

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

This document comprises a prospectus relating to Standard Life Investments Property Income Trust Limited (the "Company") prepared in accordance with the Prospectus Rules and Listing Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Services Authority in accordance with section 85 of the Financial Services and Markets Act 2000 and has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules by being made available at [www.standardlifeinvestments.com/its](http://www.standardlifeinvestments.com/its).

The Company is an Authorised Closed Ended Investment Scheme under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-Ended Investment Scheme Rules 2008 made thereunder.

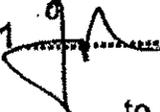
The Directors of the Company, whose names appear on page 16 of this document, and the Company each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

Financial Services Authority  
UK Listing Authority  
Document approved

## STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST LIMITED

(incorporated in Guernsey with registered number 41352)

Date: 6 June 2011

Signed: 1  **CONVERSION AND PLACING AND OPEN OFFER**

of up to 38.5 million new Ordinary Shares  
to raise gross proceeds of up to £25 million and introduction of  
up to 15 million new Ordinary Shares in connection with  
the conversion of six million redeemable preference shares

Application has been made to the Financial Services Authority for all of the new Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for those new Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market. It is expected that such admissions will become effective and that dealings in the new Ordinary Shares will commence on 22 July 2011.

Application will be made to the Channel Islands Stock Exchange, LBG for all of the new Ordinary Shares to be admitted to the official list of the Channel Islands Stock Exchange. It is expected that such admissions will become effective and that dealings in the new Ordinary Shares on the Channel Islands Stock Exchange will commence on 22 July 2011.

The admission of the new Ordinary Shares to the official list of the Channel Islands Stock Exchange shall not constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of the service providers to or any other party connected with the Company or to the adequacy or accuracy of the information contained in this Prospectus or the suitability of the Company for investment or for any other purpose.

The Issue is not being made, directly or indirectly, in or into, or by the use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan, New Zealand or the Republic of South Africa or any other Restricted Jurisdiction. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from the United States, Canada, Australia, Japan, New Zealand or the Republic of South Africa or to, or for the account or benefit of, any resident of the United States, Canada, Australia, Japan, New Zealand or the Republic of South Africa or any other Restricted Jurisdiction and persons receiving this Prospectus (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such jurisdictions. The new Ordinary Shares have not been and will not be registered under the US Securities Act or under any of the relevant securities laws of any state of the United States or of Canada, Australia, Japan, New Zealand or the Republic of South Africa. Accordingly, unless an exemption under such act or laws is applicable, the new Ordinary Shares may not be offered, sold or delivered directly or indirectly in or into the United States, Canada, Australia, Japan, New Zealand or the Republic of South Africa. This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Placing Agent and the Sponsor, each of which is authorised and regulated in the United Kingdom by the Financial Services Authority, are acting exclusively for the Company and for no-one else in relation to the Issue. Apart from the responsibilities and liabilities, if any, which may be imposed on the Placing Agent and the Sponsor by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, the Placing Agent and the Sponsor will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Placing Agent or the Sponsor nor for advising any other person in relation to the Issue or any transaction contemplated in or by this document.

No person has been authorised by the Company to issue any advertisement or to give any information or to make any representations in connection with the Issue other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out on pages 7 to 13 of this document.

6 June 2011

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## SUMMARY

This summary should be read as an introduction to the Prospectus. Any decision to invest in the new Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

### Introduction

Standard Life Investments Property Income Trust Limited is an authorised closed-ended, Guernsey incorporated investment company which was launched in December 2003 and whose assets are managed by Standard Life Investments (Corporate Funds) Limited. The Company invests in UK commercial properties, which are principally held through the Property Subsidiary. The Company's Ordinary Shares are listed on the Official List and traded on the Main Market. The Company is currently geared through bank borrowings and unlisted Preference Shares. The Company has an indefinite life.

### Background to the Issue

On 31 May 2011 the Board announced proposals to convert the Preference Shares, which are redeemable in cash in December 2013, into new Ordinary Shares. The Board also announced a placing and open offer to raise gross proceeds of up to £25 million in new equity share capital. Both the Conversion and the Issue are subject to Shareholder approval at the General Meeting. This document relates to both the Placing and Open Offer and the admission of the new Ordinary Shares in connection with the Conversion.

The Board believes that the Proposals offer significant benefits for all Shareholders as noted below.

- The Conversion will assist the Board in managing the funding requirements of the Group in December 2013 when the Bank Facility is due for repayment and the Preference Shares would otherwise have been redeemed.
- The Conversion and any proceeds raised under the Issue will increase the net and gross assets of the Company respectively and reduce the leverage of the Group.
- The Issue offers the Company the potential opportunity to acquire further commercial properties that should enhance the performance of the Property Portfolio. The Board believes that such acquisitions should also further diversify the Property Portfolio.
- The Proposals significantly increase the market capitalisation of the Company which should therefore increase liquidity in the Ordinary Shares.
- As a result of the Proposals, the fixed costs of the Group would be spread over a larger asset base and therefore the total expense ratio of the Group would be reduced.

### Summary of the Company's investment policy

The Company's investment objective is to provide Ordinary Shareholders with an attractive level of income together with the prospect of income and capital growth.

The Directors intend to achieve the investment objective by investing in a diversified portfolio consisting of UK commercial properties. The majority of the portfolio will be invested in direct holdings within the three main commercial property sectors of retail, office and industrial. The Company has not set any maximum weighting limits in the principal property sectors and it may also invest in other commercial property such as hotels, nursing homes and student housing. Limited development and investment in co-investment vehicles is permitted up to a maximum of 10 per cent. of the Property Portfolio.

In order to manage risk in the Company, without compromising flexibility, the Directors will apply the following restrictions to the Property Portfolio:

- No property will be greater by value than 15 per cent. of Total Assets.
- No tenant (excluding the Government) shall be responsible for more than 20 per cent. of the Company's rent roll.
- Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65 per cent. The Board's current intention is that the Company's loan to value ratio (calculated as borrowings less all cash as a proportion of Property Portfolio valuation) will be between 35 per cent. and 45 per cent.

### **The Property Portfolio**

The Property Portfolio comprises 31 UK commercial properties with an aggregate Market Value of approximately £164.3 million as at 31 March 2011. The Property Portfolio generates a current net annual rent of approximately £13.75 million (being an Income Return of 7.9 per cent.).

The Properties comprised in the Property Portfolio have been ranked in the 14th percentile of portfolios for covenant strength in the independent IPD Quarterly Universe as at 31 March 2011 Source: IPD IRIS. The average unexpired lease term (calculated on the earlier of the expiry of the lease and the first break option) of the occupational leases of these Properties (weighted by current gross annual rent as at 31 March 2011) is approximately 8 years and 1 month, compared to the equivalent figure for an average commercial property portfolio, as represented by IPD Quarterly Universe as at 31 March 2011, of 10 years and 2 months Source: IPD IRIS.

### **Capital structure**

The Company's share capital structure currently consists of Ordinary Shares, which are listed on the Official List and traded on the Main Market, and unlisted Preference Shares. On Admission, the Company's share capital structure will consist solely of Ordinary Shares.

### **Gearing and borrowings**

The Ordinary Shares are currently geared by the Bank Facility and the Preference Shares. Based on the NAV per Share and the amounts outstanding in respect of the Bank Facility (excluding the relevant interest rate swap) and the Preference Shares Liability as at 31 March 2011, the Ordinary Shares are geared 1.35 times. On the assumption that the Conversion becomes effective and the maximum amount is raised under the Placing and Open Offer, the Ordinary Shares would be geared 0.84 times.

The Company is entitled to draw down an aggregate principal amount of £85 million under the Bank Facility. The facility currently available to the Company is approximately £84.4 million. The Bank Facility will be repayable on 29 December 2013.

### **Dividends**

It is the Board's policy that in paying dividends it should target a high level of dividend cover. In the absence of unforeseen circumstances, the Board expects to pay the Second Interim Dividend of 1.1p in respect of the quarter to 30 June 2011. In the light of the Investment Manager's success in investing the Company's cash resources in acquisition opportunities, the Board intends, in the absence of unforeseen circumstances to increase the quarterly dividend for the remaining six months of the current financial year to 1.133p per quarter, an increase of 3 per cent. Although the investment of the proceeds, if any, of the Issue may reduce dividend cover in the short term, the Board intends to maintain its policy of targeting a high level of dividend cover over the medium term.

### **Investment Manager**

The Company is managed by Standard Life Investments (Corporate Funds) Limited. The Investment Manager is a member of the Standard Life Group which has £157.1 billion under management as at 31 December 2011 of which approximately £10.2 billion are commercial property assets.

## **The Placing and Open Offer**

The Company is offering up to 38.5 million new Ordinary Shares under the Issue to raise gross proceeds of £25 million. The Issue comprises the Placing and the Open Offer. The Issue, which is not underwritten, is conditional upon Shareholder approval at the General Meeting and the Admission Condition being satisfied. No commission is payable by the Company to new investors under the Placing and Open Offer. Under the Issue, the new Ordinary Shares will be issued at the Issue Price representing a premium of four per cent. to the Adjusted NAV per Share.

The Board will offer the full 38.5 million new Ordinary Shares pre-emptively, on a *pro rata* basis, to Qualifying Shareholders under the Open Offer. The new Ordinary Shares will also be conditionally placed with placees, subject to placing commitments being clawed back to satisfy valid applications by Qualifying Shareholders under the Open Offer.

Qualifying Shareholders have the opportunity to make excess applications, if they wish to do so, up to a maximum amount equal to five times their Open Offer Entitlement under the Excess Application Facility, subject to new Ordinary Shares being available once the applications for *pro rata* entitlements under the Open Offer and commitments under the Placing have been taken into account.

The costs and expenses of the Issue and the Conversion are expected to be approximately £500,000 (on the assumption that the Issue is fully subscribed) after deducting the amount of the premium of the issue of the new Ordinary Shares arising under the Conversion.

In the event that the Placing and Open Offer is not implemented, but the Conversion is approved and becomes unconditional, the costs and expenses would be approximately £185,000, after deducting the amount of the premium on the issue of the new Ordinary Shares arising under the Conversion, which would equate to approximately 0.16 pence per Ordinary Share.

In the event that the Proposals as a whole are not implemented the abort costs that would be incurred by the Company have been limited to approximately £200,000, being equal to approximately 0.17 pence per Ordinary Share.

The net proceeds of the Issue will be used by the Company to fund the acquisition of further UK commercial properties in accordance with the Company's investment policy.

## **Risk factors**

The principal risk factors relating to the Group and the Ordinary Shares are as follows:

- The performance of the Group would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields. In the event of default by a tenant, or during any other void period, the Group will suffer a rental shortfall and incur additional expenses during the period until the property is re-let. These expenses could include legal and surveying costs in re-letting, maintenance costs, insurance costs, rates and marketing costs.
- The Group's ability to pay dividends will be dependent principally upon its rental income. Rental income and the market value of properties are generally affected by growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises.
- The net proceeds of the Issue will be used to acquire further UK commercial properties. There is currently demand for good quality UK commercial property investments. The generation of profits for distribution by the Group depends on the successful management of the Company's investments, the yields on existing and new properties, interest costs, taxes and the sale of properties. Until the proceeds of the Issue are invested in UK commercial properties, the Board expects the income generated by the proceeds of the Issue to be lower than the income generated from funds invested by the Group in UK commercial properties.
- The value of property and property-related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of the Properties will reflect the actual sale price even where such sales occur shortly after the relevant valuation date.

- The Group may have difficulty in obtaining a new tenant for any vacant space it has, or may have, in its Properties, particularly if prospective tenants have negative perceptions of the attractiveness or other features of any Property. Certain of the Group's properties may be specifically suited to the particular needs of a certain type of tenant. The Group may need to incur additional capital expenditure on a Property to attract tenants.
- The assumptions made by the Valuer regarding the length of void periods may underestimate the actual void periods suffered by the Group. If the vacancy continues for a longer period of time, the Group may suffer reduced revenues resulting in less income being available to be distributed to Shareholders. In addition, the market value of a Property could be diminished because the value of a particular Property will depend principally upon the value of the leases of such Property.
- Where there are lease expiries within the Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.
- The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. Any change in the Group's tax status or in taxation legislation in Guernsey or the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Group or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders.
- Dividend growth on the Ordinary Shares will depend principally on growth in rental income received from the underlying assets. There is no guarantee that the expected dividends in respect of the period to 31 December 2011 or any other periods will be paid.
- The market value of, and the income derived from, the Ordinary Shares can fluctuate. The market value of an Ordinary Share may vary considerably from its underlying net asset value. Shareholders could lose all or part of their investment in the Ordinary Shares. The market value of the Ordinary Shares, as well as being affected by their net asset value, also takes into account their dividend yield and prevailing interest rates.

**An investment in Ordinary Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.**

## RISK FACTORS

The risk factors set out below are those which are considered by the Company and the Directors to be material as at the date of this document but are not the only risks relating to the Group or the Ordinary Shares. Additional risks and uncertainties relating to the Group that are not currently known to it or that the Directors or the Company do not currently consider to be material may also have a material adverse effect on the Group. Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

Investors should consider the following risk factors in relation to the Group and the Ordinary Shares.

### Risks relating to the Ordinary Shares

An investment in the Ordinary Shares involves certain risks. The risks described below could have a material adverse effect on the Company's business, financial condition, future prospects and the price of the Ordinary Shares and it is possible that Shareholders could lose all or part of their investment in the Ordinary Shares.

The market value of, and the income derived from, the Ordinary Shares can fluctuate. The market value of an Ordinary Share, as well as being affected by its net asset value and prospective net asset value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from its underlying net asset value. Fluctuations could also result from a change in national and/or global economic and financial conditions, the actions of governments in relation to changes in the national and global financial climate or taxation, market perceptions as to when and at what level the Company will pay dividends on the Ordinary Shares and various other factors and events, including the liquidity of financial markets, variations in the Company's operating results, business developments of the Company and/or its competitors. Stock markets have recently experienced significant price and volume fluctuations that have affected market prices for securities. Therefore, although the new Ordinary Shares to be issued pursuant to the Placing and Open Offer are to be issued at a premium of four per cent. to the Adjusted NAV per Share, there is no guarantee that such Shares will trade at a premium to NAV.

If under Guernsey law there were to be a change to the basis on which dividends could be paid by Guernsey companies, this could have a negative effect on the Company's ability to pay dividends. The solvency test introduced by The Companies (Guernsey) Law, 2008 must be satisfied by the Company before any dividend payments may be made.

The Company does not have a fixed winding up date and, therefore, unless Shareholders vote to wind up the Company, Shareholders will only be able to realise their investment through the market.

The market prices of shares in investment trusts fluctuate independently of their net asset value and can be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment, rental yields and other factors. Accordingly the market price of the Ordinary Shares may not fully reflect their underlying New Asset Value.

There is no guarantee that the expected dividend in respect of any period will be paid.

Dividend growth on the Ordinary Shares will depend principally on growth in rental income received from the underlying assets and the extent to which the Group is invested. The net proceeds of the Issue will be used to acquire UK commercial properties in accordance with the Company's investment policy. The timing of the acquisition of any such properties will depend, *inter alia*, on the availability of suitable investment properties at reasonable prices. Accordingly, there may be a significant period of time between completion of the Issue and the proceeds of the Issue being fully invested by the Company. Until the proceeds of the Issue are invested they are not expected to generate significant amounts of income (and the dividends payable in respect of the new Ordinary Shares are likely to exceed the income generated by the proceeds of the Issue until such proceeds are fully invested in UK commercial properties). There is no guarantee that the expected dividends in respect of the period to 31 December 2011 or any other periods will be paid.

### *Regulation*

The Company and the Property Subsidiary are limited companies incorporated in Guernsey. The Company's and the Property Subsidiary's ability to pay dividends is governed by The Companies (Guernsey) Law, 2008 which came into force in Guernsey on 1 July 2008. This replaced The Companies (Guernsey) Law, 1994. One of the immediate effects of The Companies (Guernsey) Law, 2008 was to replace the capital maintenance requirements in respect of dividend and distribution payments and requirements for distributions to be made from distributable profits (similar to that to which UK companies are subject) with a solvency based test. The use of the solvency test now requires the directors of a company to carry out a liquidity or cashflow test and a balance sheet solvency test before any dividend or distribution payment can be made. The test requires the Board to make a future assessment of solvency by making reference to the solvency test being satisfied immediately after a distribution or dividend payment is made. If at the time a dividend or distribution payment is to be made the Directors believe that the solvency test cannot be passed, then no payment may be made.

As a holding company, the Company's ability to pay dividends is affected by a number of factors but principally its ability to receive sufficient dividends from the Property Subsidiary. The payment of dividends to the Company by the Property Subsidiary is subject to certain regulatory requirements. In addition, there may be other restrictions including, but not limited to, applicable tax laws and covenants in debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by the Property Subsidiary, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Ordinary Shares.

The rights of holders of the Ordinary Shares are governed by the Law and by the Company's Memorandum and Articles. These rights may differ from the rights of shareholders in typical UK corporations.

### **Risks relating to the Company**

There can be no guarantee that the investment objectives of the Company will be met. If these objectives are not met Shareholders may not receive an attractive level of income or any income or capital growth in the underlying value of their Shares.

### *Enforcement of judgments*

A Shareholder may not be able to enforce a judgment against some or all of the Directors of the Company. Some of the Directors of the Company are resident in the Channel Islands and some are resident in the UK. It may not be possible for a Shareholder to effect service of process upon the Directors within the Shareholder's country of residence or to enforce against the Directors of the Company in the courts of the Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Guernsey against the Directors who are residents of countries other than those in which judgment is made. In addition, Guernsey courts or other courts may not impose civil liability on the Directors in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in Guernsey.

### *Taxation*

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. Any change in the Group's tax status or in taxation legislation in Guernsey or the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company, the Property Subsidiary or any other member of the Group, or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

Under current United Kingdom tax law, UK letting agents are required to withhold amounts on account of, or to account to HM Revenue & Customs ("HMRC") for United Kingdom income tax in respect of rent collected on behalf of a landlord which has a normal place of abode outside the United Kingdom, unless a direction (a "Direction") has been given by HMRC confirming that payments to such a landlord may be made without withholding or deduction for or on account of UK income tax and that no such obligation to account to HMRC arises. The Property Subsidiary has received a Direction. There is no

guarantee that this may not in the future be withdrawn. Any new property holding subsidiary of the Group would have to apply for such a Direction and there is no guarantee that it would be granted.

In the event that a Direction in respect of the Property Subsidiary or any other member of the Group is withdrawn, the UK letting agent will be required to make payment to HMRC on account of the United Kingdom income tax liability of the Property Subsidiary or such member of the Group.

The Company and the Property Subsidiary are both resident outside the UK for tax purposes. The Group generates rental income from a portfolio of UK properties held directly and via certain indirect holdings. UK income tax (currently at the rate of 20 per cent.) is payable by the Property Subsidiary on the net rental income (as computed for the purposes of UK taxation) arising on the Property Portfolio. In computing the net rental income of the Property Subsidiary, a deduction is available for interest payable by the Property Subsidiary to the Company on loans made to the Property Subsidiary for the purposes of its rental business, to the extent that the amount of interest payable does not exceed the amount of interest that would be payable by the Property Subsidiary had it borrowed from a third party on arm's length terms. In the event that HMRC were successfully to show that the terms, including the quantum, of the loans from the Company to the Property Subsidiary were excessive, compared to the terms which would be negotiated between parties dealing at arm's length, any interest costs attributable to that excess would not be deductible for UK tax purposes, with the result that the Property Subsidiary's net rental income liable to tax would be increased, which would have an adverse effect on the Company's ability to pay dividends to Shareholders at the current rate, or indeed at all.

The Group is currently operated and managed so as not to be subject to UK capital gains tax in respect of dealings in UK property. If the present UK tax treatment of non-resident investors in UK property were to change, the Group could be subject to UK tax on capital gains.

Any change (including a change in interpretation) in tax legislation, either in Guernsey, the United Kingdom or in other countries in which the Group operates, could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects or the price of the Ordinary Shares. Changes to tax legislation could include the imposition of new taxes or increases in tax rates in Guernsey or in the United Kingdom. In particular, an increase in the rates of stamp duty land tax could have a material impact on the price at which UK land can be sold, and therefore on asset values.

#### *Gearing*

Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Property Portfolio falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Group and accordingly will have an adverse effect on the Group's ability to pay dividends to Shareholders.

As a consequence, the Group will require to use part of its cash flows to service its debt obligations, thereby reducing the flexibility and cash available to pay dividends to Shareholders over the longer term, and increasing the Group's vulnerability to general adverse economic and industry conditions including increases in interest rates.

The Company has two interest rate swap agreements with the Bank each for a notional principal amount of £72 million. To the extent the rate of interest on the Bank Facility is not fixed the Company will be exposed to changes in interest rates and the amount of interest payable on its borrowings may increase.

The Bank Facility contains financial covenants which require the Company to comply with certain financial tests. Although the Company does not believe any such event will occur within the next 12 months, if the Company is unable to comply with the financial covenants, the Company may be required to repay such borrowings in whole or in part together with any attendant costs, including prepayment costs, and alternative methods of satisfying the Group's funding requirements may only be available on expensive or onerous terms. For further discussion of the Company's financial covenants, see paragraph 8.4 of Part VI of this document.

There is no certainty that the Group will be able to refinance the amounts due in respect of the Facility Agreement on its expected repayment in 2013, either at all or on acceptable terms. There is no certainty that the Group will be able to refinance any other borrowings incurred on their expected repayment

date, either at all or on acceptable terms. In the event that the Company is not able to secure financing on acceptable terms, or at all, to refinance the Bank Facility and/or the Preference Share Liability (on the assumption that the Preference Shares have not already been converted into Ordinary Shares), the Company may be required to sell assets comprised in the Property Portfolio to fund such repayments at less than their Market Value or at a time, and in circumstances, when the realisation proceeds are reduced because of a downturn in property values generally or because there is limited time to market the Properties in order to fund the redemption of the Preference Shares and/or the repayment of the Bank Facility or the terms payable by the Company under any refinancing may not be attractive.

In any such events the financial performance of the Group could be materially adversely affected. In the event that the Conversion of the Preference Shares is not approved by Shareholders or otherwise does not become effective, the amount that the Company would be required to fund in 2013 would be materially higher and in such event the impact of the risks described in this document would have a greater adverse impact on the financial performance of the Group.

The Directors expect, based on current market conditions, that the Company should be able to refinance the Bank Facility and the Preference Share Liability although it may be more costly or on less attractive terms if the amount to be refinanced is larger as a result of the requirement to redeem the Preference Share Liability.

#### *Economic environment*

Global market uncertainty and the weakened economic conditions in the United Kingdom and elsewhere and, in particular, the restricted availability of credit have reduced and may continue to reduce the value of the Property Portfolio and may reduce liquidity in the commercial real estate market. A lack of liquidity in commercial real estate may prevent the Group from taking advantage of occupational demand and rental growth or disposing of lower growth or riskier assets, thereby adversely affecting the Company's net asset value. As a result, the Group may be unable to sell property or, alternatively, might be forced to sell property at less than the value stated in the valuation of the Group's Property Portfolio, which could have a material adverse effect on its business, financial condition, results of operations, future prospects or the price of the Ordinary Shares.

Demand for commercial real estate has decreased as a result of the recent weakened economic conditions and may continue to decrease, in part due to a reduction in the availability of new financing (including securitisation of real estate assets). Some lenders in the market have taken opportunities, where possible, to negotiate a reduction in their exposure under existing lines. Such market turmoil could also affect the Group's ability to refinance its obligations or obtain new financing over the longer term. This could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

There has been significant pressure on income returns from commercial property in the UK, as a result of increased voids and other factors. Any material decrease in the income of the Group may hinder the Group's ability to pay dividends at the current rate or at all.

#### *Property and property-related assets*

The value of property and property-related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of the Properties will reflect the actual sale price even where such sales occur shortly after the relevant valuation date.

The performance of the Group would be adversely affected by a further downturn in the property market in terms of market value or a weakening of rental yields. In the event of default by a tenant, or during any other void period, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveying costs in re-letting, maintenance costs, insurance costs, rates and marketing costs.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.

Rent reviews may not be at the then Estimated Net Annual Rent.

The Group's ability to pay dividends will be dependent principally upon its rental income. Rental income and the market value of properties are generally affected by overall conditions in the relevant local

economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises. Both rental income and market values may also be affected by other factors specific to the commercial property market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the market value of the Property Portfolio and/or the rental income of the Property Portfolio.

The downturn in the economy has caused considerable levels of write-downs, reduced output and an unwillingness to spend by the financial services industries, which could result in a decrease in tenant demand for existing and future properties in the Group's office portfolio. Such a decrease in tenant demand could increase vacant space and exert pressure on the Group to provide rental incentives to tenants resulting in a decrease in the rental income, ERV, rental growth and property values of the Group's office portfolio, which could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

The continued challenges resulting from global market turmoil and weakening economic conditions in the United Kingdom and elsewhere could adversely impact consumer businesses and decrease the demand for retail property in a market with significant retail stock availability, resulting in difficulties letting vacant space, the need for rental incentives to attract tenants, an outward shift in yields and a decrease in property valuations, which could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

The property situated at Wardley Industrial Estate, Worsley, Manchester is currently vacant and some other properties owned by the Group may have significant levels of vacancy in the future. Further details of the Property Portfolio are set out in Part III of this document and the details of the property at Wardley Industrial Estate, Worsley, Manchester are set out on pages 51 and 74. Certain of the Group's Properties may be specifically suited to the particular needs of a certain type of tenant. The Group may have difficulty in obtaining a new tenant for any vacant space it has in its properties, particularly if prospective tenants have negative perceptions of the attractiveness or other features of any property. The Group may need to incur additional capital expenditure on a property to attract tenants. The assumptions made by the Valuer regarding the length of void periods may underestimate the actual void periods suffered by the Group. If the vacancy continues for a longer period of time, the Group may suffer reduced revenues resulting in less income available to be distributed to Shareholders. In addition, the market value of a property could be diminished because the value of a particular property will depend principally upon the value of the leases of such property.

Where there are lease expiries within the Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.

The Group may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits.

The Group may face significant competition from UK or other foreign property companies or funds. Competition in the property market may lead either to an over-supply of commercial premises through over-development or to prices for existing properties or land for development being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the Group's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties or develop land at satisfactory prices.

As the owner of UK commercial property, the Group is subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If the Group owns or acquires contaminated land, it could

also be liable to third parties for harm caused to them or their property as a result of the contamination. If the Group is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation, which could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

The departure of key skilled professionals from the Investment Manager could have a material adverse effect on the Group's business, financial condition and results of operations.

#### *Valuations*

The financial markets have seen significant turbulence over recent years resulting in severe liquidity shortages. The turmoil in the credit markets had an immediate effect on the real estate investment market, resulting in some transactions failing and/or prices being renegotiated downwards. This has caused a marked reduction in the volume of transactions. The negotiation of price reductions prior to the completion of transactions remains common for certain properties. Generally, there is greater volatility of pricing in the evidence generated by limited comparable transactions and in these circumstances there is a greater degree of uncertainty than that which exists in a more active and stronger market in forming an opinion of the realisation prices of property assets.

The Property Portfolio has been valued by the Valuer as at 31 March 2011 on the basis of "Market Value" in accordance with the Red Book. In determining Market Value, the Valuer is required to make certain assumptions. Such assumptions may prove to be inaccurate. This is particularly so in periods of volatility or when there is limited real estate transactional data against which property valuations can be benchmarked, as has been the case during the preceding three year period. The valuations of the Group's wholly owned Properties are accurate only as of their valuation date. There has been no material change in the valuation of these Properties since 31 March 2011. However, market volatility following the date of publication of this document may cause further significant changes in the value of the Group's Properties. There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable. In addition, due to the uncertainty of the current global economic climate, it is possible that real estate prices and values could decrease significantly or continue to be subject to heightened volatility. The current illiquidity in financial markets means that it may be very difficult in the short term to achieve the sale of properties at prices reflected in the valuations of the Property Portfolio.

The value of the Group's Properties can be affected by factors outside of the Group's control, including declining demand for industrial, office and retail real estate, changes in general economic conditions, changing local supply and the attractiveness of real estate relative to other investment choices. Failure to achieve successful sales of properties in the future at acceptable prices could have an adverse effect on the Group's business, financial condition, results of operations, future prospects or the price of the Ordinary Shares.

#### **Risks relating to the Placing and Offer**

##### *Costs and expenses*

In the event that the Related Party Transaction is not approved by Shareholders at the General Meeting, the Issue will not be implemented. In the event that the Conversion and the Issue are not implemented, it is estimated that costs and expenses of approximately £200,000 will be payable by the Company. In the event that the Issue is not implemented but the Conversion is implemented, these costs and expenses will be approximately £185,000 after deducting the premium arising on the Conversion.

The net proceeds of the Placing and Open Offer will be used to acquire UK commercial properties in accordance with the Company's investment policy. The typical costs of acquiring UK commercial properties are approximately 5.75 per cent. of the purchase price thereof. The new Ordinary Shares will be issued pursuant to the Issue at a premium of four per cent. to the Adjusted NAV per Share. It is expected that, based on the Issue Price of the new Ordinary Shares, the costs and expenses of the Proposals (after deducting the premium arising on the Conversion) and assuming full market standard costs of acquiring commercial properties, the Proposals and the subsequent acquisition of properties with the proceeds, if any, of the Placing and Open Offer will result in a small reduction in the NAV per Share over the period of investment.

*Shortfall of income until proceeds invested*

The net proceeds of the Issue will be used to acquire further UK commercial properties in accordance with the Company's investment policy. There is currently demand for good quality UK commercial property investments. The generation of profits for distribution by the Group depends on the successful management of the Company's investments, the yields on existing and new properties, interest costs, taxes and the sale of properties. Until the proceeds of the Issue are invested in UK commercial properties, the Board expects the income generated by the proceeds of the Issue to be lower than the income generated from funds invested by the Group in UK commercial properties. The Board expects that the net proceeds of the Issue will be invested within 12 months of Admission.

*Dilution of Shareholders*

If the Proposals are implemented Shareholders will experience dilution to their current ownership and voting interest in the Company of 11.8 per cent. as a result of the Conversion and if a Qualifying Shareholder does not take up their Open Offer Entitlement in full their current ownership and voting interest will be diluted by a further 19.8 per cent. if the Issue is fully subscribed.

## FORWARD LOOKING STATEMENTS

To the extent that this document includes “forward looking statements” concerning the Group, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, investors should not place undue reliance on forward looking statements as a prediction of actual results. The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Nothing in this document is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per Ordinary Share for the current or future financial periods will necessarily match or exceed the historical published earnings per Ordinary Share.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, as appropriate.

## EXPECTED TIMETABLE

	2011
Record Date for participation in Open Offer	5.00 p.m. 3 June
Placing and Open Offer opens	6 June
Latest time and date for receipt of Forms of Proxy	3.00 p.m. 27 June
General Meeting	3.00 p.m. 29 June
Ex dividend date for Second Interim Dividend	6 July
Record date for Second Interim Dividend	8 July
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. 12 July
Latest time and date for applications under the Open Offer*	11.00 a.m. 14 July
Latest time and date for commitments under Placing*	11.00 a.m. 14 July
Results of the Placing and Open Offer announced through a Regulatory Information Service	18 July
Conversion Date for the Preference Shares	21 July
Admission and dealings in new Ordinary Shares commence	8.00 a.m. 22 July
Crediting of CREST accounts in respect of the new Ordinary Shares	22 July
Share certificates in respect of the new Ordinary Shares despatched (if applicable)	on or around 1 August
Payment of Second Interim Dividend	August

\* A maximum of 38.5 million new Ordinary Shares are available under the Placing and Open Offer.

## PLACING AND OPEN OFFER STATISTICS

Number of Ordinary Shares in Issue at the date of this document	115,399,999
New Ordinary Shares to be available under the Placing and Open Offer (including the Excess Application Facility)	38,500,000
Net Asset Value per Ordinary Share*	64.1p
Estimated net proceeds of the Issue available to the Company	£24.3 million
ISIN for Ordinary Shares	GB0033875286

\* unaudited NAV per Ordinary Share as at 31 March 2011

The statistics above are for illustrative purposes only based on the assumption that the Issue is subscribed for in full. Prospective investors should note that actual outcomes may be expected to differ from these illustrations and therefore they should not be relied upon. The illustrations are not guarantees of future performance and involve certain risks and uncertainties. The attention of prospective investors is drawn to the risk factors set out on pages 7 to 13 of this document.

## CHECKLIST OF DOCUMENTATION INCORPORATED BY REFERENCE

### *Information incorporated by reference*

Annual Report and Accounts for the year ended 31 December 2008

Annual Report and Accounts for the year ended 31 December 2009

Annual Report and Accounts for the year ended 31 December 2010

### *Document reference*

Annual Report and Accounts for the year ended 31 December 2008

Annual Report and Accounts for the year ended 31 December 2009

Annual Report and Accounts for the year ended 31 December 2010

The documents incorporated by reference can be obtained from the Company's website, [www.standardlifeinvestments.com/its](http://www.standardlifeinvestments.com/its), and as set out in paragraph 14 of Part VI of this document.

## DIRECTORS, INVESTMENT MANAGER AND ADVISERS

<b>Directors</b>	Paul David Orchard-Lisle CBE ( <i>Chairman</i> ) Richard Arthur Barfield Sally-Ann (Susie) Farnon Shelagh Yvonne Mason David Christopher Moore  all non-executive and of Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL
<b>Investment Manager</b>	Standard Life Investments (Corporate Funds) Limited 1 George Street Edinburgh EH2 2LL
<b>Administrator, Secretary and Registrar</b>	Northern Trust International Fund Administration Services (Guernsey) Limited Trafalgar Court Les Banques St. Peter Port Guernsey GY1 3QL
<b>Broker, Financial Adviser and Placing Agent</b>	Winterfloods Securities Limited The Atrium Building Cannon Bridge 25 Dowgate Hill London EC4R 2GA
<b>UK Legal Adviser and Sponsor</b>	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
<b>Guernsey Legal Adviser</b>	Mourant Ozannes Advocates and Notaries Public PO Box 1861 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
<b>Auditors</b>	Ernst & Young LLP Royal Chambers St Julian's Avenue St. Peter Port Guernsey GY1 4AF
<b>Tax Adviser</b>	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
<b>Property Valuer</b>	Jones Lang LaSalle Limited 22 Hanover Square London W1S 1JA
<b>Principal Banker</b>	The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR
<b>UK Transfer Agent</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZY

## DEFINITIONS

The meanings of the following terms shall apply throughout this document unless the context otherwise requires.

<b>Adjusted NAV per Share</b>	the NAV per Ordinary Share in pence on 30 June 2011 including all income to that date but after deduction of any dividend accrued to that date to which the new Ordinary Shares will not be entitled
<b>Administration and Secretarial Agreement</b>	the administration and secretarial agreement between the Company, the Property Subsidiary and the Administrator dated 4 December 2003
<b>Administrator</b>	Northern Trust International Fund Administration Services (Guernsey) Limited
<b>Admission</b>	the admission of the new Ordinary Shares to the Official List and to trading on the Main Market
<b>Admission Condition</b>	(i) the UKLA having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the new Ordinary Shares arising under the Conversion or the Issue, as the case may be, to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("listing conditions")) will become effective as soon as a dealing notice has been issued by the Financial Services Authority and any listing conditions having been satisfied and (ii) the London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the new Ordinary Shares will be admitted to trading
<b>AIC Code</b>	the AIC Code of Corporate Governance
<b>Application Form</b>	the application form which accompanies this document for use in connection with the Open Offer
<b>Articles</b>	the articles of incorporation of the Company, a summary of which is set out in paragraph 5 of Part VI of this document
<b>Australia</b>	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
<b>Bank</b>	The Royal Bank of Scotland plc, a company incorporated in Scotland with registered number SC090312
<b>Bank Facility</b>	the £85 million term loan facility provided to the Company by the Bank pursuant to the Facility Agreement
<b>Board or Directors</b>	the directors of the Company
<b>Canada</b>	Canada, its provinces and territories and all areas under its jurisdictions and political sub-divisions thereof
<b>CESR</b>	the Commission of European Securities Regulators
<b>Circular</b>	the circular to be sent to Shareholders in connection with the proposed Conversion and Issue
<b>Code</b>	the UK Corporate Governance Code as published by the Financial Reporting Council

<b>Company</b>	Standard Life Investments Property Income Trust Limited, a company incorporated in Guernsey with registered number 41352
<b>Computershare or the Receiving Agent</b>	Computershare Investor Services PLC
<b>Conversion</b>	the conversion of the Preference Shares currently held by Standard Life Assurance into new Ordinary Shares at a premium of two per cent. to the Adjusted NAV per Share rounded to two decimal places
<b>Conversion Date</b>	the business day prior to Admission which is expected to be 21 July 2011
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>Disclosure and Transparency Rules</b>	the disclosure and transparency rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended) as amended from time to time
<b>EEA States</b>	the member states of the European Economic Area
<b>ERV</b>	the open market rent which at the relevant date could reasonably be expected to be obtained on a new letting or rent review of a property net of ground rents and head rents
<b>Estimated Net Annual Rent</b>	<p>is based on the current rental value of a property:</p> <ul style="list-style-type: none"> <li>(i) ignoring any special receipts or deductions arising from the property;</li> <li>(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans);</li> <li>(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent; and</li> <li>(iv) where a property, or part of it, is let at the date of valuation, the rental value reflects the terms of the lease</li> </ul> <p>and, where a property, or part of it, is vacant at the date of valuation, the rental value reflects the rent the Valuer considers would be obtainable on an open market letting as at the valuation date</p>
<b>Existing Shareholders</b>	registered holders of Ordinary Shares prior to completion of the Issue and the Conversion
<b>Excess Application Facility</b>	the arrangement pursuant to which each Qualifying Shareholder may apply for new Ordinary Shares in excess of their Open Offer Entitlement up to a maximum amount equal to five times their Open Offer Entitlement provided they have agreed to take up their Open Offer Entitlement in full and such application may be subject to scaling back in accordance with the provisions of this document

<b>Excess New Ordinary Shares</b>	new Ordinary Shares in addition to the Open Offer Entitlement for which Qualifying Shareholders may apply under the Excess Application Facility
<b>Facility Agreement</b>	the facility agreement between, among others, the Bank and the Company, a summary of which is set out in paragraph 8.4 of Part VI of this document
<b>Focus</b>	Focus (DIY) Limited, a company incorporated in England and Wales with registered number 01779190
<b>Form of Proxy</b>	the form of proxy for use by Shareholders in connection with the General Meeting
<b>FRI</b>	a full repairing and insuring lease
<b>GDP</b>	gross domestic product
<b>General Meeting</b>	the general meeting of the Company to be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL 3.00 p.m. on 29 June 2011 to approve the Issue, the Conversion and the Related Party Transaction
<b>Group</b>	the Company and the Property Subsidiary and any other direct or indirect subsidiary (as that term is defined in the Law) of the Company from time to time
<b>HMRC</b>	HM Revenue & Customs
<b>IFRS</b>	international financial reporting standards
<b>Income Return</b>	is the current net annual rent receivable for a Property expressed as a percentage of the Market Value of such Property (without making any deduction in respect of any acquisition costs for such Property)
<b>Independent Shareholders</b>	Shareholders other than Standard Life Investments, Standard Life Assurance and any of their associates and discretionary clients of such entities
<b>Investment Management Agreement</b>	the investment management agreement between the Group and the Investment Manager, a summary of which is set out in paragraph 8.2 of Part VI of this document
<b>Investment Manager or SLI</b>	Standard Life Investments (Corporate Funds) Limited, a company incorporated in Scotland with registered number SC111488
<b>IPD</b>	Investment Property Databank Limited
<b>IPD IRIS</b>	the IPD Rental Information Service
<b>ISA</b>	Individual Savings Account for the purposes of section 694 Income Tax (Trading and Other Income) Act 2005
<b>Issue</b>	the issue of new Ordinary Shares pursuant to the Placing and Open Offer
<b>Issue Price</b>	the price per Ordinary Share under the Placing and Open Offer equal to a premium of four per cent. to the Adjusted NAV per Share rounded to two decimal places
<b>Japan</b>	Japan, its cities, prefectures, territories and possessions
<b>Law</b>	The Companies (Guernsey) Law, 2008 as amended from time to time

<b>LIBOR</b>	London Inter-bank Offered Rate
<b>Listing Rules</b>	the listing rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 as amended from time to time
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Main Market</b>	the London Stock Exchange's main market for listed securities being a regulated market for the purposes of Directive 2004/39/EC the "Markets in Financial Instruments Directive"
<b>Market Value</b>	the aggregate of the market value of the Properties comprised in the Property Portfolio as at 31 March 2011 as set out in the Valuer's report in Part IV of this document, or the aggregate market value of part only of such portfolios, as the context requires
<b>Memorandum</b>	the memorandum of incorporation of the Company
<b>Mourant Ozannes</b>	Mourant Ozannes Advocates and Notaries Public
<b>NAV</b>	in relation to a Share, means its net asset value on the relevant date calculated in accordance with the Company's normal accounting policies
<b>new Ordinary Shares</b>	the Ordinary Shares to be issued pursuant to the Conversion and the Issue including the Excess Application Facility
<b>Official List</b>	the Official List of the UK Listing Authority
<b>Ordinary Shareholders or Shareholders</b>	holders of the Ordinary Shares
<b>Open Offer</b>	the proposed invitation by the Company to Qualifying Shareholders to apply for new Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in this document (and, where applicable, the Application Form)
<b>Open Offer Entitlement</b>	the entitlement of a Qualifying Shareholder to apply for one new Ordinary Share for every three Ordinary Shares held by him or her on the Record Date
<b>Ordinary Shares or Shares</b>	ordinary shares of 1p each in the capital of the Company
<b>Placing</b>	the placing of Ordinary Shares at the Issue Price, as described in this document
<b>Placing Agent or Winterflood Securities</b>	Winterflood Securities Limited, acting through its division, Winterflood Investment Trusts
<b>Placing Agreement</b>	the placing agreement between the Company, the Investment Manager and the Placing Agent, a summary of which is set out in paragraph 8.1 of Part VI of this document
<b>Preference Shares</b>	the six million redeemable zero dividend preference shares of 25p each in the capital of the Company
<b>Preference Share Liability</b>	the liability attached to the Preference Shares determined in accordance with the accounting policies of the Company including accrued finance costs
<b>Properties</b>	the properties comprised in the Property Portfolio, as more fully described in Part III of this document, or any of them as the context requires (each a "Property")

<b>Property Portfolio</b>	the direct and indirect property assets of the Group from time to time
<b>Property Subsidiary</b>	Standard Life Investments Property Holdings Limited, a company incorporated in Guernsey with registered number 41351
<b>Proposals</b>	the Conversion and the Issue
<b>Prospectus</b>	this document
<b>Prospectus Rules</b>	the prospectus rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 as amended from time to time
<b>Qualifying Shareholders</b>	the holders of Ordinary Shares as set out in the register of members of the Company on the Record Date
<b>Record Date</b>	the record date for qualification for the proposed Open Offer being 5.00 p.m. on 3 June 2011
<b>Red Book</b>	RICS Appraisal and Valuation Standards, 6th Edition
<b>Regulatory Information Service</b>	a regulatory information service that is on the list of regulatory information services maintained by the Financial Services Authority
<b>Related Party Transaction</b>	the Conversion, being a "related party transaction" for the purposes of Chapter 11 of the Listing Rules
<b>Resolutions</b>	Resolutions 1 to 3 to be proposed at the General Meeting in connection with the Conversion and the Issue
<b>Resolution 1</b>	the ordinary resolution to be proposed at the General Meeting approving the Conversion as a "related party transaction" for the purposes of Chapter 11 of the Listing Rules
<b>Resolution 2</b>	the special resolution to be proposed at the General Meeting approving the Conversion and reclassifying the Preference Shares into Ordinary Shares
<b>Resolution 3</b>	the special resolution to be proposed at the General Meeting approving the Issue and the Directors' authority to allot shares on a non pre-emptive basis
<b>Restricted Jurisdiction</b>	any jurisdiction where local law or regulations may result in a risk of civil, regulatory or criminal exposure or prosecution if information or documentation concerning the Issue or the Prospectus is sent or made available to a person in that jurisdiction
<b>Second Interim Dividend</b>	the interim dividend in respect of the quarter to 30 June 2011 to be paid by the Company in August 2011
<b>Sponsor</b>	Dickson Minto W.S.
<b>Standard Life Assurance</b>	Standard Life Assurance Limited a company incorporated in Scotland with registered number SC286833
<b>Standard Life Group</b>	Standard Life plc and its subsidiary undertakings from time to time including Standard Life Assurance, Standard Life Investments and the Investment Manager
<b>Standard Life Investments</b>	Standard Life Investment Funds Limited, a company incorporated in Scotland with registered number SC068442

<b>Takeover Code</b>	the City Code on Takeovers and Mergers
<b>Total Assets</b>	the aggregate value of the assets of the Group less current liabilities of the Group (which shall exclude any proportion of the principal amounts borrowed for investment or amounts borrowed for working capital treated as current liabilities and any liability of an intra-group nature)
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UKLA or UK Listing Authority</b>	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
<b>United States or USA</b>	the United States of America (including the District of Columbia), its territories and possessions, any state of the United States of America and all other areas subject to its jurisdiction or any political sub-division thereof
<b>US Securities Act</b>	the United States Securities Act of 1933, as amended
<b>Value Added Tax or VAT</b>	value added tax
<b>Valuer</b>	Jones Lang LaSalle Limited, a company incorporated in England and Wales with registered number 01188567
<b>Winterflood Securities</b>	Winterflood Securities Limited, acting through its division Winterflood Investment Trusts

## PART I

### The Company

#### Introduction

Standard Life Investments Property Income Trust Limited is an authorised closed-ended, Guernsey incorporated investment company which was launched in December 2003 and whose assets are managed by Standard Life Investments (Corporate Funds) Limited. The Company invests in UK commercial properties, which are principally held through the Property Subsidiary. The Company's Ordinary Shares are listed on the Official List and traded on the Main Market. The Company is currently geared through bank borrowings and unlisted Preference Shares. The Company has an indefinite life.

The Group owns a portfolio comprising of 31 UK commercial properties. As at 31 March 2011, the Company had Total Assets of £179.3 million. The Company currently has approximately £9 million of cash, including borrowings, available for investment (excluding funds required for investments currently under negotiation and capital expenditure).

#### Background to the Issue

On 31 May 2011 the Board announced proposals to convert the Preference Shares, which are redeemable in cash in December 2013, into new Ordinary Shares. The Board also announced a placing and open offer to raise gross proceeds of up to £25 million in new equity share capital. Both the Conversion and the Issue are subject to Shareholder approval at the General Meeting. This document relates to both the Placing and Open Offer and the admission of the new Ordinary Shares in connection with the Conversion.

The Board believes that the Proposals offer significant benefits for all Shareholders as noted below.

- The Conversion will assist the Board in managing the funding requirements of the Group in December 2013 when the Bank Facility is due for repayment and the Preference Shares would otherwise have been redeemed.
- The Conversion and any proceeds raised under the Issue will increase the net and gross assets of the Company respectively and reduce the leverage of the Group.
- The Issue offers the Company the potential opportunity to acquire further commercial properties that should enhance the performance of the Property Portfolio. The Board believes that such acquisitions should also further diversify the Property Portfolio.
- The Proposals significantly increase the market capitalisation of the Company which should therefore increase liquidity in the Ordinary Shares.
- As a result of the Proposals, the fixed costs of the Group would be spread over a larger asset base and therefore the total expense ratio of the Group would be reduced.

#### Details of the terms of the Issue

Under the Placing and Open Offer, the Company is proposing to issue up to 38.5 million new Ordinary Shares to raise gross proceeds of up to £25 million. The Issue Price represents a premium of four per cent. to the Adjusted NAV per Share. The net proceeds of the Placing and Open Offer will be used to acquire further UK commercial properties in accordance with the Company's investment policy. There is no minimum amount to be raised under the Issue.

The Board will offer the full 38.5 million new Ordinary Shares on a *pro rata* basis to Qualifying Shareholders (on the basis of one new Ordinary Share for every three Ordinary Shares held on the Record Date) under the Open Offer. The new Ordinary Shares may also be conditionally placed with placees, subject to placing commitments being clawed back to satisfy valid applications by Qualifying Shareholders under the Open Offer.

Qualifying Shareholders have the opportunity to make excess applications, if they wish to do so, up to a maximum amount equal to five times of their Open Offer Entitlement under the Excess Application

Facility, subject to new Ordinary Shares being available once the applications for *pro rata* entitlements under the Open Offer and commitments under the Placing have been taken into account.

In the event that Placing commitments for £25 million are obtained and fulfilled, the applications under the Excess Application Facility will not be met as the Issue will have been fully subscribed by applications under the Open Offer Entitlements and through commitments under the Placing.

### **Investment policy**

The Company's investment objective is to provide Ordinary Shareholders with an attractive level of income together with the prospect of income and capital growth.

The Directors intend to achieve this investment objective by investing in a diversified portfolio consisting of UK commercial properties. The majority of the portfolio will be invested in direct holdings within the three main commercial property sectors of retail, office, and industrial. The Company has not set any maximum weighting limits in the principal property sectors and it may also invest in other commercial property such as hotels, nursing homes and student housing. Limited development and investment in co-investment vehicles is permitted up to a maximum of 10 per cent. of the Property Portfolio.

In order to manage risk in the Company, without compromising flexibility, the Directors will apply the following restrictions to the Property Portfolio:

- No property will be greater by value than 15 per cent. of Total Assets.
- No tenant (with the exception of the Government) shall be responsible for more than 20 per cent. of the Company's rent roll.
- Gearing, calculated as borrowings as a percentage of the Group's gross assets may not exceed 65 per cent. The Board's current intention is that the Company's loan to value ratio (calculated as borrowings less all cash as a proportion of the Property Portfolio valuation) will be between 35 per cent. and 45 per cent.

Any material change to the investment policy of the Company may only be made with the prior approval of its Shareholders.

The Company will at all times invest and manage its assets in a way that is consistent with its objective of spreading investment risk and in accordance with its published investment policy and will not, at any time, conduct any trading activity which is significant in the context of the Group as a whole.

### **The Property Portfolio**

The Property Portfolio comprises 31 UK commercial properties with an aggregate Market Value of approximately £164.3 million as at 31 March 2011. The Property Portfolio generates a current net annual rent of approximately £13.75 million (being an Income Return of 7.9 per cent.).

The Properties comprised in the Property Portfolio have been ranked in the 14th percentile of portfolios for covenant strength in the independent IPD Quarterly Universe as at 31 March 2011 Source: IPD IRIS. The average unexpired lease term (calculated on the earlier of the expiry of the lease and the first break option) of the occupational leases of these Properties (weighted by current gross annual rent as at 31 March 2011) is approximately 8 years and 1 month, compared to the equivalent figure for an average commercial property portfolio, as represented by IPD Quarterly Universe as at 31 March 2011, of 10 years and 2 months Source: IPD IRIS.

Further details of the Property Portfolio are set out in Part III of this document.

### **Investment Performance**

The Company generated a property income return of 7.1 per cent. from its Properties which was slightly ahead of the IPD monthly index of 6.4 per cent. in respect of the year ended 31 December 2010. The Company's property total return was 16.4 per cent. compared with the IPD Monthly Index of 13.3 per cent. The Company's total return for its investment portfolio (property and cash) over the period was 13.7 per cent.

The Company's record of long term investment performance is illustrated in the table below:

	1 year	3 years	5 years
Property total return (property only) <sup>(1)</sup>	16.4	-1.1	0.8
Property total return (property and cash only) <sup>(1)</sup>	13.7	0.2	1.9
IPD property total return monthly index <sup>(1)</sup>	13.3	-4.4	-0.6

(1) Source: IPD

Information about the past and the further performance of the Company and the Ordinary Shares can be obtained from the Company's website, [www.standardlifeinvestments.com/its](http://www.standardlifeinvestments.com/its). The Company's website nor the content of any website accessible from hyperlinks on that website (or any other website) is not (or is not deemed to be) incorporated into, or forms (or is deemed to form) part of this Prospectus.

### **Investment outlook**

Despite some concerns over the economic recovery in the short term, the Board believes that the medium term prospects for UK commercial property look encouraging and anticipates high single figure returns for UK commercial property over the next three years, driven mainly by income return.

Over the twelve months to end March 2011, UK commercial real estate recorded total returns of 10.7 per cent. per annum. Returns continued to slow over the quarter reducing from 14.5 per cent. per annum in the twelve months to the end of December last year. Capital value growth continued over the quarter but at a slower rate than last quarter. Rents continue to fall on an annual basis although the rate of decline is moderating. The market remains polarised between prime and secondary stock with better quality assets generally recording stronger movement in values and less decline in rents.

Prices for poorer quality UK commercial real estate continued to soften whilst at the same time rental decline moderated further as rents edged closer to positive territory. Some weakness in pricing over the next few months is anticipated, as more secondary stock is brought to the market. Thereafter, our expectation is for economic momentum to strengthen and consequently we expect the environment for rental growth to improve. It is likely that the softer prices will be more accentuated for poorer quality secondary assets with greater investor demand continuing for relatively low risk assets. Due to the limited availability of these types of assets, investors are moving modestly up the risk curve and are prepared to consider better quality secondary assets with an asset management angle. The Board continues to expect positive total returns for investors as the strong income yield compensates for any modest capital declines. As economic growth picks up, it is anticipated that the recovery currently underway in central London will spread to supply constrained areas in the south east. The Board remains less positive on the prospects for retail and industrials, particularly in areas further away from the south east. The lack of speculative development generally nationwide in all sectors should continue to help support better quality assets pricing and rents.

Although the current market conditions continue to create risks for any property investors the Board believes that the Company will be able to take advantage of opportunities in the current market conditions to acquire further commercial properties, in accordance with the Company's investment policy, that will enhance the performance of the Property Portfolio.

### **Capital structure**

#### *Share capital and duration*

The Company's share capital structure currently consists of Ordinary Shares, which are listed on the Official List and traded on the Main Market as well as on the Channel Islands Stock Exchange, and unlisted Preference Shares. On Admission, the Company's share capital structure will consist solely of Ordinary Shares. The Company does not have a fixed life.

#### *Disapplication of pre-emption rights and further issues*

In accordance with the Articles and the Law, the Directors have authority to allot an unlimited number of Ordinary Shares. As required by Listing Rules, the Directors will only issue Ordinary Shares at prices which are not less than the net asset value of the Ordinary Shares unless such Ordinary Shares are first offered on a pre-emptive basis to existing Shareholders or otherwise with the approval of Shareholders.

The Board will consider opportunities to acquire further commercial properties where it believes to do so would enhance returns to Shareholders. The Board may consider issuing further shares to fund any such further acquisitions of commercial properties where the Directors consider it to be in the best interests of Shareholders to do so.

#### *Treasury shares*

The Company has the ability to hold up to 10 per cent., of its issued share capital in treasury, as described in more detail below under "Share buy backs".

#### **Gearing and borrowings**

The Ordinary Shares are currently geared by the Bank Facility and the Preference Shares. Based on the NAV per share and the amounts outstanding in respect of the Bank Facility (excluding the relevant interest rate swaps) and the Preference Shares Liability as at 31 March 2011, the Ordinary Shares are geared 1.35 times. On the assumption that the Conversion becomes effective and the maximum amount is raised under the Placing and Open Offer, the Ordinary Shares would be geared 0.84 times.

The Company has the power under its Articles to borrow an amount up to 65 per cent., of the Group's gross assets as defined in its Articles. It is the present intention of the Directors that the Company's loan to value ratio (calculated as borrowings less all cash as a proportion of the Property Portfolio valuation) will be between 35 per cent. and 45 per cent.

The Company is entitled to draw down an aggregate principal amount of £85 million under the Bank Facility. The facility currently available to the Company is approximately £84.4 million. The Bank Facility will be repayable on 29 December 2013.

Interest on the Bank Facility is payable at a rate equal to the aggregate of 1 month LIBOR, a margin of 1.5 per cent. per annum and the Bank's mandatory costs rate of approximately 0.01 per cent.

The Company has two interest rate swap agreements with the Bank each for a notional principal amount of £72 million and each with an end date of 29 December 2013. The first swap agreement provides that the Company receives a floating interest rate linked to a 3 month LIBOR and pays a fixed interest rate of 5.115 per cent. The second swap agreement provides that the Company pays a floating interest rate linked to a 3 month LIBOR and receives a floating interest rate linked to a 1 month LIBOR plus a margin on 0.1 per cent.

Further details of the Facility Agreement are set out in paragraph 8.4 of Part VI of this document.

#### **Dividends**

##### ***Dividend policy***

It is the Board's policy that in paying dividends it should target a high level of dividend cover. Dividends on the Ordinary Shares are expected to be paid in equal instalments quarterly in respect of each financial year in February, May, August and November. All dividends will be paid as interim dividends.

##### ***Dividends in respect of the periods to 30 June 2011***

The total dividend paid by the Company per Ordinary Share for the year ended 31 December 2010 was 4.65 pence per Share, including the special dividend of 0.25 pence per Share.

The Company paid a first interim dividend of 1.1 pence per Share in respect of the quarter to 31 March 2011 on 27 May 2011.

In the absence of unforeseen circumstances, the Board intends to pay the Second Interim Dividend of 1.1 pence per Share in respect of the quarter to 30 June 2011 which will be paid in August 2011.

Existing Shareholders will qualify for the payment of the Second Interim Dividend in respect of their existing holdings of Ordinary Shares. New Ordinary Shares issued pursuant to the Issue and the Conversion will not qualify for the Second Interim Dividend.

### ***Dividend forecast***

In the light of the Investment Manager's success in investing the Company's cash resources in acquisition opportunities, the Board intends, in the absence of unforeseen circumstances to increase the quarterly dividend for the remaining six months of the current financial year to 1.133 pence per quarter, an increase of 3 per cent.

The third interim dividend which is to be paid to all Shareholders in the Company will be paid in November 2011.

Although the investment of the proceeds, if any, of the Issue may reduce the dividend cover in the short term, the Board intends to maintain its policy of targeting a high level of dividend cover over the medium term.

### ***Taxation of dividends***

For further information on the tax treatment of an investment in the Company, please refer to the paragraphs headed "Taxation" on pages 46 to 48 of this document.

### ***Guernsey Law on payment of dividends***

On 1 July 2008, the Law came into force in Guernsey. This replaced The Companies (Guernsey) Law, 1994. One of the immediate effects of the Law, was to replace the capital maintenance requirements in respect of dividend and distribution payments and for distributions to be made from distributable profits (similar to that to which UK companies are subject and formerly applicable to Guernsey companies) with a solvency based test. The use of the solvency test now requires the directors of a company to carry out a liquidity or cash flow test and a balance sheet solvency test before any dividend or distribution payment can be made. The test requires the Board to make a future assessment by making reference to the solvency test being satisfied immediately after a distribution or dividend payment is made. If at the time a dividend or distribution payment is to be made the Directors believe that the solvency test cannot be passed, then no payment may be made. The Company has amended its Articles in order that it may benefit from the flexibility introduced by the Law and to allow for dividends to be paid otherwise than out of profits.

### ***Share buy backs***

The Directors have authority to buy back up to 17,298,459 Ordinary Shares (being 14.99 per cent. of the number of Ordinary Shares in issue as at 24 May 2011 being the date on which such authority was granted by special resolution) and will seek annual renewal of this authority from Shareholders. Any buy back of Ordinary Shares will be made subject to the Law and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing published net asset value of an Ordinary Share (as last calculated) where the Directors believe such purchases will enhance Shareholder value. The price paid will not be less than the nominal value of 1p per Share. Such purchases will also only be made in accordance with the Listing Rules which provide that the price to be paid must not be more than five per cent. above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made.

The Company may retain any Shares bought back as treasury shares for future re-issue and re-sale or transfer or may cancel any such Shares. During the period when the Company holds Shares as treasury shares, the rights and obligations in respect of those Shares may not be exercised or enforced by or against the Company. The maximum number of Shares that can be held as treasury shares by the Company is 10 per cent. of the aggregate nominal value of all of the issued Ordinary Shares. Ordinary Shares held as treasury shares will only be re-issued, re-sold or transferred at prices which are not less than the published net asset value of an Ordinary Share.

## **Group structure**

### *The Company*

The Company is a Guernsey incorporated Authorised Closed Ended Investment Scheme under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Authorised Closed-Ended Investment Scheme Rules 2008 made thereunder. The Company does not have a fixed life. The share capital of the Company, consists of Ordinary Shares which are listed on the Official List and traded on the Main Market and the Channel Islands Stock Exchange and unlisted Preference Shares. It is proposed that, conditional upon the Admission Condition being satisfied in respect of the Conversion, the existing Preference Shares held by Standard Life Assurance will be converted into new Ordinary Shares.

Accordingly, immediately following the Conversion and the Placing and Open Offer and on the assumption that the Placing and Offer is fully subscribed, the issued share capital of the Company will comprise 167,899,999 Ordinary Shares.

### *The Property Subsidiary*

Pursuant to an internal administration agreement between the Company and the Property Subsidiary, the Property Subsidiary acquires properties in accordance with the Company's investment policy. The Company has agreed to fund the Property Subsidiary by way of share and/or loan capital in amounts to be determined from time to time.

The Property Subsidiary is a Guernsey incorporated company, which is wholly owned by the Company. Its directors are the same as those of the Company and the Company is able to control the investment policy of the Property Subsidiary to ensure that it complies with the investment policies of the Company and the investment restrictions that apply to the Company. The Property Subsidiary is also a party to the Investment Management Agreement and the Administration and Secretarial Agreement.

### *Further subsidiaries and investment structures*

Whilst the Property Subsidiary is expected to hold the majority of the assets in the Property Portfolio, the structure to be used for any future acquisition of property assets will be reviewed at the time of acquisition and the Group may invest in property assets by means of any structure which is considered to be appropriate in the circumstances of the proposed acquisition. Accordingly, the Company may, without limit, incorporate further subsidiaries to hold property assets or may acquire the share capital of companies, partnership interests in partnerships or units in unit trusts (or similar vehicles) which own one or more properties, all of which would be wholly owned by the Group. The Group will also be permitted to forward fund purchases of properties, make development loans and acquire options over properties.

## **Directors**

The Directors, all of whom are non-executive and, save for David Moore, independent of the Investment Manager, are responsible for the determination of the investment policy of the Company and its overall supervision. The Directors are as follows:

**Paul Orchard-Lisle, CBE (Chairman)** is a UK resident. He is a chartered surveyor and until 2000 he was the senior partner of Healey & Baker (now Cushman and Wakefield). He was chairman of Slough Estates (now Segro plc) and was executive chairman of The Falcon Property Trust. He has been an advisor to the UK government on property matters and was formerly the President of The Royal Institution of Chartered Surveyors. He is currently a director of PowerLeague Ltd and Stobart Group Limited and Chairman of Apache Capital LLP. He is also advisor to Patron Capital and Crown Golf UK.

**Richard Barfield** is a UK resident. He is chairman of The Baillie Gifford Japan Trust plc and a non-executive director of The Edinburgh Investment Trust plc. He is an advisor to two pension funds, a trustee of another and a member of the Board of the Pension Protection Fund. He was previously the Chief Investment Manager of Standard Life Assurance Co Ltd.

**Sally-Ann (Susie) Farnon** is a resident of Guernsey. Susie is a chartered accountant and was a banking and finance partner of KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG

Channel Islands and a former member of The States of Guernsey Public Accounts Committee. She is currently a Commissioner of The Guernsey Financial Services Commission. She is also a director of a number of private property and listed and regulated investment companies.

**Shelagh Mason** is a resident of Guernsey. She is an English property solicitor with over 25 years experience in commercial property. She is currently a partner in Spicer and Partners Guernsey LLP specialising in English commercial property. For two years until 2001 she was Chief Executive of Long Port Properties Limited, a property development company active throughout the United Kingdom and the Channel Islands. She is a non executive director of PFB Data Centre Fund, and also of G.Res:1 Limited, a residential property investment company and amongst others a non-executive director of the recently launched Channel Islands Property Fund. She is immediate past Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

**David Moore** is a resident of Guernsey. He is an advocate of the Royal Court of Guernsey and is a partner with Mourant Ozannes, the Company's lawyers in Guernsey. He has been with Mourant Ozannes since 1993 and before that spent 10 years in the City of London, predominantly with Ashurst Morris Crisp. He specialises in corporate and financial matters and is a non-executive director of a number of investment and insurance companies.

### **Investment Manager**

#### *Standard Life Investments (Corporate Funds) Limited*

The Company is managed by Standard Life Investments (Corporate Funds) Limited. The Investment Manager is a member of the Standard Life Group which has £157.1 billion under management as at 31 December 2010 of which approximately £10.2 billion are commercial property assets.

#### *Key personnel*

The property team of the Investment Manager comprises 55 investment professionals. The key property personnel who are responsible for managing the Property Portfolio are as follows:

**Jason Baggaley** is a chartered surveyor, who joined the Standard Life Group in 1996 and has over 19 years of real estate fund management experience. In addition to managing the Company, Jason also manages a segregated property fund offering a strong performance track record.

**Andrew Jackson** has over 18 years of real estate industry experience in a number of roles ranging from research through direct real estate fund management to global listed real estate investing. He currently heads a team of 12 fund managers, portfolio managers and analysts that manage Standard Life Investments Limited's global real estate funds, predominantly investing in listed REITs, and its range of retail investor focused direct real estate funds.

#### *Investment Management Agreement*

The Company and the Property Subsidiary has entered into an Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed with responsibility for the management of the Group's assets, subject to the overall supervision of the Directors, and to provide certain administrative services to the Group. The Investment Manager manages the Group's investments in accordance with the policies laid down by the Directors and in accordance with the investment restrictions referred to in the Investment Management Agreement.

Under the Investment Management Agreement, the Investment Manager receives from the Company an aggregate annual fee, payable quarterly in arrears, at the rate of 0.85 per cent. per annum of the Total Assets except where cash balances exceed 10 per cent. of Total Assets. The fee applicable to the amount of cash exceeding 10 per cent. of the Total Assets is reduced to 0.20 per cent. per annum, payable quarterly in arrears. The Investment Manager has also agreed to charge only 0.75 per cent. of the Total Assets until such time as the published net asset value per share returns to the launch level of 97p. This is applicable from the quarter ended 31 December 2008 onwards, and does not effect the reduced fee of 0.2 per cent. on cash holding above 10 per cent. of Total Assets. The fees of any managing agents appointed by the Investment Manager are payable out of this fee. The Investment Manager is entitled to retain any commissions received by it in respect of insurance put in place on behalf of the Group. The Investment Management Agreement is terminable by any of the parties to it

on 12 months' notice. Further details of the Investment Management Agreement are set out in paragraph 8.2 of Part VI of this document.

#### *Conflicts of interest*

The Investment Manager and its officers and employees may be involved in other financial, investment or professional activities, that may on occasion give rise to conflicts of interest with the Group. In particular, the Investment Manager does and will continue to, provide investment management, investment advice or other services in relation to a number of companies, funds or other accounts that may have similar investment policies to that of the Company and may receive *ad valorem* and/or performance related fees for doing so.

The Investment Manager may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.

The Investment Manager will have regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise. Having regard to these obligations, the Company may buy investments from or sell investments to the Investment Manager only on an arm's length basis. The Investment Manager will use reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Investment Manager that fall within the Company's investment objective and policy on the best terms reasonably obtainable at the relevant time having regard to the interests of the Company. In so doing, the Investment Manager will take into consideration the appropriateness of investments for inclusion in the Company's portfolio, the level of uninvested cash held by the Company and the size of investments available such that allocations of investments which are *de minimis* in size will normally not be made. In the event that the Investment Manager is unable to resolve a significant conflict of interest on the basis described above, such matter will be referred to the Board for approval.

#### **Administration and secretarial arrangements**

Northern Trust International Fund Administration Services (Guernsey) Limited has been appointed as administrator, registrar and secretary pursuant to the Administration and Secretarial Agreement. In such capacity, the Administrator is responsible for general secretarial functions required by the Law and for ensuring that the Company complies with its continuing obligations as a company listed on the Official List. The Administrator is also responsible for the Company's general administrative functions as set out in the Administration and Secretarial Agreement.

The Administrator receives a fee of £65,000 per annum, payable quarterly in arrears. The Administration and Secretarial Agreement can be terminated by either party on 90 days' prior notice.

The Company utilises the services of Computershare Investor Services PLC as its agent in relation to the transfer and settlement of Shares held in uncertificated form and as UK Transfer Agent.

Solicitors appointed by the Group hold the property deeds on behalf of the Group.

#### **Annual expenses**

The principal annual expenses of the Group are the fees payable to the Investment Manager, the Administrator, the Valuer and the Directors. The Group also incurs regulatory fees, insurance costs, professional fees, audit fees and other expenses. For the financial year ended 31 December 2010, these expenses amounted to £1.5 million. If the Conversion is implemented and the Placing and Offer are fully subscribed, these fees and expenses for the period from Admission to 31 December 2011 are estimated to amount to 1.65 per cent. of the net assets of the Group (assuming the Conversion becomes effective and the Placing and Open Offer are fully subscribed) annualised over this period. For the avoidance of doubt, such expenses exclude the costs of the Conversion and the Issue.

#### **Accounting policy**

The audited accounts of the Group are prepared under International Financial Reporting Standards ("IFRS"). Financial statements prepared by the Company in accordance with IFRS will include an income statement, which is not required to differentiate between revenue and capital items and which also includes realised and unrealised investment gains/losses. The Company's management and administration fees, finance costs and all other expenses will be charged through the income statement.

## **Shareholder information**

The Company's annual report and accounts (which consolidate the accounts of the Group) are prepared up to 31 December each year and it is expected that copies are sent to Shareholders by the following April. Shareholders also receive an unaudited half yearly report covering the six months to 30 June each year, expected to be despatched in the following September.

Properties are valued by an external valuer quarterly in accordance with the Red Book and their valuation are reviewed quarterly by the property valuation committee. The net asset value attributable to the Ordinary Shares is published quarterly based on the properties' most recent valuation and in accordance with IFRS. The net asset value is calculated by the Investment Manager and published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter. The calculation of the net asset value per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

## **Corporate governance**

Guernsey does not currently have its own corporate governance code although at the date of this document this is being developed and is at the consultation stage. As a company incorporated in Guernsey with a premium listing of equity shares on the Official List, the Company is required to comply with the Code published by the Financial Reporting Council in June 2010 and the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies. The Company complies with the recommendations of the AIC Code and the relevant parts of the Code in all material respects except as disclosed below.

### *Independence*

The Board consists solely of non-executive directors of which Paul Orchard-Lisle is Chairman. As a result of a business acquisition by Standard Life Group during 2010 David Moore is deemed by the Listing Rules not to be independent of the Investment Manager. The Directors however consider all of the Directors to be independent for the purposes of the Code.

### *Senior Independent Director*

All Directors are equally responsible under the Law for the proper conduct of the Company's affairs. The Directors are also responsible for ensuring that their policies and operations are in the best interests of the Shareholders. Richard Barfield has been designated as the Senior Independent Director as recommended by the AIC Code. He is available to Shareholders if they have concerns which the Chairman or the Investment Manager has failed to resolve or where contacting the Chairman or Investment Manager is not appropriate.

### *Performance of Board and Re-election*

During the Company's last financial year, the performance of each Director was evaluated through an assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors. The performance of each board committee was appraised by the Board as a whole. Pursuant to the Articles, one third, or the number nearest to but not exceeding one third, of the Directors will retire and stand for re-election at the annual general meeting each year, provided that each Director shall retire and stand for re-election at the annual general meeting immediately following their appointment, then at intervals of no more than three years. Further details are given at paragraph 6.2 of Part VI below.

### *The Audit Committee, Nomination Committee, Property Valuation Committee, Remuneration Committee and Management Engagement Committee*

The Board is supported by the audit committee, nomination committee, property valuation committee, remuneration committee and the management engagement committee. The audit committee, nomination committee, property valuation committee, remuneration committee and the management engagement committee have written terms of reference, which are reviewed at least annually and clearly define their responsibilities and duties.

The Board meets four times a year, as does the property valuation committee. The audit committee meets at least twice a year. The management engagement committee and the remuneration committee meet at least once a year. The nomination committee meets whenever the chairman of the committee or the Board directs.

All of the Directors of the Company, except the Chairman, are members of the audit committee. All of the Directors of the Company are also members of the nomination committee, property valuation committee and remuneration committee. All of the Directors of the Company, except for Richard Barfield, are members of the management engagement committee.

The management engagement committee, chaired by Shelagh Mason, reviews the appointments made by the Board including the appointment of the Investment Manager, the Administrator, the Company Secretary and the Valuer.

The Chairman of the nomination committee is Richard Barfield. The nomination committee is responsible for reviewing and reporting on succession planning for directors, identifying and nominating candidates to fill vacancies on the Board and to evaluate the balance of skills, knowledge and experience of the board.

The audit committee, chaired by Sally-Ann Farnon, reviews the annual and half yearly accounts and considers the continuing appointment of the Auditor.

The Chairman of the remuneration committee is Richard Barfield. The remuneration committee is responsible for reviewing levels of remuneration for the non-executive directors and the appropriateness and relevance of the Company's remuneration policy.

The property valuation committee, chaired by Paul Orchard-Lisle, is responsible for reviewing the quarterly property valuation report produced by the Valuer.

#### **Relationship with Standard Life Group**

As at the date of this document, members of the Standard Life Group on their own behalf and on behalf of discretionary clients own 16,644,609 Ordinary Shares representing approximately 14.4 per cent. of the issued share capital. Following the Conversion and the Issue becoming unconditional (on the assumption that the Issue is fully subscribed and Qualifying Shareholders take up their Open Offer Entitlements in full), members of the Standard Life Group, on their own behalf and on behalf of discretionary clients, would own approximately 22.0 per cent. of the issued share capital of the Company and in the event that the Conversion becomes unconditional but the Issue does not proceed such companies would own 24.3 per cent. of the issue share capital of the Company.

## PART II

### The Conversion and the Issue

#### 1. The Conversion

The Conversion has been proposed by the Board, with the approval of Standard Life Assurance, in order to increase the net assets of the Company, to reduce the Group's leverage and to reduce the funding requirements of the Company in December 2013 when the Bank Facility is due for repayment and the Preference Shares would otherwise have been redeemed.

As at the date of this document, Standard Life Investments, a member of the Standard Life Group, is a substantial Shareholder in the Company as it holds on behalf of clients of the Standard Life Group 16,644,609 Ordinary Shares representing approximately 14.4 per cent. of the issued share capital of the Company. The Investment Manager is also a member of the Standard Life Group. The members of the Standard Life Group are therefore related parties, or associates of related parties, of the Company for the purposes of Chapter 11 of the Listing Rules.

Standard Life Assurance owns the six million issued Preference Shares which have an aggregate Preference Share Liability as at 3 June 2011, calculated in accordance with the accounting policies of the Company, of £9.3 million. It is proposed that, conditional on the passing of Resolutions 1 and 2 at the General Meeting and the Admission Condition being satisfied in respect of the Conversion, the existing issued Preference Shares held by Standard Life Assurance will be converted into new Ordinary Shares. The Preference Shares will be converted into such number of new Ordinary Shares as have an aggregate value (being the Adjusted NAV per Share plus a premium of two per cent.) equal to the prevailing Preference Share Liability on the Conversion Date. The new Ordinary Shares will rank *pari passu* with the existing Ordinary Shares, save that they will not be entitled to the Second Interim Dividend in respect of the quarter to 30 June 2011 payable in August 2011.

It is estimated that the accrued Preference Share Liability on the Conversion Date (assuming Admission is expected to take place on 22 July 2011) will be £9.3 million and therefore approximately 15 million new Ordinary Shares will arise on the Conversion. The premium of two per cent. referred to above would equate to a contribution towards the costs of the Proposals of approximately £190,000. The Conversion does not involve the payment of any cash and therefore the Company will not incur the costs that arise on the investment of cash into commercial properties that would otherwise arise on the issue of new Ordinary Shares for cash.

In accordance with the Company's Articles, the Conversion is also conditional upon the previous sanction of a special resolution passed at a separate general meeting of the holder of the Preference Shares. The Company has received an irrevocable undertaking from Standard Life Assurance to vote in favour of the special resolution to be proposed at this separate general meeting.

#### 2. The Issue

The Company is offering up to 38.5 million new Ordinary Shares under the Issue to raise gross proceeds of up to £25 million. The Issue comprises the Placing and the Open Offer. The Issue, which is not underwritten, is conditional upon Shareholder approval at the General Meeting and the Admission Condition being satisfied. No commission is payable by the Company to new investors under the Issue. Under the Placing and Open Offer, the new Ordinary Shares will be issued at the Issue Price representing a premium of four per cent. to the Adjusted NAV per Share.

The net proceeds of the Issue which are expected to be approximately £24.3 million will be used by the Company to fund the acquisition of further UK commercial properties in accordance with the Company's investment policy.

The Board will offer the full 38.5 million new Ordinary Shares pre-emptively, on a *pro rata* basis, to Qualifying Shareholders under the Open Offer. The new Ordinary Shares will also be conditionally placed with placees, subject to placing commitments being clawed back to satisfy valid applications by Qualifying Shareholders under the Open Offer.

Qualifying Shareholders have the opportunity to make excess applications, if they wish to do so, up to a maximum amount equal to five times their Open Offer Entitlement under the Excess Application

Facility, subject to new Ordinary Shares being available once the applications for *pro rata* entitlements under the Open Offer and commitments under the Placing have been taken into account.

The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised individual who is seeking income and capital growth from investing in a diversified portfolio of commercial property and who understands and accepts the risks inherent in the Company's investment policy.

If the Issue and the Conversion are implemented, Shareholders will experience a dilution in their current ownership and voting interest in the Company of 11.8 per cent. as a result of the Conversion and if a Qualifying Shareholder does not take up their Open Offer Entitlement in full their current ownership and voting interest will be diluted by a further 19.8 per cent. if the Issue is fully subscribed.

### **3. Calculation of the Issue Price**

The new Ordinary Shares will be issued, pursuant to the Placing and Open Offer, on the basis of the Adjusted NAV per Share. The NAV will be calculated as at 30 June 2011 on the basis of the valuation of the Property Portfolio as at 30 June 2011 using the Company's normal accounting policies. The NAV will be adjusted in respect of the interim dividends that have been declared with a record date prior to Admission, or that are to be paid after 30 June 2011 to give the Adjusted NAV per Share. The Issue Price for the Placing and Open Offer will then be calculated by adding a premium of four per cent. to the Adjusted NAV per Share rounded to two decimal places.

### **4. Conditions of the Placing and Open Offer**

The Issue is conditional on the Resolutions being passed at the General Meeting and the Admission Condition being satisfied. If these conditions are not satisfied, the Issue will not proceed and any applications made by Qualifying Shareholders pursuant to the Open Offer will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

The Issue is not underwritten and there is no minimum amount that requires to be issued under the Issue for the Issue to proceed.

No temporary documents of title will be issued in respect of the new Ordinary Shares held in uncertificated form. Definitive certificates in respect of new Ordinary Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Ordinary Shares in certificated form on or around 1 August 2011. In respect of those Qualifying Shareholders who have validly elected to hold their new Ordinary Shares in uncertificated form, the new Ordinary Shares are expected to be credited to their stock accounts maintained in CREST on 22 July 2011.

Application has been made for all of the new Ordinary Shares to be listed on the Official List with a premium listing and to be admitted to trading on the Main Market. Admission is expected to occur on 22 July 2011, when dealings in the New Ordinary Shares are expected to begin.

Application will be made to the Channel Islands Stock Exchange, LBG for all of the new Ordinary Shares to be admitted to the official list of the Channel Islands Stock Exchange. It is expected that such admissions will become effective and that dealings in the new Ordinary Shares on the Channel Islands Stock Exchange will commence on 22 July 2011.

All monies received by the Receiving Agent in respect of new Ordinary Shares prior to Admission will be held by the Receiving Agent in a non-interest bearing account.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the UKLA and make an appropriate announcement on a Regulatory Information Service giving details of the revised dates.

### **5. The Placing**

The Company has entered into the Placing Agreement pursuant to which Winterflood Securities has agreed to procure commitments for new Ordinary Shares under the Placing at the Issue Price subject to the passing of the Resolutions at the General Meeting and the Admission Condition being satisfied and subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer but not the Excess Application Facility. Such placees are to comprise of institutional and other investors

(including certain Existing Shareholders). Winterflood Securities is not underwriting the Placing and Open Offer.

A summary of the principal terms of the Placing Agreement is contained in paragraph 8.1 of Part VI of this document.

## **6. The Open Offer**

The Open Offer gives Qualifying Shareholders the opportunity to apply for in aggregate:

### **38.5 million new Ordinary Shares at the Issue Price**

*pro rata* as nearly as practicable to their current holdings and in accordance with the terms of the Open Offer set out below.

Subject to the terms and conditions set out below (and where relevant, in the Application Form), Qualifying Shareholders are being given the opportunity to apply for such amount of new Ordinary Shares at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their *pro rata* entitlement. This shall be calculated on the basis of:

### **one new Ordinary Share for every three Ordinary Shares**

in each case registered in the name of each Qualifying Shareholder at the close of business on the Record Date and so in proportion for any other number of Ordinary Shares then registered. Fractional entitlements will be disregarded for the purposes of calculating Qualifying Shareholders' Open Offer Entitlement and entitlements will be rounded down to the nearest whole number of new Ordinary Shares as appropriate.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement. Qualifying Shareholders are also being given the opportunity, provided they take up their Open Offer Entitlement in full, to apply for Excess new Ordinary Shares through the Excess Application Facility.

If applications under the Excess Application Facility are received for more than the total number of new Ordinary Shares available under the Open Offer following take up of Open Offer Entitlements and satisfaction of commitments under the Placing, such applications will be scaled back *pro rata* to the number of Excess new Ordinary Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Please refer to paragraph 7.4 of this Part II for further details of the Excess Application Facility.

The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraph 9 of this Part II. Subject to the provisions of paragraph 9, Qualifying Shareholders with a registered address in the United States or any other of the Excluded Jurisdictions are not being sent this document and will not be sent an Application Form.

**Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.**

The Application Form shows the number of Ordinary Shares registered in Qualifying Shareholders' names on the Record Date (in Box 1) and the maximum number of new Ordinary Shares, for which they are entitled to apply pursuant to their Open Offer Entitlement (in Box 2).

Qualifying Shareholders who wish to apply for new Ordinary Shares under the Open Offer must specify on the Application Form a fixed sum in sterling being the aggregate subscription price for the new Ordinary Shares for which they wish to apply at the Issue Price. The aggregate subscription price will be payable in full on application. The Issue Price will be determined on or around 11 July 2011 and Shareholders will be informed of the Issue Price through an announcement via a Regulatory Information Service as soon as possible after it has been determined. For illustrative purposes, based on the Adjusted NAV per Share as at 31 March 2011 the Issue Price of a new Ordinary Share would have been 65.52p. Accordingly, Qualifying Shareholders will make their application based on the illustrative issue price and the aggregate subscription price in respect of their Open Offer Entitlement and the Excess Application Facility can only be determined following calculation of the Issue Price. To the extent that

Qualifying Shareholders make an application which is in excess of the aggregate subscription price for their Open Offer Entitlement based on the Issue Price, such excess will be deemed to be an application under the Excess Application Facility.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. New Ordinary Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up new Ordinary Shares will have no rights under the Open Offer. Any Open Offer Entitlements which are not applied for in respect of the Open Offer will be issued to Placees subject to the terms and conditions of the Placing Agreement with the proceeds retained for the benefit of the Company. Any new Ordinary Shares not taken up under the Open Offer or the Placing will be allotted pursuant to the Excess Application Facility.

The Ordinary Shares are already admitted to CREST and application will be made for admission to CREST of the new Ordinary Shares. Accordingly, all securities of the Company, when issued and fully paid, may be held and transferred by means of CREST.

The new Ordinary Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

## **7. Procedure for application and payment**

The action to be taken by Qualifying Shareholders in respect of the Open Offer including the Excess Application Facility is set out below.

Qualifying Shareholders who hold their Ordinary Shares in certificated form will be allotted new Ordinary Shares in certificated form. Qualifying Shareholders who hold part of their Ordinary Shares in uncertificated form will be allotted new Ordinary Shares in uncertificated form to the extent that their entitlement to new Ordinary Shares arises as a result of holding Ordinary Shares in uncertificated form.

### **7.1 General**

Subject as provided in paragraph 9 of this Part II in relation to Overseas Shareholders, Qualifying Shareholders will receive an Application Form. The Application Form shows the number of Ordinary Shares registered in their name on the Record Date in Box 1. It also shows the maximum number of new Ordinary Shares (set out in Box 2) for which they are entitled to apply under the Open Offer. Qualifying Shareholders may apply for less than their maximum entitlement should they wish to do so. Qualifying Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. Please refer to paragraph 7.4 of this Part II for further details of the Excess Application Facility.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer to Qualifying Shareholders.

### **7.2 Market claims**

Applications to acquire new Ordinary Shares may only be made on the Application Form and may only be made by the Qualifying Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to the date upon which the Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 11.00 a.m. on 12 July 2011. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should consult his broker or other professional advisers as soon as possible, as the invitation to acquire new Ordinary Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Shareholders who have sold all or part of their registered holdings should complete

Box 6 on page 4 of the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States or any of the Excluded Jurisdictions. The beneficiary of the claim should follow the procedures set out in the accompanying Application Form.

### 7.3 *Application procedures for Qualifying Shareholders*

Qualifying Shareholders wishing to apply to acquire all or any of the new Ordinary Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it.

Completed Application Forms should be returned to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH (who will be acting as receiving agent in relation to the Open Offer) so as to be received by Computershare by no later than 11.00 a.m. on 14 July 2011, after which time the Application Forms will not be valid. Within the United Kingdom, Qualifying Shareholders can use the pre-paid envelope accompanying the Application Form. If Application Forms are posted by first-class post in the UK or using the reply-paid envelope included with the Application Form, at least four business days should be allowed for delivery. Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided. Qualifying Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged.

Cheques should be drawn on a personal account in respect of which the Qualifying Shareholder has sole or joint title to the funds and should be made payable to "Computershare Investor Services PLC re: Standard Life Investments Property Income Trust Limited open offer a/c" and crossed "A/C Payee Only". Payments must be made in sterling and the account name on the cheque must be the same as that shown on the Application Form. If this is not practicable and a Qualifying Shareholder wishes to pay by building society cheque or banker's draft, they must:

- (i) write the name, address and date of birth of the person named on the Application Form (or one of such persons) on the back of the building society cheque or banker's draft; and
- (ii) ask the building society or bank (as the case may be) to endorse the name and account number of the person whose building society or bank account is being debited on the cheque or banker's draft.

Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) may not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's draft will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Shareholders in respect of which cheques or banker's drafts are not so honoured. If cheques or banker's drafts are presented for payment before all of the conditions of the Placing and Open Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Placing and Open Offer does not become unconditional no new Ordinary Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Placing and Open Offer.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept any application for new Ordinary Shares if either:

- (i) the Application Form together with cheques or other remittances for the full amount payable are received through the post after 11.00 a.m. on 14 July 2011 but not later than

11:00 a.m. on the next following business day (the cover bearing a legible postmark not later than 5:00 p.m. on the business day prior to 14 July 2011); or

- (ii) the required remittance is received prior to 11.00 a.m. on 14 July 2011 from an authorised person (as defined in FSMA) specifying the number of new Ordinary Shares concerned and undertaking to lodge the relevant Application Form as soon as practicable and in any event within two business days following 14 July 2011.

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

#### 7.4 *The Excess Application Facility*

Provided Qualifying Shareholders choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables Qualifying Shareholders to apply for Excess new Ordinary Shares up to a maximum amount equal to five times of their Open Offer Entitlement.

To the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full and the new Ordinary Shares are not subscribed under the Placing, the Excess Application Facility will apply. The total number of new Ordinary Shares available under the Open Offer will not be increased in response to any excess applications under the Excess Application Facility. If applications under the Excess Application Facility are received for more than the total number of new Ordinary Shares available following take up of Open Offer Entitlements and the Placing, such applications will be scaled back *pro rata* to the number of Excess new Ordinary Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Qualifying Shareholders who wish to apply for new Ordinary Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for new Ordinary Shares exceed 38.5 million new Ordinary Shares, resulting in a scale back of applications, each Qualifying Shareholder who has made a valid application for Excess new Ordinary Shares under the Excess Application Facility, and from whom payment in full for Excess new Ordinary Shares has been received, will receive a pounds sterling amount equal to the number of new Ordinary Shares applied and paid for, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk, save that any sums of less than £5 will be retained for the benefit of the Company.

#### 7.5 *Incorrect sums*

If an Application Form encloses a payment for an incorrect sum, the Company through its Receiving Agent reserves the right:

- (i) to reject the application in full and return the cheque or banker's draft or refund the payment to the Qualifying Shareholder in question; or
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of new Ordinary Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying Shareholder in question, save that any sums of less than £5 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the new Ordinary Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Shareholder in question, save that any sums of less than £5 will be retained for the benefit of the Company.

#### 7.6 *Effect of application*

By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company and Winterflood Securities that he has the right, power and authority and has taken all action necessary to make the application under the

Open Offer and to execute, deliver and exercise his rights and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for such new Ordinary Shares as he is or is otherwise treated as applying for or acting on behalf of any such person on a non-discretionary basis;

- (ii) agrees with the Company and Winterflood Securities that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iii) confirms to the Company and Winterflood Securities that in making the application he is not relying on any information or representation relating to the Company other than that contained in (or incorporated by reference in) this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
- (iv) confirms to the Company and Winterflood Securities that no person has been authorised to give any information or to make any representation concerning the Company or the new Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Winterflood Securities;
- (v) represents and warrants to the Company and Winterflood Securities that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) represents and warrants to the Company and Winterflood Securities that if he has received some or all of his Open Offer Entitlements from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) requests that the new Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the Articles;
- (viii) represents and warrants to the Company and Winterflood Securities that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction in which the application for new Ordinary Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the new Ordinary Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction in which the application for new Ordinary Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for new Ordinary Shares under the Open Offer;
- (ix) represents and warrants to the Company and Winterflood Securities that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (x) confirms that in making the application, he is not relying and has not relied on Winterflood Securities or any person affiliated with Winterflood Securities in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Computershare Investor Services PLC on telephone number 0870 707 4040, or if calling from overseas +44 870 707 4040. Calls to the helpline are charged at approximately 8 pence per minute from a BT landline, other telephone provider costs may vary. Please note the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or apply for Excess new Ordinary Shares under the Excess Application Facility.

**Qualifying Shareholders who do not want to apply for the new Ordinary Shares under the Open Offer should take no action and should not complete or return the Application Form. However, such Qualifying Shareholders are requested to complete and return the Form of Proxy to the Company's registrars Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgewater Road, Bristol BS99 6ZY.**

## **8 Money laundering regulations**

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the "acceptor"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of new Ordinary Shares referred to therein (for the purposes of this paragraph 8 the "relevant new Ordinary Shares") and shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant new Ordinary Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of certificates in respect of new Ordinary Shares taken up or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and Winterflood Securities from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- 8.1 if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or
- 8.2 if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or

- 8.3 if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- 8.4 if the aggregate subscription price for the new Ordinary Shares is less than €15,000 (or its pounds sterling equivalent).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "Computershare Investor Services PLC re: Standard Life Investments Property Income Trust Limited open offer a/c" in respect of an application by a Qualifying Shareholder, and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent. If the agent is not such an organisation, it should contact the Receiving Agent at the address set out on page 16 of this document.

To confirm the acceptability of any written assurance referred to in (ii) above, or in any other case, the acceptor should contact the Receiving Agent. The telephone number of the Receiving Agent is 0870 889 4076 from within the UK or +44 870 889 4076 if calling from outside the UK between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline cost approximately 8 pence per minute from a BT landline, other telephone provider costs may vary. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

If the Application Form has in respect of new Ordinary Shares an aggregate subscription price of €15,000 (or its pounds sterling equivalent) or more and is lodged by hand by the acceptor in person, or if the Application Form is lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and separate evidence of his address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 14 July 2011, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

## **9. Overseas Shareholders**

This document has been approved by the FSA, being the competent authority in the United Kingdom.

The making of the Open Offer to persons who are resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodian trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be restricted by the laws or regulatory requirements of the relevant jurisdictions. Such Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to

observe any applicable legal requirement to enable them to take up the new Ordinary Shares under the Open Offer.

Receipt of this document and/or the Application Form will not constitute an invitation to subscribe for new Ordinary Shares in those jurisdictions in which it would be illegal to make such an invitation or any related offer and/or acceptance and, in those circumstances, this document and/or the Application Form will be sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, or use the Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or the Application Form in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or the Application Form is received by any person in any such territory, or by their agent or nominee in any such territory, that person must not seek to apply for new Ordinary Shares. Any person who does forward this document and/or the Application Form into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph.

Any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to apply for new Ordinary Shares must satisfy himself/herself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph are intended as a general guide only and any Shareholder who is in any doubt as to his position should consult his appropriately authorised professional adviser without delay.

The Company reserves the right to treat as invalid any application or purported application for new Ordinary Shares which appears to the Company or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of certificates for new Ordinary Shares, or in the case of a credit of new Ordinary Shares to a stock account in CREST, to a CREST member whose registered address would be, in any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates or new Ordinary Shares.

Shareholders in jurisdictions outside the United Kingdom may, subject to the laws of their relevant jurisdiction, take up new Ordinary Shares in accordance with the instructions set out in this document and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident in, or who are citizens of, countries other than the United Kingdom should, however, consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their new Ordinary Shares.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any Shareholder to apply for new Ordinary Shares if the Company, in its sole and absolute discretion, is satisfied at any time prior to 11.00 a.m. on 14 July 2011 that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

If Qualifying Shareholders are in any doubt as to their eligibility to take up new Ordinary Shares, they should contact an appropriate professional adviser immediately.

### **9.1 United States**

The Open Offer Entitlements, the new Ordinary Shares, the Application Form and the new Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any new Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor the Application Form will be sent to any person with a registered address in the United States. Subject to certain exceptions, an Application Form sent from, or post-marked in, the United States will be deemed to be invalid and all persons acquiring new Ordinary Shares and wishing to hold such new Ordinary Shares in registered form must provide an address for registration of the new Ordinary Shares issued outside the United States.

Subject to certain exceptions, any person who acquires new Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form or by accepting delivery of the new Ordinary Shares, that they are not, and that at the time of acquiring the new Ordinary Shares, they will not be, in the United States or applying for new Ordinary Shares on behalf of, or for the account or benefit of, persons in the United States on a non-discretionary basis.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the registration of the new Ordinary Shares, or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to issue any new Ordinary Shares to any person or to any person who is acting on behalf of, or for the account or benefit of, any person on a non-discretionary basis with an address in, or who is otherwise located in, the United States.

Notwithstanding the foregoing, new Ordinary Shares may be made available under the Placing and Open Offer to Qualifying Shareholders that are, or who are acting on behalf of, or for the account or benefit of, qualified institutional buyers in reliance on an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Such Shareholders will be required to execute an investor representation letter confirming, among other things, their status as a "qualified institutional buyer" (as such term is defined under Rule 144A under the Securities Act), and their ability to rely on an exemption from the registration requirements of the Securities Act in connection with their participation in the Placing and Open Offer. New Ordinary Shares may also be made available, in the sole discretion of the Company, to other Qualifying Shareholders who may be offered the new Ordinary Shares pursuant to an available exemption from the registration requirements of the Securities Act.

## **9.2 Other Excluded Jurisdictions**

Due to restrictions under the securities laws of the Excluded Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any of the Excluded Jurisdictions will not be able to participate in the Open Offer and will not be sent an Application Form.

The new Ordinary Shares have not been and will not be registered under the relevant laws of any of the Excluded Jurisdictions or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any of the Excluded Jurisdictions or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any of the Excluded Jurisdictions except pursuant to an applicable exemption.

No offer of new Ordinary Shares is being made by virtue of this document or the Application Forms into any of the Excluded Jurisdictions.

## **9.3 Other overseas territories**

Qualifying Shareholders in jurisdictions other than the United States or the other Excluded Jurisdictions may, subject to the laws of their relevant jurisdiction, take up new Ordinary Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any new Ordinary Shares.

#### **9.4 Representations and warranties relating to Overseas Shareholders**

Any person completing and returning an Application Form requesting registration of the new Ordinary Shares comprised therein represents and warrants to the Company and/or the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction:

- (i) such person is not requesting registration of the new Ordinary Shares from within the United States;
- (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire new Ordinary Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it;
- (iii) such person is not acting on a non-discretionary basis for a person located within any Excluded Jurisdiction or any territory referred to in 9.4(ii) above at the time the instruction to accept was given; and
- (iv) such person is not acquiring new Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such new Ordinary Shares into any of the above territories. The Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of new Ordinary Shares comprised in an Application Form if it:
  - (a) appears to the Company or its agents to have been executed, effected or dispatched in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or
  - (b) provides an address for delivery of the certificates for new Ordinary Shares (or in any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or
  - (c) purports to exclude the representation and warranty required by this paragraph 9.4.

#### **9.5 Waiver**

The provisions of this paragraph 9 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion. Subject to this, the provisions of this paragraph 9 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 9 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 9 shall apply to them jointly and to each of them.

#### **10. Withdrawal rights**

Qualifying Shareholders wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) with the Receiving Agent, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH so as to be sent, not later than two business days after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the Participant ID and the Member Account ID of such CREST member. Notice of withdrawal which is deposited with the Receiving Agent after expiry of such period will not constitute a valid withdrawal.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying Shareholders at their own risk and without interest. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this paragraph 10 of this Part II are without prejudice to the statutory rights of Qualifying Shareholders. In such event Qualifying Shareholders are advised to seek independent legal advice.

## **11. Admission, settlement and dealings**

The result of the Open Offer is expected to be announced on 18 July 2011. Application has been made to the UKLA for all of the new Ordinary Shares to be issued in connection with the Issue including the Excess Application Facility and the Conversion to be listed on the Official List with a premium listing and to the London Stock Exchange for such new Ordinary Shares to be admitted to trading on the Main Market. It is expected that Admission will become effective and that dealings in the new Ordinary Shares, fully paid, will commence at 8 a.m. on 22 July 2011. The Issue cannot be revoked after dealings have commenced on 22 July 2011. The ISIN number for the new Ordinary Shares is GB0033875286.

Application will be made to the Channel Islands Stock Exchange, LBG for all of the new Ordinary Shares to be admitted to the official list of the Channel Islands Stock Exchange. It is expected that such admissions will become effective and that dealings in the new Ordinary Shares on the Channel Islands Stock Exchange will commence on 22 July 2011.

The balance of subscription moneys in the event of scaling back will be posted to applicants by cheque at the applicant's own risk.

The Ordinary Shares are already admitted to CREST and application will be made for admission to CREST of the new Ordinary Shares. All such securities, when issued and fully paid, may be held and transferred by means of CREST.

On 22 July 2011 (or as soon as practicable thereafter), the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to new Ordinary Shares with effect from Admission (expected to be 22 July 2011). The stock accounts to be credited will be accounts under the Participant IDs and member account IDs as noted on the Application Form.

Certificates in respect of the new Ordinary Shares validly applied for, and any Excess new Ordinary Shares successfully applied for, under the Excess Application Facility, are expected to be dispatched by post on or around 1 August 2011.

No temporary documents of title will be issued and, pending the issue of definitive certificates which is expected to take place by on or around 1 August 2011, transfers will be certified against the UK share register of the Company. New Ordinary Shares initially issued in certificate form may subsequently be deposited into CREST in accordance with normal CREST procedures. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. There will be no dealings prior to Admission and post Admission dealings in new Ordinary Shares in advance of the crediting of the relevant CREST accounts or the issue of certificates will be at the risk of the persons concerned. A copy of this document, which comprises a prospectus relating to the Company prepared in accordance with the Listing Rules and the Prospectus Rules, has been filed with the FSA in accordance with Rule 3.2 of the Prospectus Rules.

## **12. Costs and expenses of the Issue and the Conversion**

The costs and expenses of the Issue and the Conversion are expected to be approximately £500,000 (on the assumption that the Issue is fully subscribed) after deducting the amount of the premium on the issue of the new Ordinary Shares arising from the Conversion.

In the event that the Placing and Open Offer is not implemented, but the Conversion is approved and becomes unconditional, the costs and expenses would be approximately £185,000, after deducting the amount of the premium on the issue of the new Ordinary Shares arising under the Conversion, which would equate to approximately 0.16 pence per Ordinary Share.

In the event that the Proposals as a whole are not implemented the abort costs that would be incurred by the Company have been limited to approximately £200,000, being equal to approximately 0.17 pence per Ordinary Share.

The net proceeds of the Placing and Open Offer will be used to acquire UK commercial properties in accordance with the Company's investment policy. The typical costs of acquiring UK commercial properties are approximately 5.75 per cent. of the purchase price thereof. The new Ordinary Shares will be issued at a premium of four per cent. to the Adjusted NAV per Share. It is expected that, based on the Issue Price of the new Ordinary Shares, the costs and expenses of the Proposals (after deducting the premium arising on the Conversion) and assuming full market standard costs of acquiring commercial properties, the Proposals and the subsequent acquisition of properties with the proceeds,

if any, of the Placing and Open Offer will result in a small reduction in the NAV per Share over the period of investment. Shareholders should note that there is likely to be an income shortfall in relation to the proceeds of the Issue until such amounts are invested depending on the level of interest paid on such cash.

### **13. Taxation**

The information below, which is of a general nature only and which relates only to United Kingdom and Guernsey taxation, is applicable to the Company and the Property Subsidiary and to persons who are resident or ordinarily resident in the United Kingdom (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice and is subject to subsequent changes therein. Any change in the Company's or the Property Subsidiary's tax status or in taxation legislation in Guernsey or the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company or the Property Subsidiary or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

#### **13.1 The Group**

In response to the review carried out by the European Union Code of Conduct Group, the States of Guernsey abolished exempt tax status for the majority of companies and introduced a zero rate of tax for companies carrying on all but a few specified types of regulated business from January 2008. However, as collective investment schemes were not one of the regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, collective investment schemes continued to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007. The Company and the Property Subsidiary will apply on an annual basis for tax exempt status in Guernsey pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (the "Ordinance"). A fee (currently £600 per annum) is payable in respect of each company's exempt status.

If exempt status is granted, the Company and the Property Subsidiary will not be considered resident in Guernsey for Guernsey income tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company and the Property Subsidiary are not expected to incur any liability to Guernsey income tax. Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

As a result of some EU Member States indicating that the tax systems in Guernsey, Jersey and Isle of Man are not compliant with the spirit of the EU Code of Conduct for Business Taxation (the "Code"), Guernsey is currently reviewing its tax system. It is unlikely that any changes will be brought into effect until 2013 at the earliest and at this stage, while the key features of the revised regime have yet to be determined, it is not anticipated that the Company or the Property Subsidiary will be affected by the review.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares in the Company.

No capital gains tax or similar tax is levied in Guernsey on realised and unrealised gains resulting from the Group's investment activities.

It is the intention of the Directors to conduct the affairs of the Group so that the management and control of the Company and the Property Subsidiary is not exercised in the United Kingdom, so that they are not resident in the United Kingdom for taxation purposes and so that they do not carry on any trade in the United Kingdom (whether or not through a permanent establishment situated there). Accordingly, the Company and the Property Subsidiary will not be liable for United Kingdom taxation on their income or gains other than certain income deriving from a United Kingdom source.

The Property Subsidiary and any other subsidiaries incorporated by the Group which hold UK property will be subject to United Kingdom income tax on income arising on the Property Portfolio after deduction

of allowable debt financing costs and allowable expenses. The Property Subsidiary has received approval from HMRC to receive rental income gross.

## **13.2 Investors**

### *13.2.1 Taxation of dividends on Ordinary Shares*

Ordinary Shareholders will receive dividends without deduction of Guernsey income tax. UK resident individual Ordinary Shareholders will be liable to income tax on the dividends received.

UK resident individual Shareholders who own less than 10 per cent. of the Company's issued share capital will be entitled to tax credits in respect of dividends paid by the Company. The tax credits will be 10 per cent. of the aggregate of the dividend and the tax credit itself (equivalent to one-ninth of the cash dividend). UK resident individual Shareholders, including those who hold their Shares through an ISA, who are not liable to income tax in respect of their dividends, will not be entitled to reclaim any part of the tax credit. The income tax charge in respect of dividends for basic rate tax payers will be at the rate of 10 per cent. and such Shareholders will have no further liability to tax on their dividends. A higher rate tax payer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum at the top slice of his/her income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent., against which he/she can offset the 10 per cent. tax credit.

The dividend additional rate of income tax of 42.5 per cent. applies with effect from 6 April 2010 to UK resident individuals who receive dividends and who have taxable income from all sources in excess of £150,000 per annum. Accordingly, an additional rate tax payer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum at the top slice of his/her income, it falls above the threshold for the additional rate of income tax) at the rate of 42.5 per cent., against which he/she can offset the 10 per cent. tax credit.

No UK tax credit will be attached to dividends received by any other Shareholders.

Dividends paid by the Company to UK resident corporate Shareholders will generally be exempt from UK corporation tax.

Shareholders resident outside Guernsey will not be subject to any income tax in Guernsey in respect of any shares owned by them.

Any Shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will incur Guernsey income tax on any dividends paid on Ordinary Shares owned by them but will suffer no deduction of tax by the Company from any such dividends payable by the Company where the Company is granted exempt status. The Company is required to provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Director of Income Tax in Guernsey.

### *13.2.2 Taxation of Capital Gains*

The Company, as a closed-ended investment company without a fixed life, will not as at the date of this Prospectus be treated as an "offshore fund" for the purposes of United Kingdom taxation. Accordingly, the provisions of sections 354 to 359 of the Taxation (International and Other Provisions) Act 2010 will not apply. Any gains on disposals by UK resident or ordinarily resident holders of the Ordinary Shares may, depending on their individual circumstances, give rise to a liability to United Kingdom taxation on capital gains.

Shareholders will not be subject to Guernsey tax on any disposal of their holding of Ordinary Shares in the Company.

### *13.2.3 Individual Savings Accounts*

Ordinary Shares will be eligible to be held in the stocks and shares component of an ISA, subject to applicable subscription limits, and provided the ISA manager has acquired the shares by purchase in the market or by application for shares publicly offered for sale or subscription. Accordingly, only Ordinary Shares acquired under the Offer (but not the

Placing) will be eligible to be held in an ISA. Gains on, and dividends received in respect of, shares held within an ISA are exempt from capital gains tax and income tax.

It is the intention of the Directors that the Company will operate so as to ensure that the Ordinary Shares continue to qualify for inclusion within an ISA.

#### 13.2.4 *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with voluntary arrangements or clearance services, to whom special rules apply. No Guernsey tax or UK stamp duty, or stamp duty reserve tax, will be payable on the issue of the Ordinary Shares. Regardless of whether Ordinary Shares are held in certificated or uncertificated form, United Kingdom stamp duty (at the rate of 0.5 per cent, of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Ordinary Shares executed within, or in certain cases brought into, the United Kingdom. Provided that the Ordinary Shares are not registered in any register of the Company kept in the United Kingdom, any agreement to transfer the Ordinary Shares will not be subject to United Kingdom stamp duty reserve tax. In the event of the death of a sole holder of Ordinary Shares, a Guernsey grant of probate or administration may be required in respect of which certain fees will be payable to the Ecclesiastical Registrar in Guernsey.

#### 13.2.5 *Other United Kingdom tax considerations*

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 under which the income accruing to the Company may be attributed to such a shareholder and may (in certain circumstances) be liable to UK income tax in the hands of the shareholder. However, the provisions do not apply if such a shareholder can satisfy HMRC that, either:

- (a) the purpose of avoiding liability to UK taxation was not the purpose or one of the purposes of his investment in the Company; or
- (b) the investment was a *bona fide* commercial transaction and was not designed for the purpose of avoiding UK taxation.

As it is probable that the Company will be owned by a majority of persons resident in the UK, the legislation applying to controlled foreign companies may apply to any corporate Ordinary Shareholders who are resident in the UK. Under these rules, part of any undistributed income accruing to the Company or the Property Subsidiary may be attributed to such a shareholder, and may in certain circumstances be chargeable to UK corporation tax in the hands of the shareholder. However, this will only apply if the apportionment to that shareholder (when aggregated with persons connected or associated with them) is at least 25 per cent. of the Company's or the Property Subsidiary's relevant profits.

In the event that the Company would be treated as "close" if it were resident in the UK, then part of any chargeable gain accruing to the Company or the Property Subsidiary may be attributed to such a shareholder and may (in certain circumstances) be liable to UK tax on capital gains in the hands of the shareholder. The part attributed to the shareholder corresponds to the shareholder's proportionate interest in the Company. This paragraph applies only to Ordinary Shareholders who are resident or ordinarily resident in the UK and whose interest (when aggregated with persons connected with them) in the chargeable gains of the Company exceeds one-tenth.

#### 13.2.6 *EU Savings Tax Directive*

Guernsey has introduced measures that are equivalent to the EU Savings Tax Directive (2003/48/EC). However, paying agents located in Guernsey are not currently required to operate the measures on distributions made to shareholders by closed-ended investment companies established in Guernsey. No exchanges of information under the EU Savings Tax Directive are expected to apply to holdings of Ordinary Shares.

## PART III

### Details of the Property Portfolio

#### A. Summary of the Properties

The information contained in this Part III provides an analysis of the Property Portfolio. The information contained in this Part III is unaudited. Unless otherwise stated, all of the information is stated as at 31 March 2011. The information in this Part III is based on the valuations from the Valuer's valuation report as set out in Part IV of this document. There has been no material change in the value of the Property Portfolio since 31 March 2011, being the date of its valuation.

#### 1. Summary description of the Property Portfolio

<i>Properties*</i>	<i>Sector</i>	<i>Region</i>	<i>Current net annual rent receivable</i>	<i>Estimated net annual rent</i>	<i>Income return</i>	<i>Market Value</i>
1/1A Marsh Way, Fairview Industrial Park, Rainham, Essex (Leasehold)	Standard Industrial	South East	£512,544	£410,000	10.79%	£4,750,000
31/32 Queen Square, Bristol	Standard Office	South West	£300,000	£230,000	10.53%	£2,850,000
B&Q, Crostons Retail Park, Bury (Part freehold/part leasehold)	Retail Warehouse	Northern England	£392,150	£350,000	7.00%	£5,600,000
Bathgate Retail Park, Bathgate	Retail Warehouse	Scotland	£453,125	£487,433	7.65%	£5,925,000
Bourne House, The Causeway, Staines	Standard Office	South East	£816,000	£480,000	9.74%	£8,375,000
Chancellors Place, Broomfield Road, Chelmsford, Essex	Standard Office	South East	£502,550	£355,000	10.31%	£4,875,000
Clough Road Retail Park, Kingston-upon-Hull	Retail Warehouse	Northern England	£705,902	£810,000	7.43%	£9,500,000
Units 2001/2, Ravens Park, Coal Road, Seacroft, Leeds	Standard Industrial	Northern England	£294,810	£294,810	8.75%	£3,370,000
Crittall Road, Witham, Essex	Distribution Warehouse	South East	£350,200	£185,200	12.29%	£2,850,000
Windsor Court & Crown Farm, Mansfield, Nottinghamshire (Leasehold)	Standard Industrial	Midlands	£185,180	£378,000	6.17%	£3,000,000
De Ville Court, Heath Road, Weybridge, Surrey	Standard Office	South East	£281,994	£260,000	10.07%	£2,800,000
Parcelpoint, Portrack Lane, Stockton-on-Tees	Standard Industrial	Northern England	£127,500	£127,500	10.04%	£1,270,000
Drakes Way Business Centre, Marlowe Avenue, Swindon	Standard Industrial	South West	£825,723	£395,000	13.21%	£6,250,000

<i>Properties</i>	<i>Sector</i>	<i>Region</i>	<i>Current net annual rent receivable</i>	<i>Estimated net annual rent</i>	<i>Income return</i>	<i>Market Value</i>
Esporta, Sidcup Bypass, Chislehurst, London	Leisure	Rest of London	£289,482	£255,000	8.51%	£3,400,000
Focus DIY, Gateway Eleven Business Park, Wymondham Norwich	Retail Warehouse	Eastern England	£426,303	£395,000	7.82%	£5,450,000
Halfords, Hamilton Street, Paisley	Retail Warehouse	Scotland	£236,034	£236,034	11.51%	£2,050,000
Hollywood Green, Wood Green, London	High Street Retail	Rest of London	£659,885	£711,000	6.67%	£9,900,000
Hydrasun, Gateway Business Park, Moss Road, Aberdeen	Industrial/Office Park	Scotland	£1,000,000	£1,000,000	7.16%	£13,975,000
Lister House, Lister Hill, Horsforth, Leeds	Standard Office	Northern England	£145,045	£152,250	10.74%	£1,350,000
Eurolink 31, Mildred Sylvester Way, Normanton, Wakefield, West Yorkshire	Industrial Park	Northern England	£180,150	£225,650	8.58%	£2,100,000
Ground Floor, New Palace Place, Monck Street, Westminster, London (Leasehold)	Standard Office/Retail	London West End	£546,573	£550,110	8.28%	£6,600,000
Northern and Shell Tower, Selsdon Way, Docklands, London (Leasehold)	Standard Office	London City	£908,900	£650,000	7.67%	£11,850,000
Ocean Trade Centre, Altens Industrial Estate, Aberdeen	Industrial Park	Scotland	£638,547	£746,288	8.19%	£7,800,000
Parcelnet Warehouse, Wingates Industrial Park, Westhoughton, Bolton (Leasehold)	Industrial/ Distribution Warehouse	Northern England	£182,825	£182,825	7.86%	£2,325,000
Interfleet House, Pride Park, Derby, Derbyshire	Office Park	Midlands	£390,000	£390,000	7.93%	£4,915,000
Phase II, Telelink, Swansea Vale, Swansea (Leasehold)	Office Park	Wales	£361,000	£361,500	11.28%	£3,200,000
Tesco Warehouse, Wingates Industrial Park, Westhoughton, Bolton	Distribution Warehouse	Northern England	£1,189,323	£1,189,323	8.46%	£14,060,000

<i>Properties</i>	<i>Sector</i>	<i>Region</i>	<i>Current net annual rent receivable</i>	<i>Estimated net annual rent</i>	<i>Income return</i>	<i>Market Value</i>
Turin Court, Bird Hall Lane, Cheadle Heath, Stockport	Office Park	Northern England	£340,850	£330,000	9.88%	£3,450,000
Unit 14, Interlink Park, Bardon, Leicestershire	Distribution Warehouse	Midlands	—	£155,500	0.00%	£1,725,000
Unit, Wardley Industrial Estate, Worsley, Manchester	Retail Warehouse	Northern England	—	£160,000	0.00%	£1,350,000
White Bear Yard, Clerkenwell, London	Standard Office	London Mid-Town	£511,751	£547,587	6.96%	£7,350,000

\* All freehold/feehold unless otherwise stated.

## 2. Details of the ten largest Properties

Set out below is a brief description of the ten largest Properties in the Property Portfolio.

<b>Tesco Warehouse, Wingates Industrial Park, Westhoughton, Bolton</b>			
<i>Cross docked logistics unit</i>			
<i>Tenant</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Tesco Stores Ltd	10 years	26 September 2016	27 September 2011
Current net annual rent	£1,189,323		
Estimated net annual rent	£1,189,323		
Market Value	£14,060,000		

<b>Hydrasun, Gateway Business Park, Moss Road, Aberdeen</b>			
<i>Industrial/Offices</i>			
<i>Tenant</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Hydrasun Ltd	20 years	12 December 2030	13 December 2015
Current net annual rent	£1,000,000		
Estimated net annual rent	£1,000,000		
Market Value	£13,975,000		

<b>Northern and Shell Tower, Selsdon Way, Docklands, London</b>			
<i>Offices</i>			
<i>Tenant</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Northern and Shell plc	25 years	18 December 2022	18 December 2012
Current net annual rent	£908,900		
Estimated net annual rent	£650,000		
Market Value	£11,850,000		

<b>Hollywood Green, Wood Green, London</b>			
<i>Mixed use retail and cinema</i>			
<i>Top five tenants</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Vue Entertainment Ltd	20 years	1 December 2029	2 December 2014
Sainsbury's Supermarkets Ltd	15 years	19 January 2025	20 January 2015
JD Wetherspoon plc	25 years	24 December 2024	25 December 2014
McDonalds Restaurants Ltd	25 years	24 December 2024	25 December 2014
Sam 99p Limited	10 years	23 November 2014	N/A
Current net annual rent	£659,885		
Estimated net annual rent	£711,000		
Market Value	£9,900,000		

<b>Clough Road Retail Park, Kingston-upon-Hull</b>			
<i>Retail warehouse park with bulky goods planning</i>			
<i>Tenants</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Dreams plc	15 years	13 September 2025	14 September 2015
Yorkshire Bed Company Ltd	15 years	16 September 2019	N/A
DSG Retail Ltd t/a Currys	25 years	23 June 2021	24 June 2011
DSG Retail Ltd t/a PC World	25 years	23 June 2021	24 June 2011
Business Dreams Ltd	20 years	10 August 2024	10 August 2014
Current net annual rent	£705,902		
Estimated net annual rent	£810,000		
Market Value	£9,500,000		

<b>Bourne House, The Causeway, Staines</b>			
<i>Offices</i>			
<i>Tenants</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
UB Group Ltd	25 years	24 March 2016	N/A
SSE Services plc	99 years	31 December 2087	N/A
Current net annual rent	£816,000		
Estimated net annual rent	£480,000		
Market Value	£8,375,000		

<b>Ocean Trade Centre, Altens Industrial Estate, Aberdeen</b>			
<i>Industrial park</i>			
<i>Top five tenants</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Tyco Fire & Integrated	15 years	25 July 2014	N/A
City Link (Properties) No1 Limited	10 years	5 November 2012	N/A
Viking Life Saving Equipment Ltd	38 years	31 July 2020	1 August 2015
Viking Life Saving Equipment Ltd	28 years	31 July 2020	1 August 2015
M.E.T.S (UK) Limited	10 years	14 May 2015	N/A
M.E.T.S (UK) Limited	9 years	14 May 2015	N/A
Pipeline Engineering & Supply Company Limited	10 years	30 June 2013	N/A
Current net annual rent	£638,547		
Estimated net annual rent	£746,288		
Market Value	£7,800,000		

<b>White Bear Yard, Clerkenwell, London</b>			
<i>Mid town office</i>			
<i>Tenants</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
B&W Group Limited	10 years	14 November 2013	N/A
Mendeley Ltd	5 years	2 December 2012	N/A
IDEO LLC	10 years	24 June 2012	N/A
Passion Capital Management Limited	6 years	30 September 2015	N/A
Passion Capital Management Limited	6 years	30 September 2015	N/A
Current net annual rent	£511,751		
Estimated net annual rent	£547,587		
Market Value	£7,350,000		

<b>Ground Floor, New Palace Place, Monck Street, Westminster</b>			
<i>London West End Office</i>			
<i>Top five tenants</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Henningson Durham and Richardson International Ltd	7 years	31 May 2013	N/A
Galliard Homes Ltd	15 years	14 June 2020	15 June 2015
Tesco Stores Limited	15 years	26 June 2020	27 June 2015
Hon See Tsang	15 years	9 August 2020	10 August 2015
Sports Bookmakers Ltd (t/a Coral)	15 years	13 March 2021	14 March 2016
Current net annual rent	£546,573		
Estimated net annual rent	£550,110		
Market Value	£6,600,000		

<b>Drakes Way Business Centre, Marlowe Avenue, Swindon</b>			
<i>Industrial</i>			
<i>Tenant</i>	<i>Lease term</i>	<i>Lease expiry/break option</i>	<i>Rent review</i>
Norcross Group (Holdings) Limited	20 years	11 December 2014	N/A
Current net annual rent	£825,723		
Estimated net annual rent	£395,000		
Market Value	£6,250,000		

### 3. Tenant concentration

The tenants that contribute in excess of two per cent., of the current net annual rent of the Property Portfolio can be summarised as follows:

<i>Lease Name</i>	<i>Sector</i>	<i>Current net annual rent</i>	<i>% of Current net annual rent of Property Portfolio</i>
Tesco Stores Limited	Distribution Warehouses	£1,254,323	9.12%
Hydrasun Ltd	Office	£1,000,000	7.27%
Northern and Shell plc	Office	£908,900	6.61%
Norcross Group (Holdings) Ltd	Industrial	£825,723	6.00%
UB Group Ltd	Office	£816,000	5.93%
Focus DIY Limited*	Retail Warehouses	£681,303	4.95%
Yusen Air and Sea Service (UK) Limited	Industrial	£512,544	3.73%
DSG Retail Ltd	Retail Warehouses	£440,000	3.20%
B&Q PLC	Retail Warehouses	£392,150	2.85%
Interfleet Technology Ltd	Office	£390,000	2.84%
Welsh Development Agency	Office	£361,000	2.62%
Perry Ellis Witham	Distribution Warehouses	£350,000	2.54%
Emcor Group (UK) plc	Office	£340,850	2.48%
Esporta Health & Fitness Ltd	Other	£289,482	2.10%
Alliance Unichem plc	Office	£281,944	2.05%

\* For further details of Focus DIY Limited see section B of this Part III.

### 4. Summary of tenure

As a percentage of the aggregate Market Value, 80.7 per cent. of the Properties are freehold/feuhold and 19.3 per cent. are held as a long leasehold interest.

### 5. Lease length

The Properties in the Property Portfolio have a total of 91 tenants (excluding car parking spaces, wayleaves and substations). The length of the leases can be summarised as follows:

<i>Length of Leases</i>	<i>As a percentage of current gross annual rent</i>	
	<i>Property Portfolio</i>	<i>IPD Quarterly Universe*</i>
0-5 years	42.93%	35.16%
5-10 years	22.17%	28.67%
10-15 years	20.79%	18.76%
15-20 years	11.02%	9.13%
20 + years	3.09%	8.28%

\*Source: IPD Quarterly Universe

The average unexpired lease length of the Properties in the Property Portfolio is approximately 8 years and 1 month (weighted by current gross annual rent as at 31 March 2011). This has been calculated on the earlier of the expiry date of the lease and the first break option. The equivalent figure for an average commercial property portfolio, as represented by IPD Quarterly Universe as at 31 March 2011, is 10 years and 2 months. Source: IPD IRIS

## 6. Lease expiration and break options

The occurrence of the earlier of lease expiries and break options of the Property Portfolio can be summarised as follows:

<i>Year of expiration or break option</i>	<i>No. of leases</i>	<i>Current gross annual rent</i>	<i>% of current gross annual rent</i>	<i>Cumulative % of current gross annual rent</i>
2011	4	£42,500	0.31%	0.31%
2012	11	£1,177,958	8.54%	8.85%
2013	8	£553,853	4.02%	12.86%
2014	8	£2,062,174	14.95%	27.81%
2015	13	£1,269,378	9.20%	37.02%
2016	6	£2,906,658	21.07%	58.09%
2017	0	—	—	58.09%
2018	0	—	—	58.09%
2019	2	£519,500	3.77%	61.85%
2020	6	£413,178	3.00%	64.85%
2021	3	£475,000	3.44%	68.29%
2022	4	£1,648,150	11.95%	80.24%
2023	0	—	—	80.24%
2024	4	£383,660	2.78%	83.02%
2025	2	£395,902	2.87%	85.89%
2026	0	—	—	85.89%
2027	0	—	—	85.89%
2028	1	£289,482	2.10%	87.99%
2029	1	£230,000	1.67%	89.66%
2030+	5	£1,426,453	10.34%	100.00%

## 7. Voids

The voids in the Property Portfolio represent 3.27 per cent. of the ERV of the Property Portfolio.

## 8. Covenants

The covenant strength of the tenants of the Properties can be summarised as follows:

<i>Covenant strength</i>	<i>As a percentage of current rental value</i>	
	<i>Property Portfolio</i>	<i>IPD Quarterly Universe*</i>
Negligible & Government risk	52.84%	51.67%
Low risk	32.37%	18.83%
Low-medium risk	4.00%	7.65%
Medium-high risk	—	2.41%
High risk	2.04%	4.54%
Maximum risk	5.41%	8.82%
Unscored	3.34%	5.79%
Ineligible	—	0.29%

\*Source: IPD Quarterly Universe

## 9. Lease terms

The occupational leases of the Properties are on terms which could reasonably be expected for properties of the type comprised in the Property Portfolio. Subject to the above and viewing the Property Portfolio as a whole, the occupational leases of the Properties in the Property Portfolio are in general terms institutionally acceptable.

## 10. Property condition

Independent building surveys, mechanical and electrical surveys and environmental surveys have been undertaken for each of the Properties. These have been reviewed by the Investment Manager and it is considered that the condition of the Properties is acceptable having regard to the Properties' age, use, type and lease terms.

## 11. Regional weightings

The regional weightings of the Property Portfolio can be summarised as follows:

<i>Region</i>	<i>As a percentage of Market Value</i>	
	<i>Property Portfolio</i>	<i>IPD Quarterly Universe*</i>
London City	7.21%	5.50%
London Mid-Town	4.47%	2.57%
London West End	4.02%	12.66%
Midlands	5.87%	10.84%
Northern England	27.01%	15.25%
Rest of London	8.10%	12.82%
Scotland	18.11%	5.88%
South East	14.40%	18.27%
South West	5.54%	6.42%
Wales	1.95%	2.14%
Eastern	3.32%	7.21%

\*Source: IPD Quarterly Universe

## 12. Sectoral weightings

The sectoral weightings of the Property Portfolio can be summarised as follows:

<i>Sector</i>	<i>As a percentage of Market Value</i>	
	<i>Property Portfolio</i>	<i>IPD Quarterly Version of Monthly Index Funds*</i>
All Retails	24.22%	46.50%
All Offices	43.58%	30.82%
All Industrials	30.13%	17.83%
Other Commercial	2.07%	4.85%

\*Source: IPD Quarterly Version of Monthly Index Funds

### 13. Sub-sector weightings

The sub-sector weightings of the Property Portfolio can be summarised as follows:

<b>Sector</b>	<b>As a percentage of Market Value</b>	
	<b>Property Portfolio</b>	<b>IPD Quarterly Version of Monthly Index Funds*</b>
High Street Retail – South East	6.03%	6.36%
High Street Retail – Rest of UK	—	8.79%
Shopping Centres	—	6.67%
Retail Warehouses	18.19%	24.68%
Offices – City (including Mid-Town)	4.47%	4.10%
Offices – West End	4.02%	10.56%
Offices – South East	16.98%	10.27%
Offices – Rest of UK	18.10%	5.89%
Industrial – South East	4.63%	9.76%
Industrial – Rest of UK	25.51%	8.07%
Other	2.07%	4.85%

\*Source:IPD Quarterly Version of Monthly Index Funds

### B. TENANCY CHANGES

#### *Focus*

On 5 May 2011 it was announced that Focus had entered into administration. The administrators were appointed by the secured creditors of Focus under the provisions of paragraph 14 of Schedule B1 to the Insolvency Act 1986 and following applications to the court by the directors of Focus.

## PART IV

### Valuation Report

Jones Lang LaSalle Limited  
22 Hanover Square  
London  
W1S 1JA

The Directors  
Standard Life Investments Property Income Trust Limited  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey GY1 3QL

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

Dickson Minto W.S.  
Broadgate Tower  
20 Primrose Street  
London EC2A 2EW

6 June 2011

Dear Sirs

#### **VALUATION OF PROPERTY ASSETS HELD BY STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST LIMITED**

##### **1. Introduction**

In accordance with our engagement letter dated 23 May 2011 with Standard Life Investments Property Income Trust Limited (the "Company"), we have considered the properties referred to in the attached schedule (the "Schedule") in order to advise you of our opinion of the Market Value (as defined in paragraph 7.1 below) as at 31 March 2011 (the "Valuation Date") of the freehold (or heritable title) or long leasehold interests (as appropriate) in each of the properties (the "Properties"). The Schedule also includes the value of each of the Properties as at 31 December 2010. We are required to include these values as at 31 December 2010 (being the date the Company's last audited accounts are made up to) by paragraph 130 of CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no 809/2004. We are also required to include an explanation of the differences between the valuations as at 31 December 2010 and 31 March 2011. This explanation is included in the Schedule. This report is dated 6 June 2011.

##### **2. Inspections**

All the Properties have been seen internally by us and we confirm that all of the Properties have been re-inspected within the past 12 months.

##### **3. Compliance with Valuation Standards and the Listing Rules**

We confirm that the valuations have been made in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book") as well as the Listing Rules published by the Financial Services Authority.

#### **4. Status of valuer and conflicts of interest**

We confirm that we have undertaken the valuations acting as External Valuers as defined in the Red Book, qualified for the purpose of the valuations.

As you are aware, we currently value all of the Properties on a quarterly basis on behalf of the Company.

#### **5. Purpose of the valuation report**

We understand that this valuation report and Schedule (the "Valuation Report") are required for inclusion in a prospectus concerning the proposed Placing and Open Offer of Ordinary Shares in the Company and the Conversion.

We also understand that this Valuation Report will be relied upon by the Company, Winterflood Securities and Dickson Minto W.S.

The matters referred to above are collectively defined as the "Purpose of this Valuation Report".

In accordance with UKPS 5.4, we have made certain disclosures in connection with this valuation instruction and our relationship with the Company, the Investment Manager and other members of the Standard Life Group. These are included in item 6 below.

#### **6. Disclosures required under the provisions of UKPS 5.4**

##### **6.1. Previous valuations of the Properties**

We have undertaken previous valuations of the Properties on a quarterly basis since 31 December 2007.

##### **6.2. Jones Lang LaSalle Limited 's relationship with client**

Jones Lang LaSalle currently undertakes valuation services on behalf of three other property portfolios within the Standard Life Group. Some of the Properties are managed by King Sturge, who have recently been acquired by Jones Lang LaSalle. Jones Lang LaSalle are also undertaking rent review negotiations and lease extension discussions on behalf of the Company for the properties situated at Pride Park, Derby and Portrack Lane, Stockton-on-Tees.

##### **6.3. Fee income from the Standard Life Group**

The total fees, including for this assignment, to be earned by Jones Lang LaSalle from the Standard Life Group are less than 5.0 per cent. of the total UK revenues estimated for this financial year.

#### **7. Basis of valuation and net annual rent**

##### **7.1. Market Value**

The value of each of the Properties has been assessed in accordance with the relevant parts of the RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value, we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2. The RICS considers that the application of the Market Value definition provides the same result as Open Market Value, a basis of value supported by previous editions of the Red Book.

Subject to the contents of this Valuation Report, we are of the opinion that the aggregate value of the Properties at 31st March 2011, on the basis of Market Value is: £164,265,000 (One hundred and sixty four million two hundred and sixty five thousand pounds). We confirm that there has been no material change in the aggregate valuation of the Property Portfolio between 31st March 2011 and the date of the publication of the prospectus in which our Valuation Report appears.

## **7.2. Net annual rent**

The net annual rent ("Net Annual Rent") for each of the Properties is referred to in the Schedule. Net annual rent is defined in the Listing Rules as "the current income or income estimated by the valuer:

- (i) ignoring any special receipts or deductions arising from the property;
- (ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) after making deductions for superior rents (but not for amortisation) and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

The Schedule also includes the estimated net annual rent ("Estimated Net Annual Rent") of each of the Properties. The Estimated Net Annual Rent is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

## **7.3. Taxation and costs**

We have not made any adjustments to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

## **8. VAT**

We have been advised by the Investment Manager that the option to tax has been exercised in respect of all the Properties.

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

## **9. Assumptions and sources of information**

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. The Company has confirmed that we may make the Assumptions for the purposes of our valuations. In the event that any of these Assumptions prove to be incorrect, then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:

### **9.1. Title**

We have not had access to the title deeds of the Properties. Save as disclosed in the reports on title in relation to the Properties comprising the Property Portfolio prepared by Addleshaw Goddard LLP and Dundas & Wilson LLP (the "Reports on Title") and the update report in relation to the Properties comprising the Property Portfolio prepared by Dickson Minto W.S. dated 1 June 2011 (the "Update Report") we have made an Assumption that the Properties have good and marketable title in each case and that the Properties are free from any onerous or hampering restrictions or conditions. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have only reflected the information contained within the Reports on Title and the Update Report which is pertinent to our valuations as at the valuation date.

### **9.2. Condition of structure and services, deleterious materials, plant and machinery and goodwill**

We have been provided with copies of building condition surveys carried out for all of the Properties purchased since our first valuation on 31 December 2007 on behalf of the Investment Manager (the

"Condition Surveys"). We have reflected the contents of the Condition Surveys in undertaking our valuations.

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used or are present in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect. For the purposes of these valuations, unless otherwise informed by the Company or its advisers, or as set out in any building surveys provided to us, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the sites of the Properties are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon. In the absence of any information to the contrary, we have also made an Assumption that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties and that the Properties are free from rot infestation or structural or latent defect.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. We have made an Assumption that, save as disclosed in any reports, all services to the Properties are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the Properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupation of any of the Properties. Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

All measurements, areas and ages quoted in our report are approximate.

It is a condition of Jones Lang LaSalle Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services. We have otherwise had regard to the age and apparent general condition of the Properties but comments made in the property details do not purport to express an opinion about or advise upon the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

### **9.3. Environmental matters**

We have been provided with Environmental Assessments for each of the Properties purchased since our first valuation on 31 December 2007. For those properties with contamination, our valuation includes our opinion of the market's likely perception of the issues involved.

Should it be established subsequently that contamination exists on any of the properties or on any neighbouring land, or that they have been or are being put to any contaminative use other than revealed in the Environmental Assessments, this might reduce the values reported.

Accordingly and in the absence of any information in the Environmental Assessments to the contrary, and in the absence of such assessment, we have assumed the following unless advised by the Investment Manager:

- (i) the properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (ii) any processes carried out on any of the properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; and
- (iii) that the properties possess current Energy Performance Certificates ("EPCs") as required under the Energy Performance of Buildings Directive.

#### **9.4. Areas**

We have measured certain of the Properties, or parts of Properties, on site and have calculated the floor areas in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors (the "Code").

The Investment Manager has provided us with the floor areas of the remaining Properties or parts thereof. As instructed, we have relied on these areas and have made an Assumption that they have been calculated in accordance with the Code.

#### **9.5. Statutory requirements and planning**

For all Properties purchased since our initial valuation on 31 December 2007 we have seen Reports on Title.

We have made an Assumption that, save as disclosed in the Reports on Title and the Update Report, or as advised to us by the Investment Manager, the buildings have been constructed in full compliance with valid town planning, and with all statutory and local authority requirements including building, fire and health and safety regulations, and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless the Reports on Title and the Update Report have revealed the contrary, we have made a further Assumption that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply. We have also made the Assumption that only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for each Property to comply with the provisions of the Disability Discrimination Act 1995.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and, save as disclosed in the Reports on Title and the Update Report, we have made an Assumption that the Properties comply with all relevant statutory requirements.

#### **9.6. Leasing**

We have not read copies of the leases or other related documents. However, we have relied on tenancy schedules provided to us by the Investment Manager, the tenancy summaries contained in the Reports on Title and discrepancies in the existing tenancy schedule highlighted by the Update Report for the purposes of our valuations.

We have not undertaken credit enquiries into the financial status of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have made an Assumption that the tenants are financially in a position to meet their obligations. Unless otherwise informed by the Investment Manager, we have also made an Assumption that there are no material arrears of rent or service charges, breaches of covenants, or current or anticipated tenant disputes. However, our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and a purchasers' likely perception of the financial status of the tenants.

#### **9.7. Lettings**

Except to the extent disclosed in the Reports on Title and the Update Report, or as advised to us by the Investment Manager we have made an Assumption that:

- (i) wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits;
- (ii) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (iii) there are no tenants' improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (iv) tenants will meet their obligations under their leases, and are responsible for insurance and payments of business rates; and are responsible for all repairs, whether directly or by means of a service charge;
- (v) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

- (vi) where more than 50 per cent. of the floor space of a property is in residential use the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest, and therefore disposal into the open market is unrestricted;
- (vii) appropriate permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (viii) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

#### **9.8. Insurance**

We have assumed appropriate insurance cover is and will continue to be available on commercially acceptable terms, for example, in regard to Composite Panels, Terrorism and Flooding.

#### **9.9. Information**

In undertaking our valuations, we have carried out our work based upon information supplied to us by the Investment Manager and their advisors, including building surveyors' reports, environmental reports, the Reports on Title and the Update Report. We have also relied on information and advice supplied by the Investment Manager in respect of outstanding costs or retentions where works have been completed or are ongoing. We have relied on information and advice supplied by the Investment Manager in respect of costs by way of planning obligations affecting the Properties either as a result of development that has occurred or in respect of future planning obligations in the case of development which may occur in the future. Similarly, we have relied on information and advice supplied by the Investment Manager relating to future development costs and the likely irrecoverable cost of works and repairs to defects revealed by the various Condition Surveys. In each case, we have reflected this advice in our valuations.

We have made an Assumption that the information the Investment Manager and its professional advisers have supplied to us in respect of the Properties is both full and correct. It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

#### **10. Valuation**

We are of the opinion that the aggregate of the Market Values as at the Valuation Date, being 31 March 2011, of the freehold (or heritable title) or leasehold interests in each of the Properties described in the Schedule, subject to the Assumptions and comments in this Valuation Report, were as follows:

Freehold (or Heritable Title)	£132,540,000	(One hundred and thirty two million five hundred and forty thousand pounds)
Long Leasehold	£31,725,000	(Thirty one million seven hundred and twenty five thousand pounds)
TOTAL	£164,265,000	(One hundred and sixty four million two hundred and sixty five thousand pounds)

A small part of the building and part of the site at Crostons Retail Park, Bury, is held on a long lease but for the purposes of the above figures the value of the property has been included within the freehold category.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

#### **11. Consent and responsibility**

Jones Lang LaSalle Limited hereby gives its consent to the inclusion of this Valuation Report in the Prospectus and to the references to this Valuation Report and Jones Lang LaSalle Limited in the Prospectus in the form and context in which they appear. Jones Lang LaSalle Limited authorises, and

accordingly takes responsibility for, the contents of this Valuation Report for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules and confirms that the information contained in this Valuation Report is, to the best of our knowledge and having taken all reasonable care to ensure that is the case, in accordance with the facts and contains no omission likely to affect its import.

## **12. Confidentiality and disclosure**

The contents of this Valuation Report and Schedule may be used only for the purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the Valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not Jones Lang LaSalle Limited are referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

David B. Collins, Director  
For and on behalf of  
Jones Lang LaSalle Limited

### Schedule to the Valuation Report

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
1/1A, Marsh Way, Fairview Industrial Park, Rainham, Essex	Leasehold. Two circa late 1970s inter-connecting warehouses with integral two storey office accommodation sited on a secure compound and providing accommodation of approximately 7,626 sq m (82,090 sq ft) GIA. There are 9 loading doors and an extensive yard area. Total site area circa 1.43 ha (3.53 acres) with a site coverage of around 50%.	Let on a single 10 year lease to Yusen Air & Sea Service UK Ltd, with a tenant option to break 30 June 2012	512,544	410,000	4,750,000	4,850,000	Equivalent Yield increased by 10 basis points and capitalisation period of income shorter by 3 months until lease break option date.
31/32 Queen Square, Bristol	Freehold. Four storey mid terrace office building with a total net internal area (NIA) of approximately 1,219 sq m (13,124 sq ft) and basement parking (10 cars). The building occupies a historic location but was constructed in the early 1960s and refurbished in the late 1990s. The offices have raised floors and suspended ceilings. Air cooling is installed and there is a passenger lift.	Ground and first floors let on a single 15 year lease expiring on 31 August 2014, to Toshiba Research Europe Ltd  Second and third floors let on a 10 year lease to PLLS Ltd who have an option to break on 1 March 2012	300,000	230,000	2,850,000	2,900,000	Void allowance increased by 3 months on lease to PLLS Ltd and capitalisation period of income shorter by 3 months until lease end/break option dates.
B&Q, Crostons Retail Park, Bury	Part freehold/part leasehold. Two retail warehouses arranged in an 'L' shape fronting a car park. The site was developed in the late 1980s and provides approximately 5,861 sq m (63,093 sq ft) GIA of retail warehouse and ancillary accommodation arranged over ground and first floors. Built into each unit are first floor ancillary blocks with offices and staff facilities. To the side of the B&Q is a garden centre. To the front and side of the site is a shared car park with around 270 spaces.	The larger of the two units is let to B&Q PLC on a 35 year lease expiring on 23 June 2022, with the next 5 yearly rent review scheduled for 24 June 2012  The smaller unit let on a 125 year lease, expiring on 30 March 2133, to Netto Foodstores Ltd	392,150	350,000	5,600,000	5,600,000	

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Bathgate Retail Park, Bathgate	Freehold. The property comprises four retail warehouses, which were purpose built in the late 1990s. The units provide a total floor area (GIA) of around 4,197 sq m (45,175 sq ft) and there is shared parking for approximately 200 cars. Unit 1 is now used as a Dental Practice.	Comprises 4 units, advertising hoarding, wayleave and snack van pitch  George Street Dental Practice occupy one unit on a 20 year lease, with a break option on 28 February 2021 and next rent review scheduled for 28 February 2016.  Focus DIY Limited (entered into administration post valuation date) hold one unit on a 25 year lease expiring 9 October 2022, with the next 5 yearly rent review scheduled for 28 November 2012  Lidl UK GMBH occupied one unit on a 25 year lease expiring 23 May 2024, with the next 5 yearly rent review on 24 May 2014  Argos Distributors Ltd occupy one unit on a 25 year lease expiring on 9 October 2022, with the next 5 yearly rent review on 10 October 2012  The advertising hoarding and wayleave tenants were held over at 31 March 2011	453,125	487,433	5,925,000	5,800,000	New lease to George Street Dental Practice. Equivalent yield reduced by 10 basis points.
Bourne House, The Causeway, Staines	Freehold. Early 1990s two storey office building refurbished circa 2005. The accommodation is arranged in mainly open plan layout with an "L" shape configuration on plan and extends to approximately 2,324.5 sq m (25,022 sq ft) NIA. The specification includes double glazed windows, suspended ceilings, raised floor and heating/cooling by 4-pipe fan coiled units. There is parking for approximately 102 cars.	Bourne House let on a 25 year lease expiring 24 March 2016 to UB Group Ltd  Electricity Substation let on a 99 year lease expiring 31 December 2087 to SSE Services plc	816,000	480,000	8,375,000		
Chancellors Place, Broomfield Road, Chelmsford, Essex	Freehold. Three self contained buildings with a total area (NIA) of approximately 2,361 sq m (25,414 sq ft). Onslow House dates from the 19th century whilst Lyttleton and Kreston House were constructed in the 1990's. The property has secure basement parking for 55 vehicles. Lyttleton and Kreston Houses have air cooling and raised floors. Onslow House is subject to a 999 year lease at a peppercorn rent.	Lyttleton House & 28 spaces let to Halifax Equitable Ltd on a 25 year lease expiring on 24 December 2015  Kreston House & 24 spaces let to BDO LLP on a 25 year lease expiring on 24 December 2015  Onslow House & 8 spaces let to LB Group Ltd on a 999 year lease expiring on 2 December 3009	502,550	355,000	4,875,000	5,000,000	Equivalent yield increased by 20 basis points.

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Clough Road Retail Park, Kingston-upon- Hull	Freehold. Terrace of bulky goods retail warehouses constructed in circa mid 1990s and divided into four units plus one large standalone unit on adjoining self contained site. All units have a secure yard and loading area plus car park. The property extends to approximately 8,887 sq m (95,660 sq ft) GIA and there are circa 300 car spaces.	Comprises 5 units  Unit 1 leased to Dreams Plc on a 15 year lease expiring on 13 September 2025 with the first 5 yearly rent review scheduled for 14 September 2015  Unit 2 leased to Yorkshire Bed Company Ltd on a 15 year lease expiring 16 September 2019. Tenant has a rent concession.  Units 3 & 4 leased on separate 25 year leases to DSG Retail Ltd, with both leases having expiry dates of 23 June 2021 and the next scheduled rent reviews on 24 June 2011  Unit 5 is let to Business Dreams Ltd on a 20 year lease expiring 10 August 2024. Next rent review 10 August 2014. There is a rent concession in place.	705,902	810,000	9,500,000	9,500,000	
Units 2001/2, Ravens Park, Coal Road, Seacroft, Leeds	Freehold. Two detached industrial units constructed circa 2000, both having ancillary integral office space, and self contained and secure yards plus car parking areas. Both have an eaves height of c 7.5m (24ft 7 ins.) and occupy a site of approximately 1.33 ha (3.28 acres) giving a site coverage of around 40%. The property provides a total GIA of around 5,367 sq m (57,775 sq ft).	Unit 2001 let to Concept Data Display Ltd on an 18 year lease, expiring on 23 August 2019, with the final rent review scheduled for 24 August 2014  Unit 2002 let on a 15 year lease expiring on 4 November 2016 to Vision Alert Automotive Ltd, with the final rent review scheduled for 5 November 2011	294,810	294,810	3,370,000	3,370,000	
Crittall Road, Witham, Essex	Freehold. Detached warehouse unit extending to approximately 5,326 sq m (57,328 sq ft) GIA with associated external areas. It provides integral two storey offices (approx 13% of total area) to the southern side, 8 roller shutter doors and an eaves height of approximately 6m (19 ft 8 ins.). Four other areas within the freehold ownership have been sold off by way of 999 year leases.	Perry Ellis Europe Ltd have leased the Farah Unit, Motts Lane & 49 spaces on a 25 year lease expiring 18 January 2016  Plot 1, Colchester Road is let to TMC Haulage Ltd on a 999 year lease expiring 20 March 3002  RJ Beckworth & NJ Beckworth have leased Plot 2, Colchester Road for 999 years expiring 11 October 2999  David John French has leased Plots 4 & 5, Colchester Road for 999 years expiring 14 December 2999  Elizabeth Clery has a lease on Plot 3 for 999 years expiring 10 October 3000	350,200	185,200	2,850,000	2,900,000	Rental value reduced by £15,000 per annum.

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Windsor Court & Crown Farm, Mansfield, Nottinghamshire	Leasehold. 5 Warehouse units in two terraces arranged around a central yard and a separate site containing a standalone unit. In total, the premises provide a total GIA of around 8,255 sq m (88,859 sq ft.) on a site extending to around 1.95 ha (4.82 acres). The buildings date from around the mid 1990s and have eaves heights varying between 6 and 8.5m (19ft 8 ins and 27ft 10 ins.). There are two storey integral offices in each unit.	W&J Linney Ltd have a 10 year lease expiring on 3 February 2014, for Units 1, 2 & 3 and 105 car spaces  Ionbond Ltd occupy Unit 4 on a 20 year lease, with a break option 31 May 2013  Nottingham Police Aid Convoy occupy Unit 5 and 41 spaces on a short term lease.  Plot 1B Crown Farm is vacant.	185,180	378,000	3,000,000	3,050,000	Rent free periods factored into lease expiry/break option events.
De Ville Court, Heath Road, Weybridge, Surrey	Freehold. Composite building of both modern and older construction. The modern 3 storey block was built in the late 1990s and is connected via a single storey link to a former 2 storey coach house. The total floor area (NIA) is approximately 1004.2 sq m (10,810 sq ft) and the property is set in its own grounds including a surfaced car park for approximately 58 cars. Amenities for the 1990s building include air conditioning, double glazing, raised floors, suspended ceilings and an 11 person lift.	Let to Alliance Unichem plc on a near 16 year lease expiring on 24 March 2015.	281,944	260,000	2,800,000	2,850,000	10 basis points increase on equivalent yield
Parcelpoint, Portrack Lane, Stockton-on-Tees	Freehold. Detached industrial unit dating from the 1980s and internally subdivided to provide warehouse space, offices and staff facilities. The unit has a car park and secure service yard. Site area is approximately 1.09 ha (2.7 acres), site cover circa 28% and eaves height circa 5.50m (18 ft). The property extends to around 3,037.2 sq m (32,693 sq ft.) GIA.	Unit let on a 15 year lease expiring 28 September 2014 to Parcelpoint Limited	127,500	127,500	1,270,000	1,270,000	
Drakes Way Business Centre, Marlowe Avenue, Swindon	Freehold. A large irregularly shaped site accommodating four principal industrial buildings of various ages, dating from the 1960s. The buildings provide a combined total area (GIA) of approximately 13,057.7 sq m (140,557 sq ft.). The total site area is approximately 3.1 ha (7.66 acres), with a site coverage of around 40%. The buildings are outmoded by contemporary standards.	Let on a single 20 year lease expiring 11 December 2014 to Norcross Group (Holdings) Ltd	825,723	395,000	6,250,000	6,250,000	

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Esporta, Sidcup Bypass, Chislehurst, London	Freehold. A purpose built two storey gym premises extending to approximately 2,371 sqm (25,522 sq ft) GIA. Facilities include spa treatment rooms, air conditioned gym, 25m swimming pool, restaurant, 3 all weather tennis courts and 165 car parking spaces. The site totals at approximately 4.45 ha (11 acres).	A health club let on a single 35 year lease to Esporta Chislehurst Ltd who have a break option on 31 October 2028, with the next 5 yearly rent review scheduled for 31 October 2013 and subject to a fixed increase. The parties are in discussion to vary the terms of the lease.	289,482	255,000	3,400,000	3,400,000	
Focus DIY, Gateway Eleven Business Park, Wymondham, Norwich	Freehold. Stand alone retail warehouse comprising approximately 2,446.4 sq m (26,334 sq ft) GIA. The building, of steel portal frame construction, dates from around 2007/8 and has an external garden centre and parking for approximately 120 cars.	Focus (DIY) Ltd (entered into administration post the valuation date) hold a 25 year lease expiring 28 September 2033, with the first 5 yearly rent review on 29 September 2013	426,303	395,000	5,450,000	5,450,000	
Halfords, Hamilton Street, Paisley	Freehold. A detached retail warehouse unit of circa 1,873 sq m (20,161 sq ft) GIA built for Halfords around 1980. The site extends to circa 0.49 ha (1.20 acres) and site cover is around 40%. There is parking for approximately 90 cars.	This retail warehouse is let to Halfords Ltd on a 25 year lease expiring 9 January 2014	236,034	236,034	2,050,000	2,050,000	
Hollywood Green, Wood Green, London	Freehold. The property comprises a self-contained leisure scheme including a cinema, a public house, two restaurants, a retail unit and a small supermarket. All units are located on the ground floor with the cinema on the upper floors. The property totals at approximately 5,945.6 sq m (64,000 sq ft) GIA with rear service access.	Mixed use retail and cinema Unit 1 leased on a ten year lease to Sam 99p Ltd, who have a break option 23 November 2014 Nando's Chickenland Ltd hold Unit 2 on a 25 year lease expiring on 24 December 2024, with the next 5 yearly rent review due 25 December 2014 McDonalds Restaurants Ltd occupy Unit 3 on a 25 year lease expiring on 24 December 2024, with the next 5 yearly rent review due 25 December 2014 Sainsbury's Supermarkets Ltd occupy Unit 4 on a 15 year lease expiring on 19 January 2025, with the first 5 yearly rent review due to occur as of 20 January 2015 JD Wetherspoon Plc occupy Unit 5 on a 25 year lease expiring on 24 December 2024, with the next 5 yearly rent review due 25 December 2014 The Cinema Unit is occupied by Vue Entertainment Ltd on a 20 year lease expiring on 1 December 2029, with the first 5 yearly rent review scheduled for 2 December 2014 The Toilet Block is leased to London Bus Services Limited, this tenant was holding over at 31 March 2011	659,885	711,000	9,900,000	9,900,000	

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Hydrasun, Gateway Business Park, Moss Road, Aberdeen	Freehold. Recently built Industrial/Office building on a site extending to 1.76 ha (4.35 acres) in the south east corner of a larger development - Aberdeen Gateway. The overall scheme is approximately 18.2 ha (45 acres) of mixed use development. The building extends to approximately 8,579 sq m (92,350 sq ft) GIA, and has an additional canopied area of around 1,695.4 sq m (18,250 sq ft). There are car parking areas as well as yard and lorry parking spaces.	Let on a single 20 year lease to Hydrasun Ltd expiring on 12 December 2030 with the first of 5 yearly rent reviews scheduled for 13 December 2015.	1,000,000	1,000,000	13,975,000	13,200,000	Capital payment to developer
Lister House, Lister Hill, Horsforth, Leeds	Freehold. Detached four storey office building constructed circa 1990 with accommodation arranged around a central core including passenger lift, toilets and kitchen facilities. The property extends to approximately 1,311 sq m (14,115 sq ft) NIA and there are 51 marked car spaces. The specification includes raised floors and air cooling to parts. The third floor is unlet.	Ground floor + 13 spaces let to Phoenix Life Ltd on a 25 year lease expiring on 5 December 2016, with the final rent review effective 6 December 2011  First floor + 14 spaces let to TenetConnect Services Limited on a 10 year lease expiring on 23 November 2013  Second floor + 14 spaces let to Advertising Principles (Group) on a 25 year lease expiring 30 September 2015  Third floor + 10 spaces, as well as space to rear of building vacant	145,045	152,250	1,350,000	1,500,000	Rental value reduced by £14,100 per annum and equivalent yield increased by 40 basis points.
Eurolink 31, Mildred Sylvester Way, Normanton, Wakefield, West Yorkshire	Freehold. A development of four detached industrial units within a secure compound, each having integral office space and staff facilities. The property extends to approximately 4,569 sq m (49,181 sq ft) GIA. Constructed circa mid 1990s of steel portal frame construction. Eaves heights vary from circa 5.25 - 6m (17ft 3 ins - 19ft 8 ins). Site area is c 1.06 ha (2.62 acres) with a site cover of around 45%.	Aquados Ltd hold unit A on a lease terminating on 23 January 2015, as well as Unit C (including 19 spaces) on a 10 year lease, with a break option 15 December 2015. They also hold a further 5 year lease for 6 additional parking spaces adjacent to Unit A with expiry on 23 January 2015, subject to a mutual break option on 3 months notice.  ACF Car Finance Limited occupy Unit B on a 5 year lease, with a break clause on 18 November 2012  Unit D is let to Sargent Connector Systems Ltd on a 10 year lease expiring 19 May 2015	180,150	225,650	2,100,000	2,100,000	

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Ground Floor, New Palace Place, Monck Street, Westminster, London	Leasehold. The property comprises 9 mixed use units & 3 retail kiosks on the ground floor only of 3 detached, 7 storey buildings fronting Monck Street. In total, the buildings, developed circa 2004/05, provide 1,727.6 sq m (18,596 sq.ft.) NIA of retail & office space. Above are 6 storeys of residential units, which do not form part of the demise.	9 non-identical retail and office units & 3 kiosks Hon See Tsang occupy a unit on a 15 year lease expiring on 9 August 2020. Next rent review 10 August 2015 Tesco Stores Ltd occupy a unit on a 15 year lease expiring 26 June 2020, with the final rent review scheduled for 27 June 2015 Henningsun Durham and Richardson International Limited occupy an office unit on a 7 year lease, but with an option to break 31 May 2013 Galliard Homes Ltd occupy a unit on a 15 year lease expiring 14 June 2020, with the final rent review date being 15 June 2015 Sports Bookmakers (T/A Coral) occupy a unit on a 15 year lease with an expiry date of 13 March 2021, with the next 5 yearly rent review on 14 March 2016 Rent guarantees for one empty unit and one empty kiosk are being collected until 7 September 2012 A kiosk is let to Prime Coffee Company Ltd on a 25 year lease, with a break option on 22 January 2013 Andreas Zacharia hold a kiosk on a 15 year lease expiring on 30 June 2020, with the final rent review date being 1 July 2015	546,573	550,110	6,600,000	6,600,000	
Northern and Shell Tower, Selsdon Way, Docklands, London	Leasehold. Office building dating from the 1980's and comprising approximately 5,001 sq m (53,832 sq ft) NIA of office and ancillary accommodation arranged over ground and seven upper levels with raised floors, suspended ceilings, Cat II Lighting, 3 passenger lifts, air conditioning and 55 car spaces.	Leased to Northern and Shell plc on a 25 year lease expiring 18 December 2022, with the next 5 yearly rent review scheduled for 18 December 2012	908,900	650,000	11,850,000	11,450,000	Equivalent/initial yield reduced by 25 basis points

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 £ and 31 March 2011
Ocean Trade Centre, Altens Industrial Estate, Aberdeen	Feuhold. The property comprises 25 self contained terraced industrial units, built approx 20 years ago in 2 phases, with car parking and circulation space. The units provide approximately 9,725 sq m (104,681 sq ft) GIA of industrial accommodation, and each unit has a small element of offices. Units 1-13 share a communal yard area and units 14 -25 have separated, self contained yard/car parking space.	Comprises 25 units, of which 4 vacant and 21 let on 15 leases. M.E.T.S. (UK) Ltd occupy 3 units on a 9 year and a 10 year lease, both expiring on 14 May 2015 Power Utilities Ltd occupy a unit on a 9 year lease, with lease expiry on 31 July 2011 (5 year extension agreed) Kerry Foods Ltd also occupy a unit on a 10 year lease, with lease expiry on 8 December 2012 C21 Data Services Ltd similarly occupy a unit on a 6 year lease, with lease expiry on 2 February 2012 Eden Springs UK Ltd hold a unit on a 5 year lease, expiring on 17 February 2013 WellMack Resources Ltd hold a unit on a 4 year lease expiring on 2 January 2012 Pipeline Engineering & Supply Company Ltd hold a unit on a 10 year lease, but have an option to break on 30 June 2013 Tyco Fire & Integrated occupy 6 units on a single 15 year lease, with lease expiry on 25 July 2014 Kooltech Ltd hold a unit on a 5 year lease expiring on 17 February 2013 Viking Life Saving Equipment Ltd hold 2 units on 38 and 28 year leases, expiring on 31 July 2020, with the next rent reviews for both scheduled on 1 August 2015 City Link (Properties) No. 1 Ltd occupy 3 units on a 10 year lease and have an option to break on 5 November 2012	638,547	746,288	7,800,000	7,800,000	
Parcelnet Warehouse, Wingates Industrial Park, Westhoughton, Bolton	Leasehold. A circa 2005 built industrial unit of approximately 3,301 sq m (35,534 sq ft) GIA forming part of a larger industrial estate. Approximate site area 1.05 ha (2.58 acres) with around 30% site coverage. There are surfaced yard spaces to the front and rear of the unit. Set into the front elevation are 7 loading doors with 3 dock level loaders at the rear. To the front of the building are integral offices.	Let on a single 15 year lease to Hermes Parcelnet Ltd expiring on 31 May 2020, with the next 5 yearly rent review scheduled on 1 June 2015	182,825	182,825	2,325,000	2,325,000	

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Interfleet House, Pride Park, Derby, Derbyshire	Freehold. Two storey office unit located on business park constructed in the late 1990s. Accommodation comprises approximately 2,670 sq m (28,735 sq ft) NIA and there are 120 parking spaces. The building has double glazed aluminium framed windows, suspended ceilings with recessed lighting and air cooling.	Let on a 15 year lease, expiring on 22 July 2019, to Interfleet Technology Ltd, with the next 5 yearly rent review scheduled for 23 July 2014	390,000	390,000	4,915,000	4,915,000	
Phase II, Teletlink, Swansea Vale, Swansea	Leasehold. Purpose built call centre, but now used mainly as offices, providing accommodation extending to around 3,538 sq m (38,084 sq ft) NIA. Built in the late 1990s, it is mainly single storey with two storey offices at the front and constructed in L shaped configuration on plan. Specification includes raised floors and suspended ceilings. Air conditioning to the main section was provided by the tenant. Externally, there is parking for around 225 cars.	Let on a 15 year lease expiring 15 June 2014 to the Welsh Development Agency	361,000	361,500	3,200,000	3,200,000	
Tesco Warehouse, Wingates Industrial Park, Westhoughton, Bolton	Freehold. A substantial distribution warehouse, built circa 2006, with a GIA of approximately 25,607 sq m (275,638 sq ft) on a site of circa 5.7 ha (14 acres). Approximate site cover is 45%. There is a 2 storey, self contained office block to the front. Warehouse eaves height approximately 14 m (46ft)	Let on a single 10 year lease to Tesco Stores Ltd, expiring on 26 September 2016, with a rent review scheduled for 27 September 2011	1,189,323	1,189,323	14,060,000	14,060,000	
Turin Court, Bird Hall Lane, Cheadle Heath, Stockport	Freehold. A detached 4 storey office building providing accommodation extending to approximately 2,218 sq m (23,875 sq ft) NIA. To the rear of the property is a secure tarmac surfaced car park providing around 100 spaces. The building is air conditioned and dates from around 2005.	Let on a single 15 year lease to Emcor Group (UK) Plc, with a tenant break on 25 July 2016 and rent review date of 24 July 2011	340,850	330,000	3,450,000	3,450,000	
Unit 14, Interlink Park, Bardon, Leicestershire	Freehold. A mid 1990s warehouse unit. The property extends to approximately 3,042.2 sq m (32,747 sq ft) GIA and has one dock leveller and one level access bay. Eaves height between 6.25m (20ft.6ins) and 7.81m (25ft.7ins) and site coverage is circa 50%. There are two floors of offices to the front.	Let on a single 13 year lease to Babcock Critical Services Ltd, with a break option to terminate on 5 January 2016.	—	155,500	1,725,000	1,675,000	New Lease terms reflected

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable £	Estimated Net Annual Rent £	Market Value 31 March 2011 £	Market Value 31 December 2010 £	Explanation for Change in value between 31 December 2010 and 31 March 2011
Unit, Wardley Industrial Estate, Worsley, Manchester	Freehold. A first generation vacant retail warehouse. The property extends to approximately 3,304.3 sq m (35,568 sq ft) GIA and occupies a site area of circa 1.2 ha (2.96 acres). The building incorporates a 2 storey office pod to the front and mezzanine floor to the rear. The front part of the site has a sloping car park with circa 250 spaces and there is an open garden centre and loading yard.	Vacant	—	160,000	1,350,000	1,350,000	
White Bear Yard, Clerkenwell, London	Freehold. A former 1920's warehouse converted into office accommodation in the late 1990's. It provides approximately 1,984 sq m (21,356 sq ft) NIA of offices over ground floor and four upper floors. The specification includes metal framed double glazed windows, a combination of gas fired central heating and comfort cooling, and either raised floors or perimeter trunking.	Ground floor - 7 Backhill office let to B&W Group Ltd on a 10 year lease, with an option to break on 14 November 2013.  Ground floor - White Bear Yard occupied by Mendeley Ltd on a 5 year lease, with a break option on 2 December 2012. Stepped rent increase 2 April 2011.  Second floor leased by IDEO LLC on a 10 year lease, with next break option on 24 June 2012.  Third and Fourth floors let to Passion Capital Management Ltd on 2 leases of 6 years, expiring on 30 September 2015.	511,751	547,587	7,350,000	7,200,000	Rental value increased by £3,800 per annum
<b>TOTAL</b>			<b>13,754,296</b>	<b>13,001,010</b>	<b>164,265,000</b>	<b>154,965,000</b>	

## PART V

### Financial information on the Company

#### 1. Introduction

The statutory accounts of the Company for the three financial years ended 31 December 2010, in respect of which the Company's auditors, Ernst & Young LLP of Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 4AF, who are members of the Institute of Chartered Accountants in England and Wales, made unqualified reports under The Companies (Guernsey) Laws 1994 to 1996 and the Law are incorporated by reference into this document and are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL

#### 2. Historical financial information

Historical financial information relating to the Company on the matters referred to below is included in the published annual reports and audited accounts of the Company as set out in the table below and is expressly incorporated by reference into this document.

<i>Nature of information</i>	<i>Statutory accounts for period ended</i>		
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
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#### 3. Selected financial information

The information in this paragraph 3 is information on the Company and has been extracted directly on a straight forward basis from the financial information referred to in paragraph 2 of this Part V. Selected audited historical consolidated financial information relating to the Company which summarises the financial condition of the Company for the three periods ended 31 December 2010 is set out in the following table:

	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
<b><i>Net asset value</i></b>			
Net assets (£000)	169,034	169,076	177,445
Equity shareholders' funds (£000)	65,229	65,928	73,331
Net asset value per share (p)	62.7	57.6	64.1
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
<b><i>Consolidated income statement</i></b>			
Rental income (£000)	11,517	11,428	11,451
Profit/(loss) for the period (£000)	(35,132)	(2,180)	13,895
Earnings per share (p)	(36.8)	(2.06)	12.15

#### 4. Operating and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments are set out in the sections headed "Chairman's Statement", "Managers' Review" and "Property Portfolio" in the published statutory accounts of the Company as follows and are expressly incorporated by reference into this document.

<i>Nature of information</i>	<i>Statutory accounts for period ended</i>		
	<i>31 December 2008</i>	<i>31 December 2009</i>	<i>31 December 2010</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Chairman's Statement	3-4	4-6	4-6
Managers' Review	5-10	7-12	7-13
Property Portfolio	9-10	11-12	11-13
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There has been no change in the Company's investment portfolio since 31 December 2010 (being the end of the last financial period of the Company for which annual financial information has been published) that is significant in the context of the whole portfolio.

#### 5. Significant change

Since 31 December 2010 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Group.

#### 6. Significant gross change

The Issue and the Conversion will represent a significant gross change for the Company. If the Issue and the Conversion had occurred on 31 December 2010, the end of the Company's last financial year, and the Placing and Open Offer had been fully subscribed at £25 million the current assets of the Company would have increased by £24.3 million, the Company's non-current liabilities would have reduced by £9,041,060, the share capital would have increased by £535,000, the share premium would have increased by £33.5 million and the realised capital reserves would have decreased by £685,000.

If the Issue and the Conversion had been made on 31 December 2010, the Company would have derived earnings from the investment of the net proceeds of the Issue and the Conversion in the same manner as earnings are derived from its current invested assets that is in accordance with the Company's investment policy. The Conversion and the Issue are not therefore, expected to have a material impact on the Company's earning per share

#### 7. Capital resources

The Company currently has 115,399,999 Ordinary Shares and six million Preference Shares in issue and, if the Issue is fully subscribed and becomes unconditional and the Conversion also becomes unconditional, the Company will have approximately 168 million Ordinary Shares in issue. As at 31 December 2010, the Group had cash, held in sterling, available of approximately £21.2 million, as at 31 March 2011 the Company had cash, held in sterling, available at approximately £13.7 million and has drawn down £84,432,692 under the Bank Facility. Cash inflows and outflows for the Group in the year ended 31 December 2010 and the sources and amounts of those cashflows are set out in the Consolidated Income Statement, Consolidated Cash Flow Statement and related notes in the audited reports and accounts of the Company to 31 December 2010 (pages 26, 29 and 30-48) which are expressly incorporated by reference into this document.

## 8. Capitalisation and indebtedness

The following table shows the capitalisation and indebtedness of the Company (distinguished between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 December 2010, the last date in respect of which financial information on the Company has been audited and published and as at 31 March 2011, the latest practicable date prior to the publication of this document:

	<i>As at</i> <i>31 December</i> <i>2010</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2011</i> <i>£'000</i>
<b>Current debt</b>		
Guaranteed	—	—
Secured	—	—
Unguaranteed/Unsecured	—	—
<b>Total non-current debt</b>		
Guaranteed	—	—
Secured	84,433	84,433
Unguaranteed/Unsecured	9,041	9,177
<b>Shareholders' equity funds</b>		
Share capital	6,671	7,315
Capital redemption reserve	—	—
Other reserves*	66,660	67,919
<b>Total equity</b>	<u>73,331</u>	<u>75,234</u>

\* Includes the Company's reserve and capital reserves.

The information in the table above is unaudited financial information on the Company as at 31 March 2011 and has been extracted from internal management accounting records and has not been reported on by an accountant.

The following table shows the Company's net indebtedness at 31 March 2011.

	<i>£'000</i>
A. Cash	13,692
B. Cash equivalent	—
C. Trading securities	—
D. <b>Liquidity (A + B + C)</b>	13,692
E. <b>Current financial receivable</b>	—
F. Current bank debt	—
G. Current portion of non-current debt	—
H. Other current financial debt	—
I. <b>Current financial indebtedness (F + G + H)</b>	—
J. Net current financial indebtedness (I – E – D)	(13,692)
K. Non-current bank loans	84,433
L. Bonds issued	—
M. Other non-current loans	9,177
N. <b>Non-current financial indebtedness (K + L + M)</b>	93,610
O. <b>Net financial indebtedness (J + N)</b>	79,918
Indirect indebtedness	—
Contingent indebtedness	—

The information in the table above is unaudited financial information of the Company and has been extracted from internal management accounting records as at 31 March 2011 and has not been reported on by an accountant.

## PART VI

### General information

#### 1. General

- 1.1. The Company is a closed-ended investment company and was incorporated with limited liability in Guernsey under The Companies (Guernsey) Law, 1994 with registered number 41352 on 18 November 2003. The Company operates under the Law and regulations made under the Law and its registered office is Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL (Telephone number: +44 (0)1481 745 001). The Company is an Authorised Closed Ended Investment Scheme under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-Ended Investment Scheme Rules 2008 made thereunder. The Company is regulated by the Guernsey Financial Services Commission. As the Ordinary Shares are admitted to the Official List, the Company is required to comply with the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules.
- 1.2. The Property Subsidiary was incorporated with limited liability in Guernsey under The Companies (Guernsey) Law, 1994 with registered number 41351 on 18 November 2003. The Property Subsidiary operates under the Law and regulations made under the Law and its registered office is Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL (Telephone number: +44 (0)1481 745 001). The Property Subsidiary is a wholly owned subsidiary of the Company and the directors of the Property Subsidiary are the same as the Company.
- 1.3. The Investment Manager is a private limited company and was incorporated in Scotland under the UK Companies Act 1985 with the registered number SC111488 on 7 June 1988. The Investment Manager operates under the UK Companies Act 2006 (as amended). Its registered office and principal place of business is at 1 George Street, Edinburgh EH2 2LL (Telephone number: +44 (0)845 272 8810). The Investment Manager is authorised and regulated by the Financial Services Authority.
- 1.4. The Valuer is a private limited company and was incorporated in England and Wales under the UK Companies Act 1985 with the registered number 01188567 on 25 October 1974. The Valuer operates under the UK Companies Act 2006 (as amended). Its registered office and principal place of business is 22 Hanover Square, London W1S 1JA (Telephone number: +44 (0)207 493 6040).

#### 2. Share capital

- 2.1. The issued share capital of the Company (all of which will be fully paid-up) as at the date of this document and immediately following the Conversion and the Issue (on the assumption that 38.5 million new Ordinary Shares are issued pursuant to the Issue) will be as follows:

	<i>No. of shares</i>	<i>Issued Nominal</i>
<i>As at the date of this document</i>		
Ordinary Shares	115,399,999	£1,153,999
Preference Shares	6,000,000	£1,500,000
<i>Immediately following the Conversion and the Issue</i>		
Ordinary Shares	168,899,999	£1,688,999
Preference Shares	—	—

- 2.2. As at the date of this document the Company has no authorised share capital. The Company was incorporated with an authorised share capital of £100 divided into 10,000 Ordinary Shares of 1p each. At incorporation, two Ordinary Shares were subscribed for, nil paid, by the subscribers to the Memorandum. By way of ordinary resolution passed by way of written resolution on 4 December 2003 the authorised share capital of the Company was increased to £2.8 million divided into 130 million Ordinary Shares of 1p each and six million Preference Shares of 25p each. On 27 May 2009 the authorised share capital of the Company was increased to £6.5 million divided into 500 million Ordinary Shares of 1p each and six million Preference Shares. On 24 May 2011 the Articles were amended to remove the authorised share capital.

- 2.3. There have been no changes to the issued share capital of the Company since 31 December 2010, the date to which the last audited accounts of the Company were prepared, with the exception of the following:
- 2.3.1. On 16 February 2011 the Company issued 500,000 Ordinary Shares under the Company's blocklisting facility at a price of 65.00p per share.
- 2.3.2. On 7 March 2011 the Company issued 500,000 Ordinary Shares under the Company's blocklisting facility at a price of 65.00p per share.
- 2.4. The Company's issued share capital history during the last three financial years to 31 December 2010 is as follows:
- 2.4.1. On 1 January 2008 the issued share capital of the Company was 104,000,000 Ordinary Shares and six million Preference Shares.
- 2.4.2. On 1 January 2009 the issued share capital of the Company was 104,000,000 Ordinary Shares and six million Preference Shares.
- 2.4.3. On 10 September 2009 the Company issued 750,000 Ordinary Shares under a blocklisting facility at a price of 53.00p per share.
- 2.4.4. On 11 September 2009 the Company issued 1,000,000 Ordinary Shares under a blocklisting facility at a price of 53.00p per share.
- 2.4.5. On 17 September 2009 the Company issued 500,000 Ordinary Shares under a blocklisting facility at a price of 53.00p per share.
- 2.4.6. On 2 November 2009 the Company issued 1,000,000 Ordinary Shares under a blocklisting facility at a price of 55.25p per share.
- 2.4.7. On 6 November 2009 the Company issued 2,000,000 Ordinary Shares under a blocklisting facility at a price of 55.25p per share.
- 2.4.8. On 9 November 2009 the Company issued 750,000 Ordinary Shares under a blocklisting facility at a price of 55.25p per share.
- 2.4.9. On 11 November 2009 the Company issued 750,000 Ordinary Shares under a blocklisting facility at a price of 54.25p per share.
- 2.4.10. On 12 November 2009 the Company issued 1,500,000 Ordinary Shares under a blocklisting facility at a price of 54.25p per share.
- 2.4.11. On 13 November 2009 the Company issued 2,149,999 Ordinary Shares under a blocklisting facility at a price of 54.25p per share.
- 2.4.12. On 1 January 2010 the issued share capital of the Company was 114,399,999 Ordinary Shares and six million Preference Shares.
- 2.4.13. On 31 December 2010 the issued share capital of the Company was 114,399,999 Ordinary Shares and six million Preference Shares.
- 2.5. The Company issued six million Preference Shares of 25p per share at a value of £1 on 19 December 2003. Under the terms of the Preference Shares they will be redeemed by the Company on the tenth anniversary of admission at a redemption price of £1.7908. The Preference Shares cannot be redeemed earlier. Under the Proposals it is proposed, subject to shareholder approval, to convert these Preference Shares into new Ordinary Shares at a two per cent. premium to the Adjusted NAV per Share. Following the Conversion there will be no Preference Shares left in issue.
- 2.6. No share or loan capital of the Company has been issued or agreed to be issued or, save in connection with the Issue, is not proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.
- 2.7. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

- 2.8. The Company has authority to make market purchases of up to 17,298,459 Ordinary Shares (being 14.99 per cent, of the number of Ordinary Shares in issue as at 24 May 2010 being the date on which such authority was granted by special resolution). The Company may retain any shares so purchased as treasury shares for future re-issue and re-sale or transfer or may cancel any such shares.
- 2.9. A total number of up to 38.5 million new Ordinary Shares are being issued pursuant to the Issue. Fractions of new Ordinary Shares will not be issued.
- 2.10. It is expected that the new Ordinary Shares will be admitted to the Official List and to trading on the Main Market of the London Stock Exchange on 22 July 2011. No dealings will commence before this date.
- 2.11. The result of the Issue is expected to be announced on 18 July 2011 through a Regulatory Information Service.
- 2.12. It is expected that the new Ordinary Shares will be issued in accordance with the Law and pursuant to a resolution of the Board of Directors on 18 July 2011 conditional upon the Admission Condition being satisfied.
- 2.13. The Ordinary Shares issued pursuant to the Issue will be in registered form and will be capable of being held in certificated form and settled through CREST. It is expected that definitive certificates, if applicable, will be posted to allottees within 14 days of the allotment and issue of shares. Temporary documents of title will not be issued. The Issue can not be revoked after dealing has commenced on 22 July 2011. The ISIN number for the new Ordinary Shares is GB0033875286.
- 2.14. The new Ordinary Shares will be issued at the Issue Price being a premium of four per cent. to the Adjusted NAV per Share. Each Ordinary Share has a nominal value of 1 pence each. The New Ordinary Shares will rank *pari passu* with the existing Ordinary Shares, save that they will not be entitled to the Second Interim Dividend.
- 2.15. Winterflood Securities act as market makers in respect of the Ordinary Shares and have agreed to act as market makers in respect of the new Ordinary Shares.
- 2.16. The Property Subsidiary has an authorised share capital of £100 divided into 10,000 ordinary shares of 1p each of which two shares are issued and fully paid and beneficially held by the Company.

### **3. Share capital authorities**

- 3.1. At the General Meeting, Shareholders will be asked to pass the Resolutions, which contain the following operative provisions, some of which will, if passed affect the Company's share capital:
  - 3.1.1. to approve the Conversion, being a Related Party Transaction for the purposes of the Listing Rules of the UKLA;
  - 3.1.2. to approve the subdivision of each Preference Share into 25 new preference shares of 1 pence each in the capital of the Company (the "New Preference Shares") and the conversion of each New Preference Share into an Ordinary Share, each carrying the rights, privileges and subject to the restrictions attached to the ordinary shares as set out in the Articles, as is the amount calculated by dividing the Preference Share Liability on the Conversion Date by an amount equal to 102 per cent. of the Adjusted NAV per Share and the cancellation of any remaining New Preference Shares; and
  - 3.1.3. to approve the issue of: (i) Ordinary Shares on a non pre-emptive basis pursuant to the Issue; and (ii) equity securities, on a non pre-emptive basis, up to an aggregate nominal value of £168,900 being approximately 10 per cent. of the nominal value of the Company's issued share capital following the completion of the Conversion and Issue.
- 3.2. It is expected that the new Ordinary Shares in relation to the Placing and Open Offer will be issued pursuant to a resolution of the Board on or around 18 July 2011 conditional upon Admission.

#### **4. Related party transactions**

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to the Regulation (EC) No 1606/2002) at any time during the two financial periods to 31 December 2010 in respect of which the Company has published statutory accounts or during the period from 1 January 2011 to the date of this document).

#### **5. Memorandum and Articles of the Company**

The Memorandum and Articles of the Company contain provisions, *inter alia*, to the following effect.

##### **5.1. Memorandum**

One of the Company's principal objects is to carry on the business of an investment company. The objects of the Company are set out in full in clause 3 of the Memorandum which is available for inspection at the address specified in paragraph 14 of this Part VI of this document. The Memorandum includes a statement that the Company is a non-cellular Company.

##### **5.2. Votes of members**

Subject to the restrictions referred to below and subject to any special rights or restrictions for the time being attached to any class of shares, every member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative at a general meeting has, on a show of hands, one vote, subject to any voting power or instruction and, on a poll, one vote for every share held by him. The holders of Preference Shares shall not be entitled to attend or vote at any general meeting of the Company, save that in the event of a general meeting being called at which a resolution is proposed to wind up the Company voluntarily, the holders of Preference Shares shall be entitled to attend at such meeting and, on a show of hands, every member holding Preference Shares who (being an individual) is present in person or (being a corporation) is present by duly authorised representative, shall have one vote and on a poll every holder of Preference Shares present as aforesaid or represented by proxy shall have one vote for every share held by him.

##### **5.3. Dividends**

- (i) Subject to compliance with the Law, the Board may at any time declare and pay such dividends as appear to be justified by the position of the Company. The Board may also declare and pay any fixed dividend which is payable on any shares of the Company half-yearly or otherwise on fixed dates whenever the position in the opinion of the Board so justifies.
- (ii) The method of payment of dividends shall be at the discretion of the Board.
- (iii) No dividend shall be paid in excess of the amounts permitted by the Law or approved by the Board. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid *pro rata* according to the number of shares held by each member.
- (iv) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- (v) The Directors are empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute by dividend.
- (vi) The holders of Preference Shares are not entitled to receive any payment of dividends.

##### **5.4. Issue of shares**

- (i) Subject to the provisions of the Articles and without prejudice to any special rights conferred on the holders of any class of shares, any share (or option, warrant or other right in respect of a share) in the Company may be issued with such preferred, deferred

or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine and, subject to and in default of such resolution, as the Board may determine.

- (ii) To the extent required by the Law and subject to the provisions of the Articles, the Board is authorised to allot, issue or otherwise dispose of 10,000 Ordinary Shares (or grant options, warrants or other rights in respect of shares) to such persons, at such times and generally on such terms and conditions as they determine but so no share shall be issued at a discount except in accordance with the Law and so the amount payable on application for each share shall be fixed by the Board, which authority shall expire five (5) years after 24 May 2011 and this authority may be further extended in accordance with the Law.
- (iii) The Company may on any issue of shares pay such commission as may be fixed by the Board and disclosed in accordance with the Law. The Company may also pay brokerages.

#### 5.5. *Variation of rights*

If at any time the capital of the Company is divided into separate classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of such shares of that class. The necessary quorum shall be: for a meeting other than an adjourned meeting, two (2) persons holding at least one third of the voting rights of the class in question; for an adjourned meeting, one (1) person holding shares of the class in question; or where the class only has one member, that member. Where a person is present by proxy or proxies, he is treated as holding only the shares in respect of which the proxies are authorised to exercise voting rights. Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The rights conferred upon the holders of any shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of the issue of the shares of that class) be deemed to be varied by the creation of or issue of further shares ranking *pari passu* therewith or the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.

#### 5.6. *Restriction on voting*

- (i) A member of the Company shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company unless all amounts payable by him in respect of that share have been paid.
- (ii) A member of the Company shall not, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of shareholders' interests and given under the Articles (see paragraph 5.7 below) within 14 days, in a case where the shares in question represent at least 0.25 per cent, of their class, or within 28 days in any other case, from the date of such notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

#### 5.7. *Notice requiring disclosure of interest in shares*

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

The Directors may be required to exercise their powers under the relevant Article on a requisition of members holding not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings. If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that, in respect of the shares in respect of which the default has occurred (the "default shares") and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

#### 5.8. *Transfer of shares*

The Articles provide that the Directors may implement such arrangements as they may, in their absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of the CREST UK system. If the Directors implement any such arrangements no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:

- (i) the holding of shares of that class in uncertificated form;
- (ii) the transfer of title to shares of that class by means of the CREST UK system; or
- (iii) the CREST Guernsey Requirements.

Where any class of shares is for the time being admitted to settlement by means of the CREST UK system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in both certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements.

Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK system. Every transfer of shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary however and whenever arising and however expressed.

Subject as provided below, any member may transfer all or any of his shares which are in certificated form by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor. The Directors may refuse to register any transfer of certificated shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien provided, in the case of a listed share, that this would not prevent dealings from taking place on an open and proper basis.

Subject to the provisions of the CREST Guernsey Requirements the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

The Company shall keep the Register and index of members in accordance with the Law and allow inspection in accordance with the Law. The Company may delegate the maintenance of its Register and index of members upon such terms as the Board may think fit. In the absence of manifest error, the Register will be conclusive evidence as to the persons entitled to the shares entered therein.

#### 5.9. *Alteration of capital and purchase of shares*

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe.

The Company may from time to time, subject to the provisions of the Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Law.

Subject to the Articles, the Company may by ordinary resolution: consolidate and divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; subdivide all or any of its shares into shares of a smaller amounts than is fixed by the memorandum of incorporation; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish the amount of its share capital by the amount of shares so cancelled; convert all or any of its shares the nominal amount of which is expressed in a particular currency or former currency into shares of a nominal amount of a different currency; and where its share capital is expressed in a particular currency or former currency, denominate or redenominated it, whether by expressing its amount in units or subdivisions of that currency or former currency or otherwise.

#### 5.10. *Interests of Directors*

- (i) Save as mentioned below, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest other than by virtue of his interest in shares or debentures or other securities of or otherwise through the Company. A Director may be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (ii) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:
  - (1) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (2) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (3) any proposal concerning an offer of shares or debentures or other securities of or by the Company or its subsidiaries in which offer he is interested as a participant or in the underwriting or sub-underwriting thereof; or
  - (4) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of any such company or of the voting rights of such company (any such interest being deemed for the purposes of the Articles to be a material interest in all circumstances).
- (iii) Any Director may act by himself or by his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director provided that nothing contained in the Articles shall authorise a Director or his firm to act as Auditor of the Company.
- (iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and (unless otherwise agreed) no such Director shall be accountable to the Company for any remuneration or other benefits received by him.

#### 5.11. *Directors*

The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £150,000 per annum (or such

sums as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

- (i) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as the Directors may determine.
- (ii) The Directors may from time to time appoint one or more of their body (other than a Director resident in the UK) to the office of managing director or to any other executive office for such periods and upon such terms as they determine.
- (iii) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company, or where the terms of appointment are arranged or any contract in which he is interested is considered and he may vote on any such appointment or arrangement other than his own appointment or the terms thereof.
- (iv) The Directors may at any time appoint any person eligible in accordance with the Law to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until, and shall be eligible for re-election at, the next general meeting following his appointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting if it is an annual general meeting. Without prejudice to those powers, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director.
- (v) At each annual general meeting one-third of the Directors (or if their number is not three or an integral multiple of three), the number nearest to, but (except where there are less than three Directors) not greater than one-third shall retire from office.
- (vi) Subject to the provisions of the Articles, the Directors to retire by rotation on each occasion shall be those of the Directors who have been longest in office since their last appointment or re-appointment but, as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire at any annual general meeting which is the third annual general meeting after the later of his appointment by the Company in general meeting and re-election as a Director of the Company in general meeting, shall nevertheless be required to retire at such annual general meeting.
- (vii) The maximum number of Directors shall be ten and the minimum number of Directors shall be two, the majority of the Directors shall at all times be resident outside the United Kingdom.

#### *5.12. Retirement of Directors*

- (i) Unless otherwise fixed by the Company in general meeting, a Director shall not be required to hold any qualification shares.
- (ii) There is no age limit at which a Director is required to retire.
- (iii) The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Board for a consecutive period of six months and the Board resolves that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director, or if he becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom.

### 5.13. *Winding-up and redemption of Preference Shares*

- (i) Save as provided below, on a winding-up, the surplus assets remaining after payment of all creditors, including payment of bank borrowings, shall be divided *pari passu* among the members in proportion to the capital paid up or which ought to have been paid up on the shares held at the commencement of the winding-up, subject to the rights of any shares which may be issued with special rights or privileges.
- (ii) On a winding-up the liquidator may, with the authority of a special resolution, divide amongst the members *in specie* any part of the assets of the Company. The liquidator may with like authority vest any part of the assets in trustees upon such trusts for the benefit of members as he shall think fit but no member shall be compelled to accept any assets in respect of which there is any liability.
- (iii) Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company the liquidator may, with the sanction of an ordinary resolution, receive in compensation, or part compensation for the transfer or sale, shares, policies or other like interests for distribution among the members or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.
- (iv) On a winding-up or other return of assets, the holders of Preference Shares are entitled to payment out of the surplus assets remaining after payment of all creditors, in priority to any payment to the holders of Ordinary Shares, of an amount per Preference Share held equal to 25p increased at a rate of 21.7617013 per cent. per annum with effect from the day following the original admission of the Company's Ordinary Shares to the Official List and to trading on the Main Market and the Channel Islands Stock Exchange (the "Original Admission") up to the tenth anniversary of the Original Admission (the "Redemption Date"), such increases to be compounded daily and calculated to the date of the commencement of winding-up or other return of assets, to a maximum entitlement of 179.08p per share. Subject to the receipt of such amount as aforesaid, the holders of Preference Shares shall not be entitled to participate in the surplus assets of the Company on any winding-up or other return of assets.
- (v) The Preference Shares shall be automatically redeemed by the Company on the tenth anniversary of the Original Admission. On such redemption, the Company shall pay to each holder of Preference Shares a sum equal to 179.08p for each Preference Share held by it. Upon receipt of such redemption monies, each holder of Preference Shares shall surrender to the Company the certificates for its Preference Shares in order that they may be cancelled, forthwith on redemption the authorised but unissued share capital so arising shall be reclassified as ordinary share capital.

Under the Proposals it is proposed that the Preference Shares, which are redeemable in cash in December 2013, will be converted into new Ordinary Shares. The Placing and Open Offer and the Conversion are all subject to Shareholder approval at the General Meeting.

### 5.14. *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party provided always that the aggregate principal amount from time to time outstanding of all borrowings (as defined in the Articles) by the Group (exclusive of borrowings wholly within the Group) shall not at any time exceed 65 per cent. of the Gross Assets (as defined in the Articles) of the Group.

### 5.15. *Standard Life*

5.15.1 If at any time any agreement between the Company and the Investment Manager or any member of the Standard Life Group for the management of the Company's investments is terminated, or if any offer is made to all the holders of the Ordinary Shares to acquire the whole or any part of the Ordinary Shares and the right to cast more than 50 per cent.

of the votes which may ordinarily be cast at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or any person associated, or acting in concert, with the offeror then, in either such event, Standard Life (as defined in the Articles) shall be entitled by notice in writing to the Company to require that the name of the Company is changed to a name which does not contain the words "Standard Life" or any letters or words colourably or confusingly similar thereto.

- 5.15.2 If within three months after the giving of such notice the name of the Company has not been so changed, Standard Life (as defined in the Articles) shall be entitled to convene a general meeting of the Company for the purpose of passing a special resolution (the "Name Change Resolution") adopting as the name of the Company a name selected by Standard Life (as defined in the Articles) and any member present in person or by proxy (or being a corporation by representative) and entitled to vote shall (in respect of the votes attached to his shares) vote in favour of the Name Change Resolution and any vote which is not cast or is cast against such Name Change Resolution shall be deemed to have been cast in favour of the Name Change Resolution.

#### **5.16. General meetings**

Not less than ten days' notice specifying the time and place of any general meeting (including annual general meetings) and specifying also, in the case of any special business, the general nature of the business to be transacted shall be given by notice by post to Shareholders. Every Shareholder shall be entitled to attend and vote (other than the Company itself where it holds its own shares as treasury shares) and to speak at every general meeting. The quorum for a general meeting shall be two Shareholders (other than the Company itself where it holds its own shares as treasury shares) present in person or by proxy.

#### **5.17. Changes to the Articles**

The Articles can be amended by means of a special resolution of Shareholders which requires 75 per cent. of the votes cast at a general meeting to be in favour. This requirement is the same as that required by the Law.

### **6. Directors and their interests in Shares**

- 6.1. The aggregate of the remuneration to be paid and benefits in kind granted to the Directors by the Group for the financial period ending 31 December 2011 will not exceed £150,000.
- 6.2. None of the Directors have service contracts with the Company. Each of Paul Orchard-Lisle, Richard Barfield, Shelagh Mason and David Moore have entered into a letter of appointment with the Company dated 1 December 2003. Sally-Ann Farnon entered into a letter of appointment with the Company dated 23 June 2010. The letters of appointment provide that after an initial period of service, which commenced on 18 November 2003 (save, for Sally-Ann Farnon's which commenced on 1 July 2010) and expired on 31 December 2006 (save, for Sally-Ann Farnon's which expired at the first annual general meeting of the Company after her appointment), the Directors' appointments and re-appointments are subject to the Memorandum and Articles from time to time (including those provisions for retirement by rotation and early cessation). The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance with the Articles and/or the Law and, subject thereto, the letters of appointment do not contain any contractual provisions regarding the compensation which would be payable upon early termination by the Company. None of the Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes. Accordingly, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors. The fees payable to the Directors pursuant to their letters of appointment in respect of the financial year ended 31 December 2010 by the Company were £26,875 per annum to David Moore, the Chairman, £20,625 per annum to each of Richard Barfield, Shelagh Mason and Paul Orchard, £11,250 per annum to Sally-Ann Farnon (appointed 30 June 2010) and £9,375 to John Hallam (resigned 30 June 2010). The fees will be reviewed annually and may be increased in line with usual market rates. The Company will also pay insurance premiums in respect of directors' and officers' insurance taken out on behalf of the Directors. Pursuant to the Articles, one third or the number

nearest to but not exceeding one third, of the Directors will retire and stand for re-election at intervals of no more than three years provided that each Director shall retire and stand for re-election at the annual general meeting immediately following their appointment, then at intervals of no more than three years. The current term of office for Richard Barfield expires at the annual general meeting in 2012 and the current term of office for Paul Orchard-Lisle expires at the annual general meeting in 2013. Each of David Moore, Shelagh Mason and Sally-Ann Farnon were re-elected at the annual general meeting held in 2011 and their current term of office expires at the annual general meeting in 2014.

- 6.3. No Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by any member of the Group since its date of incorporation or remain in any respect outstanding or unperformed.
- 6.4. No loan or guarantee has been granted or provided by any member of the Group for the benefit of any Director.
- 6.5. As at the date of this document, other than as disclosed in paragraph 6.6 below, there are no interests of any Director, including any connected persons of any Director, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company or any options in respect of such capital.
- 6.6. The Directors do not have any options over Shares. As at the date of this document, the Directors have the following numbers of Ordinary Shares all of which are beneficially held:

	<i>Number of Ordinary Shares as at the date of this document</i>	<i>Percentage of current issued Ordinary Shares</i>
Paul Orchard-Lisle	25,000	0.022%
Richard Barfield	30,000	0.026%
Sally-Ann Farnon	15,000	0.013%
Shelagh Mason	15,000	0.013%
David Moore	15,000	0.013%

- 6.7. Details of those companies and partnerships of which the Directors have been directors or partners at any time since 6 June 2006 are as follows:

*(i) Paul Orchard-Lisle*

Present directorships and partnerships: Apache Capital Partners LLP, PowerLeague Limited, Property Nominees Ltd, Royal Artillery Museums Limited, The Stobart Group Limited, RVC Developments Limited, Ana House Management Ltd and United Church Schools Foundation

Past directorships and partnerships: The RICS Foundation, Europa Capital Partners, Porters Park Golf Club Properties Ltd, The West Buckland Foundation, Falcon Property Trust, Trikona Trinity Capital plc, Slough Estates plc, Cushman & Wakefield of Asia, Cushman & Wakefield Inc, Cushman & Wakefield Thailand Limited, Cushman & Wakefield (HK) Limited, Cushman & Wakefield Pte Limited, Cushman & Wakefield Mauritius Holdings Inc., Cushman & Wakefield India Pte Limited, Cushman & Wakefield Asia Limited, Healey & Baker, Healey & Baker Financial Limited, Healey & Baker Investment Advisors Inc., Healey & Baker Limited, Healey & Baker VOF, Healey & Baker Spain Limited, Healey & Baker BV, Property Nominees Limited and Twenty Nine Services Limited

*(ii) Richard Barfield*

Present directorships and partnerships: Coal Staff Superannuation Scheme Trustees Limited, Coal Pension Trustee Services Ltd, Rio Tinto Pension Investments Ltd, The Baillie

	Gifford Japan Trust plc, Synergy Fund GP Ltd, the Pension Protection Fund and Edinburgh Investment Trust plc
Past directorships and partnerships:	London Stock Exchange Ltd, Clyde Blowers PLC, Equitas Holdings Ltd, Quintain Estates & Development PLC, J.P. Morgan Fleming Overseas Investment Trust plc, Artemis Investment Management Ltd, Marshalls PLC, New Look Group plc, DLJ Bank Ltd and The Merchants Trust PLC
<i>(iii) Sally-Ann Farnon</i>	
Present directorships and partnerships:	Baubigny Garage Limited, Breedon Aggregates Limited, C&E Laundrettes Limited, Cenkos Channel Islands Limited, Dexion Absolute Limited, Guernsey Sports Commission, Guernsey Financial Services Commission, Hawthorn Limited, Interceptor Holdings Limited, Legis Group Holdings Limited, Little Lucy Limited, New River Retail Limited and Timbertops Limited
Past directorships and partnerships:	Bailiwick Investments Limited, Cenkos Investment Management Limited and Rapid Realisations Limited
<i>(iv) Shelagh Mason</i>	
Present directorships and partnerships:	Third Point Offshore Independent Voting Company Limited, ARSY Holdings Limited, MedicX Fund Limited, PFB Data Centre Fund, G.Res 1 Limited, Channel Islands Property Fund Limited, Leadenhall Property Co (Jersey) Limited and Spicer & Partners Guernsey LLP
Past directorships and partnerships:	Wood Works Limited, Sage Bhartiya Infrastructure Fund IC Ltd, Ptarmigan property II Limited, PFB Strategic Land Opportunity Fund Limited, Atlas Estates Limited, Safehaven Property Investment Company Limited, Quercus PCC Limited and New River Retail Limited
<i>(v) David Moore</i>	
Present directorships and partnerships:	Mourant Ozannes, Mourant Ozannes LP, Mourant Ozannes (GP) Limited, Hauteville Limited, Nest Egg Investments Limited, ACI Global Insurance Limited, Assay Insurance Services Limited, Barbican Group Holdings Limited, Bracken Partners Investments Channel Islands Limited, BSI Generali Bank (CI) Limited (in voluntary liquidation), Clarke Wilmott Indemnity Limited, Drummonds Insurance PCC Limited, Financial Insurance Guernsey PCC Limited, Generali International Limited, HRS Holdings Limited, HRS Asset Management Limited, HRS France Limited, HRS Diversified Fund PCC Limited, Jupiter Insurance Limited, Land Securities Insurance Limited, Lothbury Insurance Company Limited, Maturin UK 2008-01 (M/F 80-100) IC Limited, Morar ICC Limited, New Hill Group Limited, NT General Partner Limited, Orion Finance Corporation Limited, Raven Russia Limited, Royal Bank of Canada ARC Fund Limited, Schroders (CI) Limited and Windward Insurance PCC Limited
Past directorships and partnerships:	AQH Dundee GP Limited, AQH Edward Street GP Limited, AQH Edward Street Properties Limited, Asante Holdings Limited, BSKYB Guernsey Limited, Central Capital Limited, Central General Limited, Central Life Limited, Cheshire Guernsey Limited, Ciel Bleu Limited, Ciel Gris Limited, Ciel Clair Limited, Ciel Orageux Limited, Ciel Nuageux Limited, Ciel Voilé Limited, GLASS CP Funding Limited, Greenpark Capital Investment Management Limited, Generali Portfolio Management Limited, Directorco One Limited, Directorco Two Limited, Guernsey Loan Asset Securitisation Scheme Limited, Ovaco Limited, Greenpark International General Partner I Limited, Greenpark International General Partner II Limited, Greenpark International General Partner III Limited, Legis Group Limited, Lapco Limited, M&J Properties Limited, Schroder Executor &

Trustee (CI) Limited, Secretaryco Limited, State Street Trustees (Guernsey) Limited, White Rock Insurance Company PCC Limited and White Rock Insurance Company ICC Limited

6.8. As at the date of this document none of the Directors:

- (a) have been a member of any administrative, management or supervisory body or partner of any company or partnership at any time during the five years preceding the date of this document, save as disclosed in paragraph 6.7;
- (b) has had any convictions in relation to fraudulent offences for at least the previous five years;
- (c) save as disclosed in paragraph 6.9 below, has been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 6.7 above for at least the previous five years; or
- (d) has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years (for this purpose "issuer" has the meaning ascribed to it by Appendix I to the Prospectus Rules).

6.9. Shelagh Mason was a director of PFB Regional Office Fund Limited which was placed into liquidation on 14 July 2009 with net liabilities of approximately £6.8 million. Shelagh Mason was also a director of Ptarmigan Property Limited which went into voluntary liquidation 2 January 2008. Upon dissolution Ptarmigan Property Limited was not subject to insolvency proceedings.

David Moore was a director of BSI Generali Bank (CI) Limited which was placed into voluntary liquidation on 11 January 2008, Ciel Bleu which was placed into voluntary liquidation on 30 July 2009, Ciel Clair and Ciel Gris which were placed into voluntary liquidation on 11 June 2009, Ciel Nuageux, Ciel Orangeux and Ciel Voile which were placed into voluntary liquidation on 18 June 2009 and Schroder Executor and Trustee (C.I.) Limited which was placed into voluntary liquidation on 27 September 2007. Upon dissolution none of BSI Generali Bank (CI) Limited, Ciel Bleu, Ciel Clair, Ciel Gris, Ciel Nuageux, Ciel Orangeux, Ciel Voile or Schroder Executor and Trustee (C.I.) Limited were subject to insolvency proceedings. David Moore was also appointed as a director of Orion Finance Corporation Limited on 23 May 2006, a position which he still holds. The interests of Orion Finance Corporation are now vested in the security trustee following enforcement action by creditors.

**7. Substantial Share interests**

7.1 As at 3 June 2011 (being the latest practicable date prior to publication of this document), the Company is aware of the following persons who would be interested in 3 per cent, or more of the issued share capital of the Company:

	<i>Number of Ordinary Shares as at 3 June 2011</i>	<i>Percentage of current issued Ordinary Shares</i>
Brewin Dolphin	25,828,438	22.4%
Clients of Standard Life Investments Limited	16,644,609	14.4%
M&G Investment Management	8,359,546	7.2%
Rensburg Sheppards Investment Management	5,828,660	5.1%
Baring Asset Management	5,409,829	4.7%
Legal & General Investment Management	4,302,761	3.7%
BlackRock	3,800,222	3.3%
T D Waterhouse	3,615,421	3.1%

7.2 Standard Life Assurance owns 100 per cent. of the issued Preference Shares which are unlisted and as at 3 June 2011 (the latest practicable date prior to the publication of this document) had

a Preference Share Liability of approximately £9.3 million. In the event that the Conversion and Issue become unconditional (on the assumption that the Issue is fully subscribed and Qualifying Shareholders take up their Open Offer Entitlements in full) members of the Standard Life Group, on their own and on behalf of discretionary clients will own approximately 22.0 per cent. of the issued share capital of the Company.

- 7.3 Save as described above, the Company is not aware of any person who is as at 3 June 2011 (being the latest practicable date prior to publication of this document) or, following the Issue, will be interested directly or indirectly in 3 per cent, or more of any class of issued share capital of the Company or of any person or persons who, following the Issue, will or could, directly or indirectly, jointly or severally, exercise control over the Company.
- 7.4 None of the major shareholders of the Company set out above has different voting rights from any other holder of Shares in respect of any Share held by them.

## 8. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by a member of the Group within two years immediately preceding the publication of this document, or will be entered into by a member of the Group following Admission, and are, or may be, material or contain provision under which the Company or the Property Subsidiary has an obligation or entitlement which is material to the Group as at the date of this document:

- 8.1. A placing agreement dated 2 June 2011 between (1) the Company, (2) the Investment Manager and (3) Winterflood Securities whereby Winterflood Securities conditionally agrees to use its reasonable endeavours to procure placees in the Placing of up to 38.5 million Ordinary Shares. In consideration for its services Winterflood will be paid a corporate finance and documentation fee of £25,000, an amount equal to 0.1 per cent. of the gross proceeds raised under the Placing and Open Offer and commission of an amount equal to 1 per cent. of the gross proceeds of the Placing and Open Offer less the amount of the proceeds attributable to new Ordinary Shares subscribed for by members of the Standard Life Group under the Placing and Open Offer.

The Placing Agreement is conditional on, *inter alia*, Admission. The Placing Agreement contains certain warranties and indemnities given by the Company and the Investment Manager without time limit (in respect of any claim against the Company) in favour of Winterflood. Winterflood may only claim against the Investment Manager under the warranties or indemnities if it has given written notice of such claims within two years of the date of the agreement. Such indemnities and warranties are customary in an agreement of this kind. The Placing Agreement may be terminated in certain circumstances prior to Admission including by reason of *force majeure*.

- 8.2. An investment management agreement dated 4 December 2003 (as amended by an agreement dated 25 June 2008) between (1) the Company, (2) the Investment Manager and (3) the Property Subsidiary whereby the Investment Manager is appointed to act as investment manager of the Group, to manage the assets of the Group in accordance with the investment policy of the Company and to implement the borrowing policy from time to time approved by the Directors. Under the terms of the Investment Management Agreement, subject to the overall supervision of the Directors, the Investment Manager has complete discretion to buy, sell, retain, exchange or otherwise deal in property assets for the account of the Group. The Investment Manager is entitled to delegate the performance of its duties under the Investment Management Agreement to Standard Life Investments Limited. The Investment Manager shall be entitled to receive a fee from the Company at the annual rate of 0.85 per cent. of the Total Assets (less any amounts drawn down under the Facility Agreement but not yet invested in property assets) (except that, where the Cash (as defined in the Investment Management Agreement) element of Total Assets exceeds 10 per cent. of the Total Assets, the quarterly fee payable on that Cash element which exceeds 10 per cent. of the Total Assets shall be reduced to 0.05 per cent.), payable quarterly in arrears. The Investment manager has also agreed to charge only 0.75 per cent. of the Total Assets until such time as the published net asset value per Share returns to the launch level of 97p. This is applicable from quarter ending 31 December 2008 onwards and does not effect the reduced fee of 0.2 per cent. on cash holding above 10 per cent. of Total Assets. The fees of any managing agents appointed by the Investment Manager will be payable by the Investment Manager out of this fee. The Investment Management Agreement contains an unlimited indemnity in favour of the Investment Manager against claims by third parties except to the extent

that the claim is due to the negligence, wilful default or fraud of the Investment Manager or any party to whom the Investment Manager has delegated any of its functions. The Investment Management Agreement may be terminated by any party giving to the others not less than 12 months' notice, or otherwise in circumstances, *inter alia*, where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding up of one of the parties. In the event of the termination of the Investment Management Agreement for whatsoever reason, the Company shall be obliged to use its reasonable endeavours to change its name to a name not including the words "Standard Life" or any letters or words colourably or confusingly similar thereto.

- 8.3. An administration and secretarial agreement dated 4 December 2003 between (1) the Company, (2) the Administrator and (3) the Property Subsidiary whereby the Administrator is appointed to act as administrator, secretary and registrar of the Group. The Administrator shall be entitled to receive a fixed fee of £65,000 per annum. The Administrator shall be entitled at any time to give 30 day notice to the Company of the remuneration it proposes to charge as from the last day of such period of notice. If no agreement is reached on such fees, either party may terminate the agreement on 30 days' notice. The Administrator shall also be entitled to reimbursement of fees and expenses disbursed by the Administrator on behalf of the Company and the Property Subsidiary. The Administration and Secretarial Agreement contains an unlimited indemnity in favour of the Administrator against claims by third parties except to the extent that the claim is due to the bad faith, negligence, wilful default or fraud of the Administrator. The Administration and Secretarial Agreement may be terminated by any party giving to the others not less than 90 days' notice in writing or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation.
- 8.4. The Facility Agreement dated 4 December 2003 (as amended on 14 September 2005, as amended and restated on 19 July 2006 and as amended on 28 August 2009) made between the Bank and the Company whereby the Bank has agreed to make available a term loan facility of £85 million. Interest is payable by the Company at a rate equal to the aggregate of LIBOR, mandatory costs of the Bank and a margin of 150 basis points per annum. A non-utilisation fee of 15 basis points is payable on any undrawn amounts under the Bank Facility. The Bank Facility is repayable on the tenth anniversary of 29 December 2003 or, if such date is not a Business Day, the immediately preceding Business Day or, if the Company exercises its option, any date it chooses up to the tenth anniversary of the earlier of 29 December 2003 or the first Drawdown Date (as defined in the Facility Agreement), although if an Event of Default (as defined in the Facility Agreement) were triggered it would be repayable on first demand by the Bank. The Facility Agreement contains standard events of default and covenants for a bank facility of this nature. An Event of Default (as defined in the Facility Agreement) will be triggered if, *inter alia*, (i) the amount of the loan facility exceeds 65 per cent. of the value of the properties in the Property Portfolio and the cash held by the Group; or (ii) if the net rental income in respect of all leases should fall below 1.7 times the amount of interest payable under the Facility Agreement over the period the net rental income is calculated. The Bank Facility will be secured by fixed and floating charges over the assets of the Company and the Property Subsidiary.
- 8.5. An engagement letter dated 4 December 2007 between the Company and the Valuer. Pursuant to this letter, the Valuer has agreed to provide valuation services in respect of the assets comprising the Property Portfolio. This engagement was for initial period of three years. Under the letter of engagement, the Valuer is entitled to receive an annual fee equal to 0.017 per cent. of the average portfolio value calculated over the preceding quarter (payable quarterly), together with all reasonable out-of-pocket expenses. The Valuer is also entitled to a one-off fee of approximately £33,000 (excluding VAT and reasonable expenses) in respect of its valuation of the Property Portfolio contained in Part IV of this document.

## 9. Investment restrictions

The Company is subject to the Listing Rules which apply to closed-ended investment funds.

As required under Listing Rule 15.4.2, the Company will at all times invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy as set out on page 24 of this document.

In accordance with Listing Rule 15.2.3A, the Company (and its subsidiary undertaking) will not conduct any trading activity which is significant in the context of its group as a whole, but this rule does not prevent any businesses which may form part of the Company's investment portfolio from conducting trading activities themselves.

In addition, in order to comply with Listing Rule 15.2.5, the Company will not invest more than 10 per cent., in aggregate, of the value of its Total Assets (calculated at the time of any relevant investment) in other closed-ended investment funds admitted to the Official List (save to the extent that those closed-ended investment funds have stated investment policies to invest no more than 15 per cent, of their gross assets in such other closed-ended investment funds).

In the event of any material breach of the investment restrictions applicable to the Company or the Group, Shareholders will be informed of the actions to be taken by the Investment Manager through an announcement via a Regulatory Information Service.

## **10. General**

- 10.1. It is expected that the total costs and expenses of and incidental to the Conversion and the Issue payable by the Company (on the assumption that the Issue is fully subscribed and after deducting the amount of premium on the issue of the new Ordinary Shares arising under the Conversion) will be approximately £500,000 being 0.46 per cent. of the net assets of the Company as at 31 March 2011.
- 10.2. There are no governmental, legal or arbitration proceedings (including in so far as the Company or the Property Subsidiary is aware any governmental, legal or arbitration proceedings which are pending or threatened) during the period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.
- 10.3. The Valuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part IV of this document for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Valuer has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report in Part IV of this document and the statements attributed to it and references to it in the form and context in which they appear and has authorised the contents of its report and statements attributed to it and references to it for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 10.4. The information in this document sourced from IPD on page 24 of this document and in Part III of this document has been accurately reproduced in this document and, as far as the Company is aware and is able to ascertain from information published by IPD, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 10.5. The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of this document.
- 10.6. Dickson Minto W.S. has given and has not withdrawn its written consent to the issue of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 10.7. Winterflood Securities Limited has given and has not withdrawn its written consent to the issue of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 10.8. The most recent unaudited NAV per Ordinary Share as at 31 March 2011 was 64.1 pence.

## **11. Mandatory bids, squeeze-out and sell-out rules**

### **11.1. Mandatory bids**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with

the consent of the Panel on Takeovers and Mergers) to make a cash offer for shares not already owned by the acquirer or its concert parties (if any) at a price not less than the highest price paid for shares by the acquirer or its concert parties (if any) during the previous 12 months or (where there has been no acquisition of shares of the relevant class) at a comparable price agreed by the Panel. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of shares by a person holding (together with its concert parties, if any) shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director or acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances.

#### *11.2 Squeeze-out and sell-out rules*

Other than as provided by Law there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Ordinary Shares.

### **12. Disclosure requirements and notification of interest in shares**

Under Chapter 5 of the Disclosure and Transparency Rules, subject to certain limited expectations, a person must notify the Company (and, at the same time, the FSA) of the percentage of voting rights he holds (within two trading days) if he acquires or disposes of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which he holds as a shareholder (or, in certain cases, which he holds indirectly) or through his direct or indirect holding of certain types of financial instruments (or a combination of such holdings):

- 12.1. reaches, exceeds or falls below 3 per cent. and each one per cent. threshold thereafter; or
- 12.2. reaches, exceeds or falls below an applicable threshold in paragraph 12.1 of this Part VI above as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

Such notification must be made using the prescribed form TR1 available from the FSA's website at <http://www.fsa.gov.uk>. Under the Disclosure and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights.

The FSA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

### **13. Restrictions on Transfer**

#### *13.1. General*

The distribution of this document and offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraph 13.2 of this Part VI. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

#### *13.2. European Economic Area*

- 13.2.1. In relation to each of the EEA States (other than the UK) which has implemented the Prospectus Directive (each, a "relevant member state"), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "relevant implementation date") no Ordinary Shares have been offered or will be offered pursuant to an offer to the public in that relevant member state, except that with

effect form and including the relevant implementation date, offers of Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Open Offer will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

13.2.2. For the purpose of the expression an "offer of any Ordinary Shares to the public" in relation to any Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Issue and the terms of the Open Offer of any Ordinary Shares, so as to enable a potential investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

#### **14. Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and at the Company's registered office whilst the Placing and Offer remains open:

- (i) the Memorandum and Articles;
- (ii) the letters of appointment referred to in paragraph 6.2 above;
- (iii) the written consents referred to in paragraphs 10.6 and 10.7 above;
- (iv) the valuation reports referred to in Part IV of this document;
- (v) the Company's reports and accounts for the three financial periods to 31 December 2010; and
- (vi) this document.

#### **15. Availability of Prospectus**

A copy of this document is available for inspection on the National Storage Mechanism, [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do) and on the Company's web site [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com) and, until 15 July 2011, are available for collection, free of charge, from the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL.

6 June 2011