

FLETCHER KING PLC

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all stakeholders including staff, shareholders and clients. In order to meet the requirements of AIM Rule 26 we have chosen to follow the Quoted Companies Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies.

As Chairman, I lead the Board and take ultimate responsibility for ensuring that there is absolute clarity in our strategy and our quantitative and qualitative objectives and the collective and individual responsibilities of the Directors.

Importantly my responsibilities include ensuring that the company maintains its strong values of delivery, integrity, trust, client service and good corporate governance and in so doing deliver value for shareholders over the medium to long term.

In the following statement we give a summary of how our board and its committees operate and how we are applying the ten principles of the QCA Code.

The Principles of the QCA Code

DELIVER GROWTH

Principle 1:

Establish a strategy and business model which promote long-term value for shareholders

The Group provides a range of property services and expert advice throughout the United Kingdom, including property fund management, property asset management, rating, valuations and investment broking. We seek to always be a company that values clarity, consistency, delivery and integrity.

Although we face significant competition in all of our activities we believe that by delivering outstanding services managed or overseen personally by experienced Directors and staff who are readily available to clients and by doing so in a flexible and non-hierarchical manner we will continue to maintain existing client relationships and attract new clients who like our personal and non-standardised approach. The Group's strategy is to enhance shareholders' long-term interests through prudent, responsible and considered development of its business, through sustainable growth of its operating subsidiaries.

The Group's Key Performance indicators and Principal Risks and Uncertainties are set out in the Strategic Report of the Annual Report and Accounts on pages 4 to 5.

Principle 2:

Seek to understand and meet shareholder needs and expectations

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's strategy, activities and financial position. Details of all shareholder communications are provided on the Company website. Our strategy and approach have remained consistent over many years.

The Company's principal communication with Shareholders is the Company's Annual Report & Accounts for each year ended 30th April. Copies of the Company's Annual Report & Accounts which includes Notice of the Annual General Meeting ("AGM") are sent to all our Shareholders usually in July/August prior to the AGM being held in September.

Shareholders can also obtain copies of the Annual Report and the Company's Interim Results for the six-month period ended 31st October by down-loading them from the 'Investor Relations' Section of the Company's website. In addition, copies of the reports can be provided on request by writing to the Company Secretary.

The Board seeks to present a fair and balanced assessment of the Company's financial position and prospects in its financial reports. Comments from Shareholders on the quality and content of the reports and areas for improvement are always welcomed.

The AGM provides a forum for discussion between the Board and Shareholders. The Board welcomes the participation of Shareholders in AGMs which gives Shareholders the opportunity to vote on resolutions and put questions to the Board in the formal part of the Meeting.

All Shareholders have the opportunity, if they are unable to attend AGMs, to vote on resolutions through the use of proxy forms. Shareholders who attend AGMs also have the opportunity to have informal discussions with the Board following the formal part of these Meetings.

At the most recent AGM, all resolutions put to the Meeting were passed by the required majority. Proxy votes received were overwhelmingly in favour of the resolutions.

Outside of AGMs, the Chairman is available by arrangement for discussions with Shareholders. The Company's Senior Independent director, David Stewart, is also available for meetings and discussions and the Company Secretary can also be contacted on shareholder and investor relations issues and matters of governance.

Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Shareholders

The board's communication with shareholders and how it seeks their feedback is explained under Principle 2 above.

Clients

The majority of the Company's clients have been engaged for many years and some since inception. A close partnering relationship is developed with clients where we can fully understand their thoughts and the strategy they have for their business and property portfolios. Our business objective is to ensure that our client's assets perform to agreed criteria which are clear, unequivocal and understandable.

Our philosophy is to deliver a highly personal service with directors involved at all stages. Continuity of personnel is paramount.

The Company operates to Quality Assurance ("QA") standards and holds ISO9001:2015 certification. The QA process includes 6 monthly external audit of internal processes and includes feedback from clients. Feedback from clients has been consistently positive.

Employees

Our ability to fulfil client services and develop strong client relationships depends on having talented and motivated staff who enjoy working for the company. Over 60% of employees have been with the Company for 8 years or more. Annual reviews and regular two-way communication with staff provide opportunities for feedback leading to enhancement of management practices and staff incentives.

Social responsibilities

As a Company we are always cognisant of our social responsibilities and wish to be and be seen to be a good employer, a reputable company and a responsible member of society.

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Company's key risks and uncertainties are set out in the Report and Accounts in the Strategic Report on page 4 and the main risks arising from the Company's financial instruments and how these are managed by the Board are set out in Note 23 to the Financial Statements on pages 37 to 39.

The Company reviews Principal Risks and Uncertainties on an ongoing basis and maintains a Risk Register which is reviewed at least annually by the Board.

The Board is very focussed on financial and operational risks and on the importance of protecting client money, data security and protecting the company against cyber fraud.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principles 5:

Maintain the Board as a well-functioning, balanced team led by the Chair

The Board

The members of the board have a collective responsibility and legal obligation to promote the interests of the Group, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair of the board.

The board consists of five directors of whom four are executive and one an independent non-executive. As the Company grows the board will consider adding an additional independent non-executive director. However, for now the board considers its composition appropriate given the size of the company, its revenues and profitability.

The board is supported by two committees: audit and remuneration. The board does not consider that it is of a size at present to require a separate nominations committee, and all members of the board are involved in the appointment of new Directors.

Director biographies for the current directors are shown in the Investor Relations section of the company website.

The Board sets the Company's strategic aims and ensures that necessary resources are in place in order for the Company to meet its objectives. All members of the Board take

collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company.

Whilst the Board has delegated the normal operational management of the Company to the Executive Directors and other senior management, there are detailed specific matters subject to decision by the Board of Directors. These include acquisitions and disposals, and investments and projects of a capital nature. The Non-executive Director has a particular responsibility to challenge constructively the strategy proposed by the Chairman and Executive Directors; to scrutinise and challenge performance; to ensure appropriate remuneration and that succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team. The Chairman holds informal meetings with the Non-executive Director without other Executives present. The senior Executives enjoy open access to the Non-executive Director with or without the Chairman being present.

The Board of Directors meets at least four times a year to review the performance of the Group. There are clearly defined lines of responsibility and delegation of authority from the Board to the Executive Committee, which meets on a monthly basis to review and make decisions on business, financial and operational matters of the subsidiary companies.

The Chairman is responsible for ensuring that, to inform decision-making, Directors receive accurate, sufficient and timely information. The Company Secretary compiles the board and Committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

Controls and systems

The Board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders' interests and the Group's assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage rather than eliminate risk and therefore even the most effective system cannot provide assurance that each and every risk, present and future, has been addressed.

Independence of the Directors

The independent non-executive director of the company, David Stewart, was appointed to the Board on 1 July 2002. He is considered by the board to be independent, despite the length of time that he has been a member of the Board, taking into account his experience, skills, and independence of character and judgement.

Directors' time commitments

Executive directors are employed under full-time service agreements. Non-executive Directors are required to attend 4 board meetings per year and to be available at other

times as required for face-to-face and telephone meetings with the executive team and investors.

Audit and Remuneration Committees

Audit and remuneration committees, each comprised of the non-executive director, David Stewart, and the Chairman, David Fletcher. The audit committee meets at least twice a year and is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored and reported on, meeting the auditors and reviewing their reports relating to accounts and internal controls. The remuneration committee reviews the performance of executive directors and sets the scale and structure of their remuneration and the terms of their service agreements with due regards to the interests of shareholders. The remuneration committee also determines the payment of bonuses to executive directors and the allocation of share options to employees.

Board and Committees' attendance

The Board met on four occasions and the Audit and Remuneration Committees met on two occasions during the last year. There was full attendance by all representative members at each meeting.

Principle 6:

Ensure that between them the directors have the necessary up-to-date experience skills and capabilities

The Board as a whole is confident that it has a strong team containing the necessary mix and balance of experience, skills, personal qualities and capabilities to deliver the Company's strategy for the benefit of shareholders over the medium to long-term. Directors attend seminars and other regulatory, trade and capital markets events to ensure that their knowledge remains current.

The Board will continue to review the collective resources of its directors and whether further resource and skills may be required to deliver on the Company's strategic objectives. It is not envisaged at this time that any further appointments will be made to the Board in the short-term.

The members of the Board are shown in the Investor Relations section of the Company website.

The Board has, between its members, a broad balance of skills, experience and personal qualities to operate the Company in areas including property, industry, financial and governance.

The Board members have diverse backgrounds and experience. The Board has no gender preference. As such opportunities to address gender balance may arise in the future.

Principle 7: evaluate board performance based on clear relevant objectives, seeking continuous improvement

An annual assessment of the effectiveness of the Board is carried out through an internal questionnaire process. The outcomes and principal findings are reported to the Board for consideration by the Company Secretary with recommendations as to any action that might be taken and changes that could be made.

The review considers effectiveness in a number of areas including general supervision and oversight, business risks and trends, succession and related matters, communications, ethics and compliance, corporate governance and individual contribution.

The most recent evaluation was conducted in December 2017 and the questionnaires were reviewed by the Company Secretary with the feedback being provided to the Board. The feed-back as to the effectiveness of the Board was positive.

The review has reconfirmed the need to ensure that effective succession plans are in place at Board and Executive Committee level. This will be a key focus in the forthcoming year.

As a result of the evaluation, the Board considers the performance of each Director to be effective and concluded that both the Board and its Committees continue to provide effective leadership and exert the required levels of governance and control.

The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

Principle 8: promote a corporate culture that is based on ethical values and behaviours

The board believes that the promotion a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The company maintains and annually reviews a Staff Handbook and Quality Assurance manual that includes clear guidance on what is expected of every employee and officer of the company. Adherence to these standards is a key factor in the evaluation of performance within the Company, including during annual performance reviews.

Principle 9: maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board provides strategic leadership for the Group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans. The board defines a series of matters reserved for its decision and has approved terms of reference for its Audit and Remuneration Committees to which certain responsibilities are delegated. The chair of each committee reports to the board on the activities of that committee.

The Audit Committee monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of the internal audit function and reviews external auditor independence.

The Remuneration Committee sets and reviews the compensation of executive directors including the setting of targets and performance frameworks for cash and share-based awards.

The Executive Committee, consisting of the Executive Directors and Company Secretary, operates as a management committee which reviews operational matters and performance of the business, and is responsible for significant management decisions while delegating other operational matters to individual managers within the business.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Group. He leads and chairs the board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual Directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the Group and its shareholders.

The Managing Director provides coherent leadership and management of the Group, leads the development of objectives, strategies and performance standards as agreed by the board, monitors, reviews and manages key risks and strategies with the board, ensures that the assets of the Group are maintained and safeguarded, and ensures that the board is aware of the views and opinions of employees on relevant matters.

The Executive Directors are responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the Group, providing executive leadership to managers, championing the Group's core values and promoting talent management.

The Independent Non-Executive Director contributes independent thinking and judgement through the application of external experience and knowledge, scrutinises the performance of management, provides constructive challenge to the Executive Directors and ensures that the Group is operating within the governance and risk framework approved by the board.

The Company Secretary is responsible for providing clear and timely information flow to the board and its committees and supports the board on matters of corporate governance and risk.

The matters reserved for the board are:

- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the Group;
- Approving half year and full year results and reports;
- Approving dividend policy and the declaration of dividends;
- Approving major investments, disposals, capital projects or contracts;
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

The board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this Code on an annual basis and revise its governance framework as appropriate as the Group evolves.

BUILD TRUST

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining an open dialogue with shareholders. Communication with shareholders is co-ordinated by the Chairman and Company Secretary.

The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All reports and press releases are published on the Group's website.

The Annual General Meeting is the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders.

In addition to the investor relations activities described above, the following Audit and Remuneration committee reports are provided:

Audit Committee Report

The Audit Committee consists of David Stewart, Chair, and David Fletcher. The committee met twice, and the external auditor and Company Secretary attended these meetings. Consideration was given to the auditor's pre- and post-audit reports and these provided opportunities to review the accounting policies, internal control and the financial information contained in both the annual and interim reports.

Remuneration Committee Report

The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to make recommendations to the board on the remuneration of Executive Directors. In addition, the Committee oversees the creation and implementation of employee share plans. The Remuneration Committee consists of David Stewart, chair, and David Fletcher. The committee met twice.

In setting remuneration packages the Committee ensured that individual compensation levels, and total board compensation, were benchmarked against those of other AIM-quoted companies in the property sector.

During the period under review the Remuneration Committee has not granted any options over ordinary shares in the Company.

Voting at AGMs

The results of voting on resolutions put to Shareholders at the Company's AGMs is set out in the Investor Relations section of the Company's website.

There has been no significant voting (20 per cent or more) against any resolutions put to Shareholders in AGMs over the last 5 years.

Financial reports and other Shareholder documents

All financial reports, annual and interim, and all other shareholder documentation including circulars, Notices of AGMs sent to Shareholders over the last 5 years are set out in the Investor Relations section of the Company's website.

By order of the board

David Fletcher

Chairman

25 September 2018