makes (“Dividends Payments”)
- (ii) Payments linked to increases in the Company’s Net Asset Value (“NAV Payments”)
- (iii) Payments in connection with a change of control of the company (“Transaction Payments”)

8.2.2. Dividend Payments

Subject always to Board discretion, participants in the MIP will be eligible to be considered for a Dividend Payment where, approximately, total Dividend Payments are equal to 100% of the balance left over after 90% of the Company’s tax-exempt profit from the Company’s property rental business has been distributed to Shareholders (where, at the discretion of the Board, the 10% balance can be adjusted to reflect the Company’s tax position or any other technical or accounting provisions).

The Board has determined that no Dividend Payments are currently payable under the MIP.

8.2.3. NAV Payments

The primary purpose of the MIP is to incentivise and reward management for increasing the Company’s Net Asset Value (“NAV”) in excess of property inflation as measured by reference to the MSCI UK Residential Property Index (“Index”). The Company’s growth in NAV must exceed inflation as measured by the 31 December 2017 figure taken from the Index (“Base Figure”).

For these purposes NAV means: for any Financial Year the net asset value per ordinary share in the capital of the Company as reported in the balance sheet within the Company’s accounts, including adjustments, in such manner as the Board determines for adding back dividends paid, recognising any share buybacks or where there has been a return of capital in the Financial Year.

Participants in the MIP are entitled to 20 per cent. of any growth in value of the NAV in excess of the Base Figure (“Payment Pool”), to be satisfied by the issue of Walls & Futures Shares, and the Board shall determine each Participant’s individual allocation from the Payment Pool. The Participants in the MIP are Joe McTaggart and David White.

The Board has exercised its discretion not to make any NAV based Payment Pool allocations under the MIP at the present time.

8.2.4. Transaction Payments

If there is a takeover of the Company, the Board has the power to determine that MIP Participants should receive a cash Transaction Payment under the MIP. Transaction Payments will be met from a **“Transaction Payment Pool”**. The following table shows how a Transaction Payment would operate:

VALUE OF NAV ACHIEVED AT THE TIME OF A TAKEOVER	PERCENTAGE OF TRANSACTION PAYMENT POOL
Up to £50m	2%
In excess of £50m and equal to £75m	1.75%
In excess of £75m and equal to £100m	1.5%
In excess of £100m and equal to £150m	1.25%
In excess of £150m and equal to £250m	1%
In excess of £250m and equal to £500m	0.9%
In excess of £500m and equal to £1bn	0.8%
In excess of £1bn	0.7%

In the event of a takeover the Board shall determine whether Transaction Payments should be made, taking into account the extent to which (without limitation):

- (i) Transaction Payments are capable of being determined and/or paid (further taking into account any financial, regulatory, reputational or risk considerations);
- (ii) the applicable performance targets have been achieved over any shortened Performance Period (on such other reasonable basis as the Board shall decide); and
- (iii) a pro rata reduction should be applied to any Transaction Payments based on the period starting on the first day of the Performance Period and ending on the date of the takeover relative to the original Performance Period, unless the Board, acting fairly and reasonably, decides that a Payment reduction is inappropriate in any particular case.

For the purposes of the MIP there is a **“takeover”** when:

- (i) a person (or a group of persons acting in concert) obtains control of the Company as a result of making an offer to acquire Walls & Futures Shares; or
- (ii) under Section 895 of the Companies Act 2006, a court sanctions a compromise or arrangement in connection with the acquisition of Walls & Futures Shares; or
- (iii) the Board determines that a significant corporate event has occurred that affects the Company (such as the Company passing a resolution for the voluntary winding-up of the Company or an order is placed for the compulsory winding-up of the Company);

provided that if the Board determines that the transaction in question is an internal reconstruction, reorganisation, merger or acquisition of the Company which is not intended to result in, does not involve, a significant change in the identity of the ultimate shareholders of the Company, the Board may determine that no Transaction Payments shall be made.

9. Bases and sources of information

Unless otherwise stated, the following constitute the bases and sources of information referred to in this Document:

- 9.1. the financial information relating to Walls & Futures is extracted (without adjustment) from the audited consolidated financial statements of Walls & Futures for the relevant years prepared in accordance with IFRS;
- 9.2. the cash equivalent per Walls & Futures Share of 17.5p has been calculated based on the cash and cash equivalents of £658,468 divided by the issued share capital of Walls & Futures;
- 9.3. references to Walls & Futures' NAV as at 31 March 2021 has been calculated based on the valuation of the Company's assets as set out in the Valuation Report, after taking account of £658,468 of cash and cash equivalents and making appropriate balance sheet adjustments and has been calculated based on the issued share capital of Walls & Futures of 3,755,086 as set out in the Walls & Futures RNS announcement on 27 April 2021;
- 9.4. The 62 per cent. discount to open market value has been calculated by deducting the Company's cash balances as at 31 March 2021 of £658,468 from the value of the Offer for the entire issued share capital of the Company of £1,877,543, resulting in an offer value net of cash of £1,219,075;
- 9.5. The collection of 100 per cent. of SSH and 97 per cent. of PRS rents has been taken from the schedule of rent collection as maintained and updated by the Company;
- 9.6. The 91.8 per cent. increase in the value of the SSH developments is based on the value of the SSH assets in the Valuation Report of £2.57 million versus the total amount invested in the SSH developments of £1.34 million which has been taken from the Company's annual report and accounts for the years ended 31 March 2018 and 31 March 2020;
- 9.7. The table of Walls & Futures outperforming the MSCI UK Residential Property Index has been extracted from Walls & Futures RNS announcements on 27 April 2021, 18 March 2020, 28 March 2019 and 14 March 2018;
- 9.8. The statement "*One in 100 people are on the autism spectrum and there are around 700,000 persons with autism in the UK*" has been extracted from the National Autistic Society website, <https://www.autism.org.uk/advice-and-guidance/what-is-autism>;
- 9.9. The statement "*Data provided to the Children's Commissioner's Office by NHS Digital shows that on average, children with autism and/or a learning disability had spent 6 months (184 days) living in their current hospital, and 8 months (240 days) in inpatient care in total.*" has been extracted from a May 2019 report by the Children's Commissioner, <https://www.childrenscommissioner.gov.uk/wp-content/uploads/2019/05/CCO-far-less-than-they-deserve-2019.pdf>;
- 9.10. The May 2019 Children's Commissioner Report which identified that there were 250 children with a learning disability and/or autism in England living in children's mental health institutions - an increase from 110 in March 2015 which included the quote from Anne Longfield is from the Children's Commissioner's website <https://www.childrenscommissioner.gov.uk/2019/05/20/many-vulnerable-children-with-learning-disabilities-are-stuck-in-mental-health-hospitals-for-too-long-in-poor-conditions/>;
- 9.11. All prices and closing prices for Walls & Futures Shares are closing middle market prices derived from Aquis;
- 9.12. The International Securities Identification Number for the Walls & Futures Shares is GB00BD04QG09;
- 9.13. The information in respect of Virgata's previous proposal has been extracted the revised proposal letter dated 6 April 2021 and issued by Cairn Financial Advisers LLP;
- 9.14. The figures and timescales associated with the use of modular construction have been extracted from a report published by McKinsey & Company dated June 2019;
- 9.15. The shareholdings set out in Appendix I paragraph 4.2 have been extracted from the Form 8 (OPD) dated 20 April 2021;
- 9.16. The information relating to the Warrants has been extracted from i) the Warrant Certificates dated 17 November 2016 and ii) the Warrant Instrument dated 28 July 2016, as executed by the Company; and
- 9.17. The information relating to the memorandums of understanding has been extracted from:
 - 9.17.1. memorandums of understanding entered into by the Company and EHSL dated 7 May 2021; and
 - 9.17.2. memorandums of understanding entered into by the Company and The Moncur Group Ltd dated 18 May 2021.

10. Consent

10.1. Allenby Capital has given and has not withdrawn its written consent to the issue of this Document with the references to its name in the form and the context in which they appear.

11. Persons acting in concert

11.1. The persons (other than the Directors and members of the Company) who, for the purposes of the Code, are acting in concert with Walls & Futures are:

NAME	TYPE OF COMPANY	REGISTERED OFFICE	RELATIONSHIP WITH WALLS & FUTURES
Allenby Capital Limited	Financial Services	5 St. Helen's Place, London EC3A 6AB	Financial Adviser and Broker

12. Significant Change

12.1. Walls & Futures released its results for the financial year ended 31 March 2020 on 23 September 2020 and its interim results for the half-year ended 30 September 2020 ("H1 2021 Interim Results") on 8 January 2021. Walls & Futures released a trading update for the period to 31 March 2021 on 27 April 2021. Copies of the H1 2021 Interim Results and the trading update for the period to 31 March 2021 are available on the Company's website at reit.wallsandfutures.com.

12.2. Save as disclosed in this Document, the Directors are not aware of any significant change in the financial or trading position of Walls & Futures since 30 September 2020, the end of the last financial period for which interim financial information for Walls & Futures has been published.

13. Fees

13.1. The aggregate fees and expenses which are expected to be incurred by Walls & Futures in connection with the Offer are estimated to amount to £145,000 to £210,000 (excluding any applicable VAT and disbursements). This aggregate number consists of the following categories:

13.1.1. financial and corporate broking advice: £85,000 to £150,000¹;

13.1.2. legal advice: £50,000;

13.1.3. other professional services: £5,000; and

13.1.4. other costs and expenses: £5,000.

¹This fee is uncapped and will be determined based on the length of time that the Offer remains open

14. Documents available on website

14.1. Copies of the following documents will be available on Walls & Futures' website at <https://reit.wallsandfutures.com/unsolicited-offer/> until the end of the Offer:

14.1.1. the memorandum and articles of association of Walls & Futures;

14.1.2. the Offer Document and this Document;

14.1.3. the written consent of Allenby Capital; and

14.1.4. the audited consolidated accounts of Walls & Futures for the financial years ended 31 March 2019 and 31 March 2020, the interim results for the half-year ended 30 September 2020 and the trading update for the period to 31 March 2021.

APPENDIX II

TRADING STATEMENT AND VALUATION REPORT

The Walls & Futures Directors made a trading statement announcement for the year to 31 March 2021, which was released on 27 April 2021, since when there have been no material changes to the trading position of the Company. The following is extracted from that announcement with only one amendment – the PRS rent collection was incorrectly stated as 99.97% in the original announcement and has been corrected to 97%. The Walls & Futures Directors do not consider the difference to be material.

Highlights

- Net Asset Value (“NAV”) per Walls & Futures Shares as at 31 March 2021 of 102p per share - a fall of 4.95% from 31 March 2020
- Outperformed 2020 benchmark MSCI UK Residential Property Index by 519% (3.53% vs. 0.57%)
- 100% of SSH rents collected in financial year
- Generated over £1.3m cash through sale of two PRS properties with funds to be invested in new SSH
- Repaid entire £600,000 revolving credit facility

Performance

Against the challenging economic backdrop caused by Covid-19, which has seen many property companies experience non-payment of rents and significant falls in asset values, we are pleased with the robust performance of our portfolio.

For the 12 months to 31 March 2021, we collected 100% of the SSH and 97% of PRS rents due.

Part of our strategy, as we have previously outlined, has involved selling our London PRS properties, which were let on AST, to fund further SSH investments. These sales were delayed by emergency legislation introduced by the government to protect tenants on AST, with notice periods increased to six months. Working with our tenants, we completed the sale of two of the three properties in our portfolio.

Our Wimbledon property completed in June 2020 for a sale price of £656,000 and was followed by one of our Southfields properties which completed in January 2021 for £660,000. This generated a total of £1,136,000 in cash before fees, part of which was used to pay down our £600,000 revolving credit facility in full. The remaining Southfields property is currently on the market and we will provide a further update in due course. For so long as the Company remains in an offer period any sale of the property would be subject to shareholder approval in general meeting, in accordance with the requirements of Rule 21.1 of the Code.

The Board has obtained a valuation of our property assets as at 31 March 2021 by John D. Wood & Co which shows a total value of the three properties of £3,215,000. The valuation was prepared in accordance with valuation standards published by the Royal Institution of Chartered Surveyors on a basis consistent with past practice in relation to the assets concerned. The Board confirms that the valuer has confirmed that an updated valuation as at 27 April 2021 would not be materially different. The valuation report can be viewed at http://www.rns-pdf.londonstockexchange.com/rns/7218W_1-2021-4-27.pdf.

The valuation reflects that there has been a modest fall in the value of our remaining PRS property, which the Board considers to be a consequence of the issues the PRS sector is having as a result of the financial effects of the pandemic. Our two SSH assets have remained at the same valuation as at 31 March 2020. As at 31 March 2021, after taking account of £658,468 of cash and cash equivalents and making appropriate balance sheet adjustments, which have been subject to management review, the Company’s unaudited Net Asset Value (“NAV”) fell by 4.95% to 102p per share (31 March 2020: 107p per share), reflecting current weakness in the London PRS market, while our SSH portfolio continued to hold up well in the existing market. No provision has been made for any tax liability on eventual sale of the properties as no tax will be payable due to the Company being a REIT.

Further supporting the resilience of our portfolio and investment strategy, we are delighted to announce that for the 2020 calendar year, our portfolio outperformed the benchmark MSCI UK Residential Property Index delivering a total return of 3.53% vs 0.57%. This is the fourth consecutive year we have outperformed the benchmark.

In respect to the Social Housing market, the RSH has taken a more active role due to the number of private companies investing in the sector.

The RSH has concluded that in certain cases providers are not compliant with the rent standard and/or have been unable to provide adequate assurances that the accommodation they provide meets the government's definition of SSH and/or do not meet governance and/or viability requirements. The RSH has issued judgements and notices against a number of registered social housing providers for breaches.

We welcome the increased involvement from the RSH as our ethical approach to investing ensures our focus on delivering high quality homes which can adapt with the residents needs at a rent level that is sustainable and offers value for money to the public purse.

Furthermore, the Board believes that none of our existing supported housing partners or (those that we are currently in discussion with) are subject to regulatory reviews, judgements or notices.

APPENDIX II
DEFINITIONS

AIM	the AIM market operated by the London Stock Exchange;
AIM Rules	the AIM Rules for Companies and AIM Rules for Nominated Advisers and their respective guidance notes as issued by the London Stock Exchange from time to time;
Allenby Capital	Allenby Capital Limited, independent financial adviser to Walls & Futures for the purposes of Rule 3 of the Code;
Announcement	the announcement of Virgata's firm intention to make an offer for Walls & Futures dated 08 April 2021;
AQSE Growth Market	The market of that name operated by the Aquis Stock Exchange;
Aquis	Aquis Exchange plc;
Aquis Stock Exchange	Aquis Stock Exchange Limited, a FCA Recognised Investment Exchange, owned by Aquis;
AST	assured shorthold tenancy, as set out in the Housing Act 1988 and refined in the Housing Act 1996;
Board	the board of directors of Walls & Futures;
Business day	a day (other than Saturdays, Sundays and public holidays in the UK) on which banks are normally open for business in the City of London;
Code or Takeover Code	the City Code on Takeovers and Mergers;
Companies Act	The Companies Act 2006;
Company or Walls & Futures	Walls & Futures REIT plc, a public company incorporated in England and Wales with registered number 10071765;
CTA 2009	the UK Corporation Tax Act 2009;
CTA 2010	the UK Corporation Tax Act 2010;
Dealing Disclosure	an announcement pursuant to Rule 8 of the Code containing details of dealings in relevant securities of a party to the Offer;
Directors	the directors of Walls & Futures at the time of publication of this Document or, where the context so requires, the directors of Walls & Futures from time to time;
Document	this document;
ESG	Environmental, Social and Governance;
FCA	the Financial Conduct Authority;
FRI	full repairing and insuring
FY	financial year;
GBP or £	pounds sterling, the lawful currency of the UK (and references to pence or p shall be construed accordingly);

IFRS	means international accounting standards and international financial reporting standards and interpretations thereof, approved or published by the International Accounting Standards Board and adopted by the European Union;
Independent Shareholders	holders of Walls & Futures Shares from time to time, other than Virgata
Market Abuse Regulation	European Union (Withdrawal) Act 2018 (as amended) as supplemented by the Market Abuse (Amendment) (EU Exit) Regulations 2019/310;
Offer	the firm cash offer by Virgata to acquire all of the Walls & Futures Shares, subject to the terms and conditions set out in Offer Document and accompanying form of acceptance;
Offer Document	the document setting out the terms of the Offer dated 6 May 2021;
Offer Period	means the period commencing on 8 April 2021 and ending on the 21st day after the date of publication of the Offer Document or (if that day is a Saturday, Sunday or public holiday) the next succeeding business day (unless extended);
Offer Price	means 50 pence in cash, being the consideration payable by Virgata for each Walls & Futures Share under the terms of the Offer;
Opening Position Disclosure	means an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the Offer if the person concerned has such a position;
Panel	means the Panel on Takeovers and Mergers;
Property Rental Business	A UK property business within the meaning of section 205 of the CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business (as per section 519(3) of the CTA 2010);
PRS	private rented sector;
Qualifying Property Rental Business	a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010;
Regulatory Information Service	means an information service authorised from time to time by the FCA for the purposes of disseminating regulatory announcements;
REIT	a group or company which has elected for real estate investment trust status under Part 12 of the CTA 2010;
REIT Regime	Part 12 of the CTA 2010;

Restricted Jurisdiction	means, subject always to the requirements of Rule 23.2 of the Code in relation to the distribution of offer documentation to jurisdictions outside the UK, any jurisdiction where extension of the Offer would violate the law of that jurisdiction;
RICS	Royal Institute of Chartered Surveyors;
RSH	Regulator of Social Housing;
SSH	specialist supported housing;
United Kingdom or UK	means the United Kingdom of Great Britain and Northern Ireland;
Valuation Report	the RICS Red Book valuation report on the assets of Walls & Futures published by John D Wood on 27 April 2021
Virgata	Virgata Services Limited, a company registered in Malta with registered number, and whose registered office is at C70586;
Walls & Futures Share(s)	The ordinary shares with a nominal value of 5p each in the capital of the Company; and
Walls & Futures Shareholder	a holder of Walls & Futures Shares.



WALLS & FUTURES

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