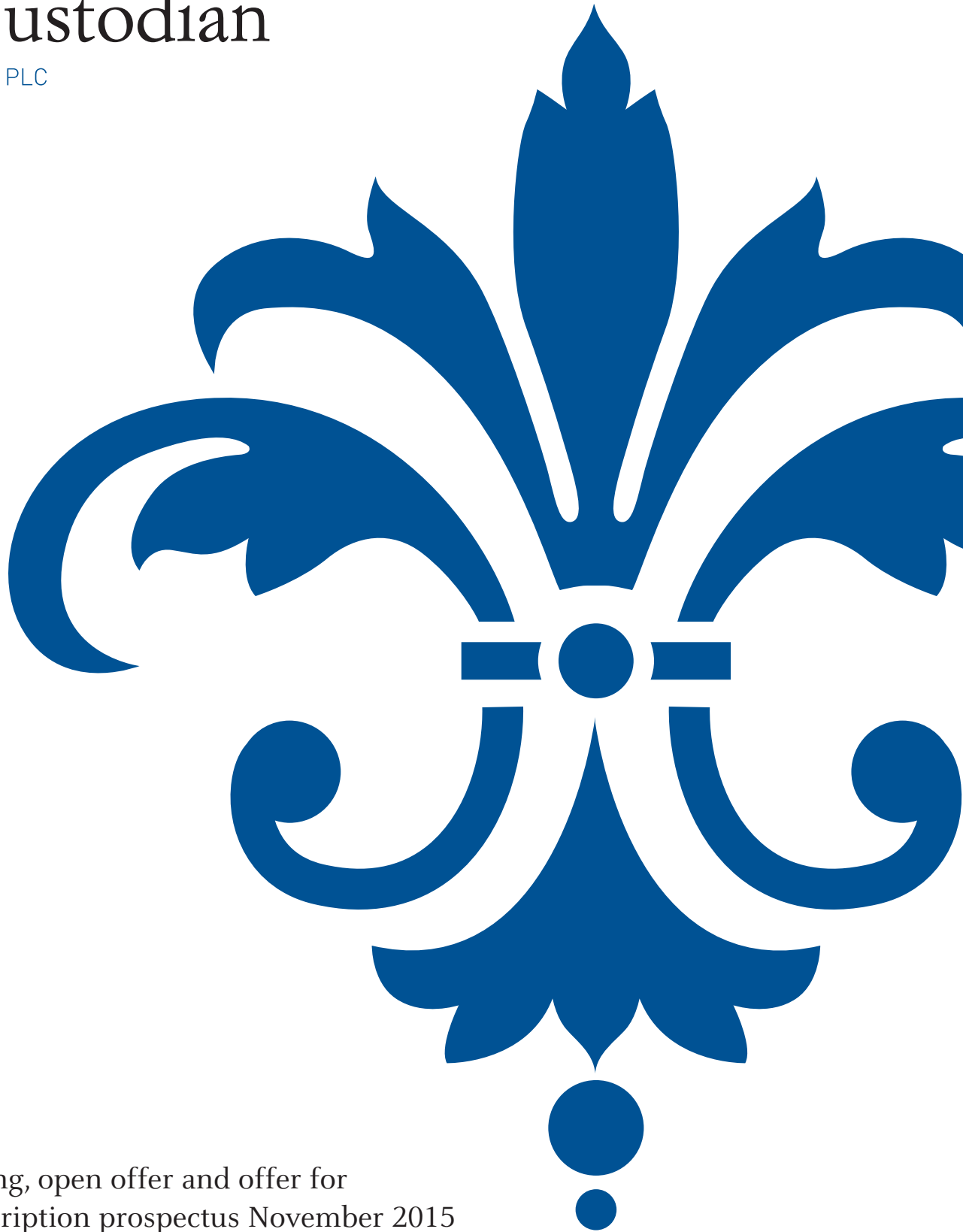




Custodian  
REIT PLC



Placing, open offer and offer for  
subscription prospectus November 2015



Custodian Capital  
PROPERTY FUND MANAGEMENT

**Numis**



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

This document comprises a prospectus relating to Custodian REIT Plc (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (“**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (“**FSMA**”) and approved by the FCA in accordance with section 85 of the FSMA. This prospectus has been filed with the FCA in accordance with Rule 3.2 of the Prospectus Rules and will be made available to the public in accordance with the Prospectus Rules at [www.custodianreit.com](http://www.custodianreit.com).

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares before the ex-entitlement date, being 8.00 a.m. on 6 November 2015, please send this document, together with (in the case of Qualifying Non-CREST Shareholders) the Application Form and reply-paid envelope for use within the UK only, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. This document should not, however, be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to (subject to certain exceptions), the United States and any of the other Excluded Territories.

The Ordinary Shares are only suitable for investors: (i) who understand and are willing to assume the potential risks of capital loss and that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Ordinary Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment.

The directors of the Company, whose names appear on page 31 of this document, and the Company 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 and belief of the directors of the Company and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

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## **CUSTODIAN REIT PLC**

*(a company incorporated in England and Wales under the Companies Act 2006 with company number 08863271)*

### **PLACING, OPEN OFFER AND OFFER FOR SUBSCRIPTION**

**to raise up to £50 million, with the ability to increase this to up to £75 million, at an issue price of 104.2p per Ordinary Share**

### **PLACING PROGRAMME**

**of up to 100 million new Ordinary Shares**

*Sponsor, Broker and Financial Adviser*

**NUMIS SECURITIES LIMITED**

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Applications will be made to the FCA and the London Stock Exchange for all of the Ordinary Shares to be issued pursuant to the Issue and each Subsequent Placing to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s Main Market. It is expected that such admission will become effective and that dealings for normal settlement in such Ordinary Shares will take place (i) in relation to the Issue Shares on 3 December 2015 and (ii) in relation to each Subsequent Placing between 3 December 2015 and 3 November 2016, being the date 12 months after the date of this document.

The Placing Programme will remain open until 3 November 2016, being the date 12 months after the date of this document.

Unless otherwise agreed by the Board, the Ordinary Shares will only be offered for subscription to potential investors who are resident in the United Kingdom. The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended, or under the securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States. The Company has not been, and will not be, registered under the US Investment Company Act of 1940, as amended. Accordingly, the offer and sale of Ordinary Shares to US persons (as defined in Regulation S under the Securities Act) is subject to further restrictions. Neither the Issue nor the Placing Programme is 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, Canada, Australia, the Republic of South Africa, any EEA State (other than the UK), Japan 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 Canada, Australia, the Republic of South Africa, any EEA State (other than the UK), Japan or to, or for the account or benefit of, any resident of Canada, Australia, Japan, the Republic of South Africa, any EEA State (other than the UK) or any other Restricted Jurisdiction and persons receiving this document (including custodians, nominees and trustees) must

not mail or otherwise distribute or send it in, into or from such jurisdictions. The Ordinary Shares have not been and will not be registered under the relevant securities laws of Canada, Australia, the Republic of South Africa, any EEA State (other than the UK) or Japan. Accordingly, unless an exemption under applicable laws applies, the Ordinary Shares may not be offered, sold or delivered directly or indirectly in or into Canada, Australia, the Republic of South Africa, any EEA State (other than the UK) or Japan. This document 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.

Numis Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is the sponsor to the Company. Numis is acting exclusively for the Company and for no-one else in relation to the Issue and the Placing Programme. Numis will not regard any other person (whether or not a recipient of this document) as its client in relation to the Issue and the Placing Programme and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing any advice in relation to the Issue, the Placing Programme, the contents of this document or any transaction or arrangement referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposed on Numis by the FSMA or the regulatory regime established thereunder, Numis does not make any representation, express or implied, in relation to, nor accepts any responsibility whatsoever for, the contents of this document or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, the Issue or the Placing Programme. Numis accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might have in respect of this document or any other statement.

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 or the Placing Programme other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company.

The latest time and date for acceptance and payment in full for the Open Offer Shares is 11.00 a.m. on 26 November 2015. The procedures for acceptance and payment are set out in Part XI of this document and (in the case of Qualifying Non-CREST Shareholders) in the Application Form.

**Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other duly authorised independent financial adviser before investing in the Company. Potential investors should also consider the Risk Factors relating to the Company set out on pages 14 to 24 of this document.**

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## SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and warnings		
Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to the prospectus. Any decision to invest in the 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 only 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 or it does not provide, when read together with other parts of this prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Financial Intermediaries	Not applicable.  No consent has been given by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.
Section B – Issuer		
Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	Custodian REIT Plc.
B.2	Domicile and legal form	The Company was incorporated in England and Wales under the Companies Act 2006 as a company limited by shares on 27 January 2014 with company number 8863271 and is a closed end investment company.
B.3	Current operations and principal activities	Since the Initial Admission Date, the Company has acquired the Property Portfolio in accordance with the Investment Policy and become subject to the REIT Regime. The Company has purchased both freehold and leasehold properties across a diverse range of locations and sectors, seeking to provide a high level of income for the Shareholders.
B.5	Group description	The Company is the holding company of the Group. It has one wholly owned subsidiary, Custodian Real Estate Limited.

B.6	Major shareholders	<p>As at the close of business on 3 November 2015 (being the latest practicable date prior to the publication of this document), the Company is not aware of any persons who are, directly or indirectly, interested in 3 per cent. or more of the Company’s issued share capital other than Investec Wealth &amp; Management Limited and F&amp;C Asset Management Plc who hold 4.9 per cent. and 8.4 per cent. of the existing Ordinary Shares respectively.</p> <p>The Directors are not aware of any person or persons who could, directly or indirectly, jointly or severally, exercise control over the Company.</p> <p>There are no different voting rights for any Shareholder.</p>																																				
B.7	Key financial information	<p>The key figures that summarise the Company’s financial condition in respect of the financial period ended 31 March 2015, which have been extracted without material adjustment from the audited consolidated financial statements of the Group are set out below.</p> <table><tr><td></td><td><b>31 March 2015 £000</b></td></tr><tr><td></td><td><hr/></td></tr><tr><td><b>Assets</b></td><td></td></tr><tr><td>Investment property</td><td>207,287</td></tr><tr><td>Trade and other receivables</td><td>1,072</td></tr><tr><td>Cash and cash equivalents</td><td>849</td></tr><tr><td></td><td><hr/></td></tr><tr><td><b>Total assets</b></td><td><b>209,208</b></td></tr><tr><td></td><td><hr/></td></tr><tr><td><b>Liabilities</b></td><td></td></tr><tr><td>Deferred rental income</td><td>3,119</td></tr><tr><td>Trade and other payables</td><td>2,292</td></tr><tr><td>Bank borrowings</td><td>23,811</td></tr><tr><td></td><td><hr/></td></tr><tr><td><b>Total liabilities</b></td><td><b>29,222</b></td></tr><tr><td></td><td><hr/></td></tr><tr><td><b>TOTAL NET ASSETS</b></td><td><b>179,986</b></td></tr><tr><td></td><td><hr/><hr/></td></tr></table>		<b>31 March 2015 £000</b>		<hr/>	<b>Assets</b>		Investment property	207,287	Trade and other receivables	1,072	Cash and cash equivalents	849		<hr/>	<b>Total assets</b>	<b>209,208</b>		<hr/>	<b>Liabilities</b>		Deferred rental income	3,119	Trade and other payables	2,292	Bank borrowings	23,811		<hr/>	<b>Total liabilities</b>	<b>29,222</b>		<hr/>	<b>TOTAL NET ASSETS</b>	<b>179,986</b>		<hr/> <hr/>
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B.8	Key <i>pro forma</i> financial information	Not applicable.																																				
B.9	Profit forecast	Not applicable.																																				
B.10	Qualifications in the audit report on the historical financial information	Not applicable.																																				
B.11	Working capital insufficiency	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements that is for at least the next 12 months from the date of this document.																																				
B.34	Investment objective and policy	<p>The Investment Objective is to provide Shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK.</p> <p>The Investment Policy is to invest in a diversified portfolio of UK commercial real estate properties, characterised by small lot sizes with individual property values of less than £7.5 million at acquisition. The</p>																																				

		<p>target portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50 per cent. The Company will continue to pursue the Investment Policy as follows:</p> <ul style="list-style-type: none"> <li>(a) To hold a portfolio of UK commercial property, diversified by sector, location, tenant and lease term.</li> <li>(b) The portfolio will be diversified by location across the UK with a focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations the Company acquires modern buildings or those that are considered fit for purpose by occupiers.</li> <li>(c) The Company will target a portfolio with no one tenant or property accounting for more than 10 per cent. of the total rent roll of the Company's portfolio at the time of purchase, except: <ul style="list-style-type: none"> <li>(i) in the case of a single tenant which is a governmental body or department, where no percentage limit to proportion of the total rent roll shall apply; or</li> <li>(ii) in the case of a single tenant rated by ICC with a credit rating of less than 60, in which case the exposure to such single tenant may not exceed 5 per cent. of the total rent roll (a credit rating of 60 represents "normal, limited risk potential, normal terms").</li> </ul> </li> <li>(d) The Company will seek to maintain an average unexpired lease term of over five years across the portfolio secured against low risk tenants and to minimise rental voids.</li> <li>(e) The Company will not undertake speculative development (that is, development of property which has not been leased or pre-leased), save for refurbishment of existing holdings, but may (provided that it shall not exceed 20 per cent. of the gross assets of the Company) invest in forward funding agreements or forward commitments (these being, arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments, where the Company intends to own the completed development.</li> <li>(f) The Company may continue to use gearing, including to fund the acquisition of property and cash flow requirements. Over the medium term, the Company targets borrowings of 25 per cent. of the aggregate market value of all the properties of the Company at the time of borrowing.</li> <li>(g) The Company continues to reserve the right to use efficient portfolio management techniques, such as interest rate hedging and credit default swaps, to mitigate market volatility.</li> <li>(h) Uninvested cash or surplus capital or assets may be invested on a temporary basis in: <ul style="list-style-type: none"> <li>(i) cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or</li> <li>(ii) any "government and public securities" as defined for the purposes of the FCA rules.</li> </ul> </li> </ul>
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B.35	Borrowing limits	The Board currently intends as a target over the medium term that borrowings of the Company at the time of draw down will not exceed 25 per cent. of the aggregate market value of all the properties of the Company.
B.36	Regulatory status	<p>The Company is not regulated as a collective investment scheme by the Financial Conduct Authority. However, it is subject to the Listing Rules, the Prospectus Rules and the Disclosure Rules and Transparency Rules.</p> <p>The Company currently fulfils the relevant “qualifying conditions” for UK REIT status. As a REIT (amongst other things):</p> <ul style="list-style-type: none"> <li>● the Group does not pay UK income or corporation tax on profits and gains from its Qualifying Property Rental Business;</li> <li>● the Company is required to distribute to Shareholders at least 90 per cent. of the profits arising from the Group’s Qualifying Property Rental Business; and</li> <li>● subject to certain exemptions, the Company is required to withhold tax at source from its PIDs.</li> </ul> <p>Under the REIT Regime, a tax charge to UK taxation may currently be levied on the Company if it were to pay a PID to a Substantial Shareholder. The Articles contain provisions relating to Substantial Shareholders.</p>
B.37	Typical investor	The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised individual who is seeking an attractive level of income with the potential for income and capital growth from investing in a diversified portfolio of UK commercial real estate properties and who understands and accepts the risks inherent in the Investment Policy.
B.38	Investment of 20 per cent. or more in single underlying asset or investment company.	Not applicable.
B.39	Investment of 40 per cent. or more in single underlying asset or investment company.	Not applicable.
B.40	Applicant’s service providers	<p><b><i>Investment Manager</i></b></p> <p>The Company has appointed Custodian Capital Limited as its investment manager. The Investment Manager is a private company limited by shares and was incorporated in England and Wales under the Companies Act 1985 with the company number 6504305 on 14 February 2008. The Investment Manager is authorised and regulated by the FCA.</p> <p>In its capacity as investment manager to the Company, the Investment Manager advises the Company on the acquisition of its investment portfolio and on the development, management and disposal of properties in the portfolio.</p> <p>Pursuant to the Investment Management Agreement, the Company pays to the Investment Manager on a quarterly basis in arrears (on 1 January, 1 April, 1 July and 1 October each year) a fund and asset management fee calculated by reference to the closing NAV of the Company each quarter as follows:</p>



		<p>(a) 0.9 per cent. of that amount of the NAV of the Company as at the relevant quarter day being less than or equal to £200 million divided by 4; plus</p> <p>(b) 0.75 per cent. of that amount of the NAV of the Company as at the relevant quarter day in excess of £200 million divided by 4.</p> <p>The Investment Manager is also appointed under the Investment Management Agreement to provide company secretarial, financial and administrative services to the Company.</p> <p>The Company pays to the Investment Manager an administrative fee equal to 0.125 per cent. of the NAV of the Company at the end of the last accounting period of the Company. The administrative fee is payable in quarterly instalments in advance.</p> <p>The Investment Management Agreement is for an initial term of three years from (the “<b>Initial Term</b>”), terminable by either party giving not less than 12 months’ prior written notice to the other, which notice may only be given after the expiry of the Initial Term.</p> <p><b>Depository</b></p> <p>The Company has appointed Langham Hall UK Depository LLP to act as its depository. The Depository is responsible for, amongst other things, ensuring that the Company’s cash flows are properly maintained, the safe keeping of property entrusted to it by the Company and the oversight and supervision of the Company and Custodian Capital.</p> <p>The Company pays an annual fee to the Depository of £38,000 and the agreement may be terminated by the Company, Custodian Capital and/or the Depository by giving not less than six months’ notice in writing.</p>
B.41	Regulatory status of Investment Manager	The Investment Manager is authorised and regulated by the FCA.
B.42	Calculation of NAV	<p>The Property Portfolio has been valued by Lambert Smith Hampton.</p> <p>The NAV attributable to the Ordinary Shares is published quarterly based on the most recent valuation of the Company’s portfolio and in accordance with IFRS.</p> <p>The NAV is calculated by the Investment Manager and published through an RIS as soon as practicable after the end of the relevant quarter. The latest NAV per Ordinary Share was published on 20 October 2015 and it is expected that the next NAV per Ordinary Share will be published on or about the date of 19 January 2016.</p> <p>The calculation of the NAV 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 an RIS.</p>
B.43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44	Financial statements	The Company has commenced operations and historical financial information is included in this document.
B.45	Portfolio	The Company owns a diversified portfolio of UK commercial real estate properties, which comprises 101 freehold and leasehold properties located across the UK. The Property Portfolio is diversified between the main commercial property sectors: Industrial 47 per cent., Retail 18 per cent.,

		Office 12 per cent., Retail Warehouse 6 per cent. and Other 17 per cent. The Company continues to invest in properties in line with the Investment Policy of investing in a diversified portfolio of UK commercial real estate.
B.46	NAV	As at 30 September 2015, the unaudited NAV was 102.6p per Ordinary Share.
<b>Section C Securities</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
C.1	Type and class of securities	The Company proposes to issue up to 171,976,967 new Ordinary Shares in connection with the Issue and the Placing Programme. Applications will be made to the FCA for the new Ordinary Shares to be admitted to the premium segment of the Official List and to be admitted to trading on the London Stock Exchange's Main Market.
C.2	Currency	The Company will issue Ordinary Shares denominated in Sterling.
C.3	Number of securities in issue	193,305,659 Ordinary Shares each with a nominal value of 1p are in issue as at 3 November 2015, being the last practicable date prior to the publication of this document.
C.4	Description of the rights attaching to the securities	<p><b><i>Voting Rights</i></b></p> <p>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares, Ordinary Shareholders shall have the right to receive notice of and to attend, speak and vote at general meetings of the Company.</p> <p>Each Ordinary Shareholder being present in person or by proxy or by a duly authorised representative (if a company) at a general meeting shall upon a show of hands have one vote and upon a poll all Ordinary Shareholders shall have one vote for every Ordinary Share held.</p> <p><b><i>Dividend rights</i></b></p> <p>Shareholders will be entitled to receive such dividends as the Directors may resolve to pay to them out of the assets attributable to their Ordinary Shares.</p> <p><b><i>Return of capital</i></b></p> <p>Holders of Ordinary Shares are entitled to participate (in accordance with the rights specified in the Articles) in the assets of the Company attributable to their Ordinary Shares in a winding up of the Company.</p>
C.5	Restrictions on the free transferability of the securities	<p>Subject to the Articles (and the restrictions on transfer contained in them) a Shareholder may transfer all or any of his Ordinary Shares in any manner which is permitted by law or in any other lawful manner which is from time to time approved by the Board.</p> <p>The Ordinary Shares have not been, nor will be, registered in the United States under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and are subject to restrictions on transfer contained in such laws. There are restrictions on the purchase of Ordinary Shares by persons who are located in the United States or who are US Persons (as defined in the US Securities Act) and on the resale of Ordinary Shares by any Shareholders to any person who is located in the United States or is a US Person and on the resale of Shares by any Shareholders to any person who is located in the United States or is a US Person.</p>

C.6	Admission	Applications will be made to the FCA for the new Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market.
C.7	Dividend policy	<p>Subject to market conditions and the Company's level of net income, it is the Directors' intention to pay interim dividends to Shareholders on a quarterly basis and in accordance with the REIT Regime.</p> <p>The Company will seek to maintain the dividend over the long term and may offer Shareholders the opportunity to receive dividends in the form of further Ordinary Shares.</p>
<b>Section D – Risks</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
D.1	Key information on the key risks specific to the issuer or its industry	<ul style="list-style-type: none"> <li>● The Company cannot guarantee that it will maintain REIT status nor can it guarantee that it will maintain continued compliance with all of the REIT conditions. If the Company was to leave the REIT Regime within 10 years of joining, HMRC has wide powers to direct how it would be taxed which could have a material impact on the financial condition of the Company.</li> <li>● The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields.</li> <li>● Investments in property are inherently illiquid. Such illiquidity may affect the Company's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices. This could have an adverse effect on the Company's financial condition and results of operations.</li> <li>● 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 can be no assurances that the estimates resulting from the valuation process will reflect actual realisable sale prices.</li> <li>● The Company will incur certain fixed costs on the acquisition of properties, including stamp duty land tax which will reduce the NAV per Ordinary Share immediately following the acquisition. There is no guarantee that the value of the properties will increase to an amount in excess of these costs.</li> <li>● The Company will be reliant on the skills of the Investment Manager and may be adversely affected if it underperforms or its services cease to be available to the Company.</li> </ul>
D.2	Key information on the key risks that are specific to the issuer.	The Company intends to continue to use borrowings to acquire further properties and those borrowings may not be available at the appropriate time or on suitable terms. If borrowings are not available on suitable terms or at all this will have a material adverse impact on the returns to Shareholders and in particular the level of dividends paid.
D.3	Key information on the key risks specific to the securities.	<ul style="list-style-type: none"> <li>● The market value of, and the income derived from, the Ordinary Shares can fluctuate. The market value of the Ordinary Shares, as well as being affected by their NAV and prospective NAV, also takes into account their dividend yield and prevailing interest rates.</li> <li>● There is no guarantee that a liquid market will be available in the Ordinary Shares.</li> </ul>

		<ul style="list-style-type: none"> <li>● There is no guarantee that the target dividends will be paid.</li> <li>● The Company's ability to pay dividends will depend principally upon the rental income generated from the properties owned by the Company.</li> <li>● Both the rental income and the market value of the properties acquired by the Company will be affected by the operational performance of the properties or the related business being carried on in the property and the general financial performance of the tenants.</li> <li>● Dividend growth will depend principally on growth in rental income and other income returns on the underlying assets and the extent to which the Company has invested in property.</li> <li>● Qualifying Shareholders will have their proportionate shareholdings in the Company diluted by approximately 12.6 per cent. or approximately 27.1 per cent. as a consequence of the Issue (assuming all of the new Ordinary Shares available under the Issue are issued) if they do take up or do not take up (respectively) their Basic Entitlement, and by approximately 36.5 per cent. or approximately 47.1 per cent. as a consequence of the Issue and the Placing Programme (assuming all of the new Ordinary Shares available under the Issue and the Placing Programme are issued) if they do take up or do not take up (respectively) their Basic Entitlement.</li> </ul>
<b>Section E – Offer</b>		
<b>Element</b>	<b>Disclosure requirement</b>	<b>Disclosure</b>
E.1	Net proceeds and costs of the Issue and the Placing Programme	<p>The costs and expenses of the Issue and the Placing Programme include the fees and commissions payable to Numis, the fees and commissions payable to the Investment Manager, professional advisers and other related expenses. The aggregate estimated amount of these costs and expenses is £3.14 million assuming 171,976,967 Ordinary Shares are issued in aggregate under the Issue and the Placing Programme.</p> <p>On this basis the net proceeds of the Issue and the Placing Programme are expected to be approximately £176 million.</p>
E.2 A	Reason for offer and use of proceeds	The net proceeds of the Issue and the Placing Programme are intended to be used by the Company to purchase a diversified portfolio of additional properties in accordance with the Investment Policy.
E.3	Terms and conditions of the offer	<p><b><i>The Placing</i></b></p> <p>Up to 71,976,967 Ordinary Shares are available to be placed by Numis on behalf of the Company at the Issue Price to raise up to £75 million (before expenses).</p> <p><b><i>The Open Offer</i></b></p> <p>The Open Offer will be made to holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (with the exclusion (subject to certain exemptions) of Overseas Shareholders:</p> <p style="text-align: center;"><b>1 Open Offer Share for every 5 Existing Ordinary Shares</b></p> <p>Fractional entitlements under the Open Offer will be aggregated and made available in the Excess Application Facility.</p> <p>Allocation of Excess Shares validly applied for will be made at the discretion of Numis (after consultation with the Company and the Investment Manager).</p>

		<p><b><i>Excess Application Facility</i></b></p> <p>Qualifying Shareholders that take up all of their Basic Entitlements may also apply under the Excess Application Facility for additional Open Offer Shares to which they would otherwise not be entitled. The maximum number of Open Offer Shares to be issued by the Company is fixed and will not be increased in response to any applications under the Excess Application Facility. If there is an oversubscription for Open Offer Shares resulting from applications under the Excess Application Facility, allocations of Open Offer Shares in respect of such applications will be scaled back at the discretion of Numis (after consultation with the Company). No assurances can be given that the applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.</p> <p><b><i>Offer for Subscription</i></b></p> <p>The Offer for Subscription will be made to certain categories of investors at the Issue Price. Individual applications under the Offer for Subscription must be for Ordinary Shares with a minimum aggregate value at the Issue Price of £1,000.</p> <p>The Issue, which is not underwritten, is conditional upon (amongst other things):</p> <ul style="list-style-type: none"> <li>● the Placing Agreement having become unconditional (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and</li> <li>● Admission becoming effective not later than 8.00 a.m. on 3 December 2015 or such later date as Numis may, in its absolute discretion, specify, but not later than 8.00 a.m. on the Longstop Date.</li> </ul> <p>If any of these conditions are not met, the Issue will not proceed.</p> <p><b>The Placing Programme</b></p> <p>Following the completion of the Issue, the Directors intend to implement the Placing Programme to enable the Company to raise additional capital in the period from Admission to 3 November 2016.</p> <p>Under the Placing Programme, the Company is proposing to facilitate the potential issue of up to approximately 100 million new Ordinary Shares at the applicable Placing Programme Price.</p> <p>Each Subsequent Placing is conditional upon, amongst other things:</p> <ul style="list-style-type: none"> <li>● Admission of the new Ordinary Shares issued pursuant to each Subsequent Placing at such time and on such date as the Company and Numis may agree prior to the closing of that Subsequent Placing, not being later than 3 November 2016;</li> <li>● the Placing Agreement having become unconditional in respect of the relevant Subsequent Placing and not having been terminated in accordance with its terms before the relevant Admission; and</li> <li>● a valid supplementary prospectus being published by the Company if required by the Prospectus Rules.</li> </ul> <p>If any of these conditions are not met in respect of any Subsequent Placing, the relevant issue of new Ordinary Shares will not proceed.</p>
E.4	Material interests	Not applicable. No interest is material to the issue of new Ordinary Shares under the Issue or the Placing Programme.
E.5	Name of person selling securities	Not applicable. No person is offering to sell the securities as part of the Issue of the Placing Programme.
E.6	Dilution	Qualifying Shareholders will have their proportionate shareholdings in the Company diluted by approximately 12.6 per cent. or approximately 27.1

		<p>per cent. as a consequence of the Issue (assuming all of the new Ordinary Shares available under the Issue are issued) if they do take up or do not take up (respectively) their Basic Entitlement, and by approximately 36.5 per cent. or approximately 47.1 per cent. as a consequence of the Issue and the Placing Programme (assuming all of the new Ordinary Shares available under the Issue and the Placing Programme are issued) if they do take up or do not take up (respectively) their Basic Entitlement.</p>
E.7	Expenses charged to the investor	<p>The costs and expenses of the Issue include the fees and commissions and the costs of the Placing Programme payable to Numis, the fees and commissions and the costs of the Placing Programme payable to the Investment Manager, professional advisers and other related expenses.</p> <p>The Issue Price at which new Ordinary Shares will be issued by the Company pursuant to the Issue has been calculated, and the applicable Placing Programme Price at which new Ordinary Shares will be issued pursuant to the Placing Programme will be calculated, by reference to the prevailing NAV per Ordinary Share (cum income) plus a premium sufficient to cover the expenses of the relevant issue, including any placing commissions. No additional expenses will be charged to investors under the Issue or the Placing Programme.</p>



## 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 Company or the Ordinary Shares. Additional risks and uncertainties relating to the Company or the Ordinary Shares that are not currently known to the Directors or the Company or that the Directors or the Company do not currently consider to be material may also have a material adverse effect on the Company. Shareholders and potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

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

### 1. Risks relating to the Company's limited operating history

The Company has a limited operating history upon which any prospective investors may base an evaluation of the likely performance of the Company. Any investment in the Ordinary Shares is, therefore, subject to all of the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its Investment Objective and that the value of any investment made by the Company, and of the Ordinary Shares, could substantially decline.

### 2. Risks relating to the Company's investments

#### 2.1 *Risks relating to property and property-related assets*

- (a) The Company cannot be sure that it will be successful in obtaining suitable further investments in UK commercial property on financially attractive terms.
- (b) As the Company disposes of and/or acquires further investment property, the composition of the portfolio of properties owned by the Company will differ from the profile of properties comprised in the current Property Portfolio (subject to the Investment Policy).
- (c) Market conditions may have a negative impact on the Investment Manager's ability to identify and execute investments in suitable assets that generate acceptable returns. Market conditions can have a significant negative impact on the availability of credit, property pricing and liquidity levels. Market conditions may restrict the supply of suitable assets that may generate acceptable returns and adverse market conditions may lead to increasing numbers of events of default. Adverse market conditions and their consequences may have a material adverse effect on the Company's business, results of operations and cash flows.
- (d) The Company's performance will be affected by, amongst other things, general conditions affecting the UK property rental market, as a whole or specific to the Company's investments, including decrease in capital values and weakening of rental yields. The value of commercial real estate in the UK has fluctuated sharply as a result of the economic recession, reductions in available credit and changes in market confidence. The Company's ability to dispose of its properties, and the price realised in any such disposals, will also depend on the general conditions affecting the investment market at the time of the disposal. The Company's business and results of operations may be materially adversely affected by a number of factors outside of its control, including but not limited to:
  - (i) a general property market contraction;
  - (ii) a decline in property rental values; and
  - (iii) changes in laws and regulations in relation to property, including those relating to permitted and planning usage, taxes and government charges, health and safety and environmental compliance.

Such changes in laws and regulations may lead to an increase in capital expenditure or running costs to ensure compliance which may not be recoverable from tenants. Rights related to particular properties may also be restricted by legislative actions, such as revisions to existing laws or the enactment of new laws.

If conditions affecting the investment market negatively impact the price at which the Company is able to dispose of its assets, or if the Company suffers a material increase in its operating costs, this may have a material adverse effect on the Company's business and results of operations.



- (e) Locating suitable properties and negotiating acceptable purchase contracts, conducting due diligence and ultimately investing in a property typically requires a significant amount of time. The Company may face delays in locating and acquiring suitable investments and, once the properties are identified, there could also be delays in obtaining the necessary approvals. The Company's inability to select and invest in properties on a timely basis may have a material adverse effect on the potential returns to Shareholders and delay or limit distributions to Shareholders by the Company.
- (f) The Company may face significant competition from other UK or foreign property investors. Competition in the property market may lead either to an over-supply of commercial premises through over-development or to prices for existing properties being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties.
- (g) The Company will incur certain fixed costs on the acquisition of properties, including stamp duty land tax which will reduce the NAV per Ordinary Share immediately following such an acquisition. There is no guarantee that the value of the properties will increase to an amount in excess of these costs. In addition, certain costs such as financing, valuations and professional services will be incurred even where investments do not proceed to completion. There can be no assurance as to the level of such costs, and given that there can be no guarantee that the Company will be successful in its negotiations to acquire any given property, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Company's results of operations and financial condition.
- (h) Whilst the Investment Manager will seek to spread risk relating to tenant concentration, there is the risk that, from time to time, the Company has a concentrated number of tenants and material exposure to the financial strength and the operational performance of those tenants.
- (i) Both the rental income and the market value of the properties acquired by the Company will be affected by the operational performance of the related business being carried on in the property and the general financial performance of the operator. The operational performance of a tenant will be affected by local conditions such as household incomes. Both rental income and market values may also be affected by other factors specific to the UK commercial property market, such as competition from other property funds. In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, rates and marketing costs and will have a material adverse impact on the financial condition and performance of the Company and/or the level of dividend cover.
- (j) The Company may be exposed to future liabilities and/or obligations with respect to disposal of investments. The Company may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in respect of property disposals. The Company may be required to pay damages (including, but not limited to, litigation costs) to a purchaser to the extent that any representations or warranties that it has given to a purchaser prove to be inaccurate or to the extent that it has breached any of its covenants or obligations contained in the disposal documentation. In certain circumstances, it is possible that any representations and warranties incorrectly given could give rise to a right by the purchaser to rescind the contract in addition to the payment of damages. Further, the Company may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments (such as certain environmental liabilities) can also continue to exist notwithstanding any disposal. Any such claims, litigation or obligations, and any steps which the Company is required to take to meet these costs, such as sales of assets or increased borrowings, may have a material adverse effect on the Company's results of operations, financial condition and business prospects.

- (k) The Company's properties may suffer physical damage resulting in losses (including loss of rent) which may not be fully compensated for by insurance, or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, might also result in insurance proceeds being insufficient to repair or replace a property. Should an uninsured loss or a loss in excess of insured limits occur, the Company may lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Company could be liable to repair damage caused by uninsured risks. The Company might also remain liable for any debt or other financial obligations related to that property. Any material uninsured losses may have a material adverse effect on the Company's business prospects, results of operations and financial condition.
- (l) Investments in property are inherently illiquid. Such illiquidity may affect the Company's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. This could have an adverse effect on the Company's financial condition and results of operations.
- (m) Prior to entering into any agreement to acquire any property, the Investment Manager on behalf of the Company, will perform or procure the performance of due diligence on the proposed acquisition target. In so doing, it would typically rely, in part, on third parties to conduct a significant portion of this due diligence (such as surveyors' reports and legal reports on title and property valuations). To the extent the Company, the Investment Manager or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, the Company may incur, directly or indirectly, unexpected liabilities, such as defects in title, an inability to obtain permits, or environmental, structural or operational defects requiring remediation. In addition, if there is a failure of due diligence, there may be a risk that properties are acquired which are not consistent with the Investment Objective and the Investment Policy, that properties are acquired that fail to perform in accordance with projections or that material defects or liabilities are not covered by insurance proceeds. This may, in turn, have a material adverse effect on the Company's performance, financial condition and business prospects.

## **2.2 *Risks relating to the developments and refurbishment of properties***

- (a) Certain of the Company's properties may be specifically suited to the particular needs of a certain type of occupant. The Company may need to incur additional capital expenditure on a property in the event that it wanted it to be suitable for other occupants which may have a material effect on the results of operations of the Company and the amount that remains available to distribute to Shareholders.
- (b) As the owner of real property, the Company will be 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 Company 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 Company 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 Company's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

## **2.3 *Risks relating to valuations***

- (a) 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 realisable sale price even where such sales occur shortly after the relevant valuation date.
- (b) 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, evidence generated by limited comparable transactions has shown a greater volatility of pricing and in these circumstances there is a greater degree of uncertainty in forming an opinion of the realisation prices of property assets than that which exists in a more active and stronger market.

#### **2.4 *Risks relating to the reliance on the Investment Manager and its key individuals***

The ability of the Company to achieve the Investment Objective depends on the ability of the Investment Manager to identify, select and execute investments which offer the potential for satisfactory returns. The availability of suitable investment opportunities will depend, in part, upon conditions in the UK commercial real estate market and the level of competition for assets in that market.

Accordingly, the ability of the Company to achieve its Investment Objective depends heavily on the experience of the Investment Manager's team, and more generally on the ability of the Investment Manager to attract and retain suitable staff. The underperformance or the departure of key skilled professionals from the Investment Manager could have a material adverse effect on the Company's business, financial condition and results of operations. The Board has a broad discretion to monitor the performance of the Investment Manager or to appoint a replacement but the performance of the Investment Manager or that of any replacement cannot be guaranteed.

### **3. *Risks relating to the Company***

There can be no guarantee that the Investment Objective will be met. If this objective is not met Shareholders may not receive an attractive level of income or any income or capital growth in the underlying value of their Ordinary Shares. Shareholders could even lose all or part of their investment in the Company.

#### **3.1 *Risks relating to the REIT status of the Group***

- (a) It is the expectation of the Directors that the Company will continue to fulfil the relevant "qualifying conditions" for UK REIT status. The basis of taxation of any Shareholder's shareholding in the Company will differ or change fundamentally if the Group fails or ceases to maintain its REIT status.
- (b) The requirements for maintaining REIT status are complex. While minor breaches of the UK REIT Regime conditions and requirements may result only in specific additional amounts of tax being payable or will not be punished if remedied within a given period of time (provided that the regime is not breached more than a certain number of times), the Company cannot guarantee that it will maintain continued compliance with all of the REIT conditions. There is a risk that the REIT Regime may cease to apply in some circumstances. HMRC may require the Company to exit the REIT Regime if:
  - (i) it regards a breach of the conditions relating to the REIT Regime (including in relation to the Qualifying Property Rental Business) or an attempt to obtain a tax advantage as sufficiently serious;
  - (ii) if the Group has committed a certain number of breaches in a specified period; or
  - (iii) if HMRC has given the Group at least two notices in relation to the obtaining of a tax advantage within a 10 year period.
- (c) In addition, if the conditions for REIT Group status relating to the share capital of the Company or the prohibition on entering into certain prohibited loans are breached or the Company ceases to be UK tax resident, becomes dual tax resident or an open-ended investment company, the Group could lose REIT status. The Group could therefore lose its status as a REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a REIT or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe. If the Group were to be required to leave the REIT Regime within 10 years of joining, HMRC has wide powers to direct how it would be taxed including in relation to the date on which the Company would be treated as exiting the REIT Regime which could have a material impact on the financial condition of the Company and, as a result, Shareholder

returns. In addition, incurring a tax liability could cause the Group to have a requirement to borrow funds, liquidate some of its assets or take other steps that could negatively affect its operating results.

- (d) If the Group fails to remain qualified as a REIT, its rental income and capital gains will be subject to UK taxation.
- (e) A REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a Substantial Shareholder. This additional tax charge will not be incurred if the REIT has taken reasonable steps to avoid paying dividends to a Substantial Shareholder. Therefore, the Articles contain provisions designed to avoid the situation where dividends may become payable to a Substantial Shareholder and these provisions are summarised at paragraph 4.4 of Part VII of this document. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met. The Articles also allow the Board to require the disposal of Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions.

### **3.2 *Risks relating to the taxation of the Company***

- (a) 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 Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company, or affect the Company's ability to achieve the 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.
- (b) Any change (including a change in interpretation) in tax legislation or accounting practice, in the United Kingdom, could have a material adverse effect on the Company'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 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.
- (c) If a member of the Group disposes of a property in the course of a trade, any gain will be subject to corporation tax at regular corporate rates. For example, acquiring a property with a view to sale followed by a disposal of the asset would indicate a trading activity, whereas disposal of a property as part of a normal variation of a property rental portfolio would not indicate a trading activity. Whilst the Group does not intend to dispose of property in the course of a trade, there can be no assurance that HMRC will not successfully argue a disposal to have been in the course of a trade with the consequence that corporation tax will be payable in respect of any profits from the disposal of such property.

### **3.3 *Risks relating to laws and regulation which may affect the Company***

- (a) The Company and the Investment Manager are both subject to laws and regulations enacted by national, regional and local governments and institutions. In particular, the Company will be required to comply with certain statutory requirements under English law applicable to an English company, the Listing Rules, the Prospectus Rules and the Disclosure Rules and Transparency Rules. Compliance with and the monitoring of applicable regulations may be difficult, time consuming and costly. Any changes to such regulation could affect the market value of the Company's portfolio and/or the rental income of the portfolio.
- (b) The Company will not obtain political risk insurance. As such, government action could have a significant impact on the target investments of the Company. Changes to the existing legislation or policy or additional legislation or policies may be burdensome for the Company to implement and may as a result have a negative impact on the returns of the Company.

- (c) Government authorities are also actively involved in the application and enforcement of laws and regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of those laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from as well as adversely affecting the value of the Company's assets.
- (d) Improving returns to Shareholders may rely partly on the redevelopment of properties acquired. Such redevelopment will be subject to obtaining planning consents. There can be no guarantee that such planning consents will be provided and if consent is not granted, this may adversely affect the Company's investments.

### 3.4 *Risks relating to the AIFM Directive*

The AIFM Directive, which was transposed into national law on 22 July 2013, regulates (i) alternative investment fund managers ("AIFMs") based in the EEA; (ii) the management of any alternative investment fund ("AIF") established in the EEA (irrespective of where the AIFM is based) and (iii) the marketing in the EEA of the securities of any AIF whether conducted by an EEA AIFM or a non-EEA AIFM. In order to obtain authorisation under the AIFM Directive, an AIFM needs to comply with various organisational, operational and transparency obligations, which may create significant additional compliance costs, some of which may be passed to investors in the AIF and may affect dividend returns.

The Company is an EEA AIF for the purposes of the AIFM Directive and related regimes in relevant EEA member states.

As an authorised AIFM, the Investment Manager is required to comply with various organisational, operational and transparency obligations, which may create significant compliance costs or require changes to the structure of the Company. If the Investment Manager obtains but ceases to maintain its authorisation as an AIFM, it may be unable to continue to manage the Company or its ability to manage the Company may be impaired.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that limit the Company's ability to market future issues of its Ordinary Shares may materially adversely affect the Company's ability to carry out the Investment Policy successfully and to achieve the Investment Objective, which in turn may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Ordinary Shares.

### 3.5 *Risks relating to US Tax withholding and reporting under FATCA*

- (a) The FATCA provisions of the US Tax Code may impose a 30 per cent. withholding tax on payments of U.S. source interest and dividends made on or after 1 July 2014 and of gross proceeds from the sale of certain US assets made on or after 1 January 2017 to a foreign financial institution (or "FFI") that, unless exempted or deemed compliant, does not enter into, and comply with, an agreement with the US Internal Revenue Service ("IRS") to provide certain information on its US shareholders. Beginning no earlier than 1 January 2017 a portion of income that is otherwise non-US-source may be treated as US-source for this purpose.
- (b) The Company may be treated as an FFI for these purposes. If the Company is treated as an FFI, to avoid the withholding tax described above, the Company may need to enter into an agreement (an "IRS Agreement") with the IRS or alternatively, comply with the requirements of the intergovernmental agreement (an "IGA") between the United States and the United Kingdom in respect of FATCA (including any legislation enacted by the United Kingdom in furtherance of the IGA). An FFI that fails to comply with the applicable IGA or, if required, does not enter into IRS Agreement or whose agreement is voided by the IRS will be treated as a "non-Participating FFI".
- (c) In general, an IRS Agreement will require an FFI to obtain and report information about its "U.S. accounts", which include equity interests in a non-U.S. entity other than interests regularly traded on an established securities market. The following assumes that the Company will be an FFI and that its Ordinary Shares will not be considered regularly traded on an established securities market for purposes of FATCA. The Company's reporting obligations under FATCA would generally be less extensive if its Ordinary Shares were considered regularly traded on an established securities market for purposes of FATCA. An IRS Agreement would require the Company (or an intermediary financial



institution, broker or agent (each, an “**Intermediary**”) through which a beneficial owner holds its interest in Ordinary Shares) to agree to (i) obtain certain identifying information regarding the holder of such Ordinary Shares to determine whether the holder is a US person or a US owned foreign entity and to periodically provide identifying information about the holder to the IRS and (ii) comply with withholding and other requirements. In order to comply with its information reporting obligation under the IRS Agreement, the Company would be obliged to obtain information from all shareholders of the Company. To the extent that any payments in respect of the Ordinary Shares are made to a Shareholder by an Intermediary, such Shareholder may be required to comply with the Intermediary’s requests for identifying information that would permit the Intermediary to comply with its own IRS Agreement. Any Shareholder that fails to properly comply with the Company’s or an Intermediary’s requests for certifications and identifying information or, if applicable, a waiver of non-US law prohibiting the release of such information to a taxing authority, will be treated as a “**Recalcitrant Holder**”. The Company will not be required to enter into an IRS Agreement provided that it complies with legislation enacted by the UK that generally requires similar information to be collected and reported to the UK authorities.

- (d) Under the UK IGA (including any legislation enacted in furtherance of the IGA) or an IRS Agreement, an Intermediary (and possibly the Company) may be required to deduct a withholding tax of up to 30 per cent. on payments (including gross proceeds and redemptions) made on or after 1 January 2017 to a Recalcitrant Holder or a shareholder of the Company that itself is an FFI and, unless exempted or otherwise deemed to be compliant, does not have in place an effective IRS Agreement (i.e., the shareholder is a non-Participating FFI). Neither the Company nor an Intermediary will make any additional payments to compensate a Shareholder or beneficial owner for any amounts deducted pursuant to FATCA. It is also possible that the Company may be required to cause the disposition or transfer of Ordinary Shares held by Shareholders that fail to comply with the relevant requirements of FATCA and the proceeds from any such disposition or transfer may be an amount less than the then current fair market value of the Shares transferred.
- (e) If the Company (or any Intermediary) is treated as a non-Participating FFI, the Company may be subject to a 30 per cent. withholding tax on certain payments to it.
- (f) Further, even if the Company is not characterised under FATCA as an FFI, it nevertheless may become subject to such 30 per cent. withholding tax on certain U.S. source payments to it unless it either provides information to withholding agents with respect to its “substantial U.S. owners” or certifies that it has no such “substantial U.S. owners”. As a result, Shareholders may be required to provide any information that the Company determines necessary to avoid the imposition of such withholding tax or in order to allow the Company to satisfy such obligations.

### 3.6 *Risks relating to gearing*

- (a) It is intended that the Company will continue to incur gearing to fund the acquisition of further properties. There is no certainty that such borrowings will be made available to the Company either at all or on acceptable terms which may adversely affect the future prospects of the Company and, as a consequence, returns to Shareholders. If borrowings are not available on suitable terms or at all this will have a material adverse impact on the returns to Shareholders and in particular the level of dividends paid.
- (b) Each of the Facilities Agreements contains provisions whereby the Company is not permitted to make payment of any dividend or distribution to Shareholders at any time following the occurrence of a “default” under the relevant Facility Agreement. The Facilities Agreements each contain standard default provisions for facilities of their type and also provide that the Company shall be in “default” if, at any time (a) the aggregate amount of the loan(s) outstanding under the relevant Facility Agreement exceeds, in the case of the RCF and the Lloyds Term Facility, 50 per cent. or, in the case of the Scottish Widows Term Facility, 45 per cent., of the “market value” (determined in accordance with and by reference to the valuation most recently supplied to the relevant lender) of the properties charged under the relevant facility, (b) the aggregate amount of all of the Company’s financial indebtedness exceeds 35 per cent of the “market value” of all properties owned by the Company and/or (c) the passing rental income (as defined in the

Facilities Agreements) received by the Company in respect of the properties charged under the relevant facility, in each quarter is less than 250 per cent. of the aggregate amount of finance costs (being interest and other periodic fees) payable by the Company under the relevant Facility Agreement in respect of that quarter and (d) in the case of the Scottish Widows Term Facility, the weighted average lengths of the unexpired term of all occupational leases to which the properties charged under that facility are subject is less than 60 months. The Facilities Agreements also contain standard cross default provisions meaning that a breach of the terms of one Facility Agreement would also constitute a default for the purposes of each other Facility Agreement.

- (c) Accordingly, an adverse movement in property valuations or a decrease in the rental income from the Company's property portfolio could therefore negatively impact the Company's ability to pay dividends. If the Company is prevented from distributing at least 90 per cent. of the income profits in respect of its Qualifying Property Rental Business the Company will lose its status as a REIT. Loss of REIT status (other than where arising solely by virtue of compliance with the restrictions against the payment of dividends and/or distributions to shareholders contained within the Facilities Agreements) would constitute a "default" under the Facilities Agreements entitling (amongst other things) the relevant lenders to demand immediate repayment of all amounts outstanding under the Facilities Agreement.
- (d) Shareholders and prospective investors should be aware that, whilst the use of borrowings should enhance the NAV of the Ordinary Shares where the value of the Company'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 Company's portfolio falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Company and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders.
- (e) Under the UK REIT legislation, a UK tax charge will arise in the Company if in respect of an accounting period the Group's ratio of income profits to financing costs (in respect of its Qualifying Property Rental Business) is less than 1.25:1.

### **3.7 *Risks relating to conflicts of interest***

The services of the Investment Manager, its respective associates and their respective officers and employees, are not exclusive to the Company. Although the Investment Manager has given certain undertakings in the Investment Management Agreement regarding other mandates, and has in place a conflicts of interest policy, in fulfilling its responsibilities to the Company, it may be subject to certain conflicts of interest arising from its relations with third parties to whom it also owes duties or in whom it has an interest.

### **3.8 *Risks relating to the economic environment***

Global market uncertainty and the weakened economic conditions in the United Kingdom and elsewhere and, in particular, the restricted availability of credit, may reduce the value of the Company's portfolio once it has been acquired, and may reduce liquidity in the real estate market. The performance of the Company would be adversely affected by a further downturn in the property market in terms of market value or a weakening of rental yields. Economic factors impacting on people's savings will also impact upon people's ability to pay for the services to be provided from the properties proposed to be invested in by the Company and may therefore impact on the returns of the Company.

## **4. *Risks relating to the Ordinary Shares***

### **4.1 *Risks in relation to the market value of the Ordinary Shares***

- (a) If the Company's assets do not grow at a rate sufficient to cover the costs of operating the Company, Shareholders may not recover the amount initially invested.
- (b) 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 NAV and prospective NAV, 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 NAV and investors may not get back the full value of their investment.



- (c) 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 and various other factors and events, including rental yields, variations in the Company's operating results, business developments of the Company and/or its competitors. Stock markets have been experiencing significant price and volume fluctuations that have affected market prices for securities.
- (d) The price of an Ordinary Share may also be affected by speculation in the press or investment community regarding the business or investments of the Company or factors or events that may directly or indirectly affect their respective investments.

#### **4.2 *Risks relating to the liquidity of the Ordinary Shares***

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. Although the Ordinary Shares are traded on the Main Market, the market liquidity of shares in investment companies is frequently less than that of shares issued by larger listed companies and it is possible that there may not be a liquid market in the Ordinary Shares and Shareholders may have difficulty in selling the Ordinary Shares at the quoted market price and/or the prevailing NAV per Ordinary Share, or at all. Further, the London Stock Exchange has the right to suspend or limit trading in a company's securities. Any suspension or limitation on trading in the Ordinary Shares may affect the ability of Shareholders to realise their investment.

#### **4.3 *Risks relating to the dilution of equity***

Qualifying Shareholders will have their proportionate shareholdings in the Company diluted by approximately 12.6 per cent. or approximately 27.1 per cent. as a consequence of the Issue (assuming all of the new Ordinary Shares available under the Issue are issued) if they do take up or do not take up (respectively) their Basic Entitlement, and by approximately 36.5 per cent. or approximately 47.1 per cent. as a consequence of the Issue and the Placing Programme (assuming all of the new Ordinary Shares available under the Issue and the Placing Programme are issued) if they do take up or do not take up (respectively) their Basic Entitlement.

#### **4.4 *Risk relating to continuation vote***

The Company's structure includes a continuation vote at the Company's seventh annual general meeting and at every seventh annual general meeting. If at such annual general meeting such resolution is not passed, the Board is required to propose a special resolution for the winding up or reconstruction of the Company, the latter being required to provide an option for Shareholders to elect to realise their investment. In the event that a winding up or reconstruction of the Company is approved, the Company's ability to return cash to Shareholders will depend principally on the ability of the Investment Manager to realise portfolio assets which are inherently illiquid and also on the availability of distributable profits, share capital or share premium, all of which can be used to fund share repurchases and redemptions under the Articles.

#### **4.5 *Risks relating to dividends and target returns***

- (a) There is no guarantee that the target dividend and/or target NAV growth in respect of any period will be paid or achieved, as applicable. The Company's ability to pay dividends will be dependent principally upon its rental income generated from the properties owned by the Company.
- (b) The Company's target dividends and returns for the Ordinary Shares are based on assumptions which the Board and the Investment Manager currently consider reasonable. However, there is no assurance that all or any assumptions will be justified, and the dividends and returns may be correspondingly reduced. In particular, there is no assurance that the Company will achieve its stated policy on dividends and/or returns. The target dividend and target return are not profit forecasts and should not be taken as an indication of the Company's expected future performance or results over any period. The target return and target dividend are targets only and there is no guarantee that they can or will be achieved and they should not be seen as an indication of the Company's expected or actual return. Accordingly, investors should not place any reliance on the target return in deciding whether to invest in the Ordinary Shares.

- (c) Dividend growth on the Ordinary Shares will depend principally on growth in rental and other income returns on the underlying assets (which may fluctuate), capital gains realised as the underlying assets are sold and the extent to which the Company has invested in property. The net proceeds of the Issue will be used by the Company to make investments in accordance with the Investment Policy. The timing of any investment in such assets will depend, amongst other things, on the availability of suitable properties that the Company may let to tenants at reasonable prices. Accordingly, there may be a 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 Ordinary Shares are likely to exceed the income generated by the proceeds of the Issue until such proceeds are substantially invested in UK commercial properties. Additionally the Company may only pay dividends from reserves deemed distributable under the Act.
- (d) If under the laws applicable to the Company there were to be a change to the basis on which dividends could be paid by such companies, this could have a negative effect on the Company's ability to pay dividends. Furthermore, if there are changes to the accounting standards or to the interpretation of accounting standards applicable to the Company this could have an adverse effect on the Company's ability to pay dividends.
- (e) In the absence of capital and/or income growth in the portfolio of the Company once the net proceeds of the Issue have been invested, the expected dividend policy of the Company will lead to a reduction in the NAV per Ordinary Share.
- (f) The Company will not be able to pursue asset growth through acquisitions solely from cash provided from its operating activities because of its obligation to distribute at least 90 per cent. of the income profits as calculated for tax purposes arising from the Group's Qualifying Property Rental Business each year (either in cash or by way of stock dividend) to Shareholders in order to continue to enjoy the full exemption from tax on rental income afforded by the UK REIT Regime. The Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet the 90 per cent. distribution condition each year. Consequently, the Company may be forced to rely on the availability of debt or equity capital to fund future acquisitions. In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the REIT Regime and the effect of any potential debt amortisation payments could require the Company to borrow funds to meet the distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a REIT, even if the then-prevailing market conditions are not favourable for these borrowings. As a result of these factors, the constraints of maintaining REIT status could limit the Company's flexibility to make investments.

#### **4.6 *Risks relating to Ordinary Shares trading at a discount***

The Ordinary Shares may trade at a discount to NAV per Ordinary Share and Shareholders may be unable to realise their investments through the secondary market at a price equal to, or greater than, NAV per Ordinary Share. The Ordinary Shares may trade at a discount to NAV for a variety of reasons, including market conditions or to the extent that investors undervalue the activities of the Investment Manager or discount the Company's valuation methodology and its judgements of value. Gilt and corporate bond yields are at historically low levels and a rise in such yields may make the Company's target returns less attractive, which could cause or increase such discount.

#### **4.7 *Risks relating to buying back Ordinary Shares***

Whilst the Company has passed a special resolution granting the Directors authority to repurchase a percentage of the Company's issued share capital, there is no guarantee that the Directors will exercise their discretion to purchase Ordinary Shares before such authority expires or at all. The purchase of Ordinary Shares by the Company is subject to the working capital requirements of the Company and the amount of cash available to the Company to fund such purchases and is at the absolute discretion of the Directors. No expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions. Further, where the Directors do exercise their discretion to buy back Ordinary Shares, there can be no

guarantee that such a buyback will be successful in mitigating any discount to NAV at which the Ordinary Shares are trading and the Board accepts no responsibility for any failure of any buyback to effect a reduction in any discount.

#### 4.8 ***Risks relating to Overseas Shareholders***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Overseas Shareholders in the Placing, the Open Offer and the Offer for Subscription. In particular, holders of Ordinary Shares who are located in the United States may not be able to apply for Ordinary Shares unless an exemption from the registration requirements is available under the Securities Act and holders of Ordinary Shares who are located in an EEA State (other than the UK) will not be able to apply for Ordinary Shares as the Issue is not being made into those jurisdictions. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company.

## IMPORTANT INFORMATION

This document should be read in its entirety before making any application for Ordinary Shares. Shareholders and prospective investors should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Investment Manager or Numis or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained in this document is correct as at any time subsequent to its date.

Shareholders and prospective investors must not treat the contents of this document or any subsequent communications from the Company, the Investment Manager or Numis or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Numis by FSMA or the regulatory regime established thereunder, Numis does not make any representations, express or implied, or accept any responsibility whatsoever for the content of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, the Issue, the Placing Programme or any other transaction contemplated in this document. Numis (and its affiliates) accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

In connection with the Placing and each Subsequent Placing, Numis or any of its affiliates, acting as an investor for its or their own account(s), may subscribe for Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or related investments in connection with the Placing, a Subsequent Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Numis or any of its affiliates acting as an investor for its or their own account(s). Numis does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

**If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant, legal or professional adviser or other financial adviser.**

### Data protection

The information that a shareholder and prospective investor in the Company provides in documents in relation to an application or a subscription for Ordinary Shares or subsequently by whatever means which relates to the Shareholder or the prospective investor (if it is an individual) or a third party individual ("personal data") will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) and/or the Investment Manager in compliance with the relevant data protection legislation and regulatory requirements of the United Kingdom. Each Shareholder and prospective investor acknowledges and consents that such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) and/or the Investment Manager for the following purposes:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the Shareholder and prospective investor with information about other products and services provided by the Investment Manager, or its affiliates, which may be of interest to the prospective investor;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and

- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

Each Shareholder and prospective investor acknowledges and consents that where appropriate it may be necessary for the Company (or any third party, functionary, or agent appointed by the Company) and/or the Investment Manager to:

- disclose personal data to third party service providers, agents or functionaries appointed by the Company or its agents to provide services to prospective investors; and
- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the United Kingdom.

If the Company (or any third party, functionary or agent appointed by the Company) and/or the Investment Manager discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

Prospective investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

### **Regulatory information**

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of this document may be prohibited in some countries.

Prospective investors should consider (to the extent relevant to them) the notices to residents of various countries set out in Part XI of this document.

### **Investment considerations**

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Shareholders and prospective investors must inform themselves as to:

- the legal requirements within their own countries for the subscription, purchase, holding, transfer, redemption or other disposal of the Ordinary Shares;
- any foreign exchange restrictions applicable to the subscription, purchase, holding, transfer, redemption or other disposal of the Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply to them as a result of the subscription, purchase, holding, transfer, redemption or other disposal of the Ordinary Shares.

Shareholders and prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's Investment Objective will be achieved.

It should be remembered that the price of the Ordinary Shares, and the income from such Ordinary Shares (if any), can go down as well as up.

This document should be read in its entirety before making any investment in the Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Company's memorandum of association and the Articles which Shareholders and potential investors should review. A summary of the Articles is contained in paragraph 4 of Part VII of this document.

### **Forward-looking statements**

This document contains forward-looking statements, including, without limitation, statements containing the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should" or in each case, their negative or other variations or similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors, which may cause the actual results of operations, performance or achievement of the Company, or industry results, to be



materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this document. Subject to its compliance with its legal and regulatory obligations (including under the Listing Rules, Disclosure and Transparency Rules and Prospectus Rules), the Company expressly disclaims any obligation to update or revise any forward-looking statement contained in this document to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Shareholders and potential investors are advised to read this document in its entirety, and, in particular, the section of this document entitled “Risk Factors” for a further discussion of the factors that could affect the Company’s future performance. In light of these risks, uncertainties and assumptions, the events described in the forward- looking statements in this document may not occur or may not occur as foreseen.

The actual number of Ordinary Shares to be issued will be determined by Numis (after consultation with the Company and the Investment Manager). In such event, the information in this document should be read in light of the actual number of Ordinary Shares to be issued in the Placing, Open Offer, the Offer for Subscription and each Subsequent Placing (as applicable).

Nothing in this section seeks to limit or qualify, in any way, the working capital statement in paragraph 10.4 of Part VII of this document.

#### **Notice to Overseas Shareholders**

Neither this document nor the Application Form constitutes or forms part of an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any Excluded Territory.

Securities may not be offered or sold in the United States absent (i) registration under the Securities Act or (ii) an available exemption from registration under the Securities Act. The securities mentioned in this document have not been, and will not be, registered under the Securities Act and will not be offered to the public in the United States or any other Excluded Territory. Subject to certain exceptions, the securities mentioned in this document may not be offered, sold, taken up, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States or any other Excluded Territory. Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consent or not need to observe any other formalities to enable them to receive Ordinary Shares or to taken up their entitlement under the Open Offer.

#### **Notice to all Shareholders**

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Ordinary Shares is prohibited. By accepting delivery of this document, you agree to the foregoing.

The distribution of this document and/or Application Form into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. The Application Form and the Ordinary Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in Part XI of this document. No action has been taken by the Company or Numis that would permit an offer of Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Application Form in a jurisdiction where action for that purpose is required, other than the United Kingdom.

#### **Definitions**

A glossary of certain words and expressions and a list of defined terms used in this document is set out before Part I of this document.

**Performance Data**

Without limitation, results can be positively or negatively affected by market conditions beyond the control of the Investment Manager, which market conditions may be different in many respects from those that prevail at present or in the future, including (without limitation) with the result that the performance of portfolios originated now may be significantly different from those originated in the past.

**Presentation of financial information**

Unless otherwise indicated, the financial information in this document has been prepared in accordance with IFRS, as adopted by the European Union. In making an investment decision, prospective investors must rely on their own examination of the Company from time to time and the terms of the Issue and each Subsequent Placing (as applicable).

**Presentation of industry, market and other data**

This document includes certain market, economic and industry data, which were obtained by the Company from industry publications, data and reports compiled by professional organisations and analysts, and data from other external sources. Where information has been referenced in this document, the source of that third party information has been disclosed. The Company and the Directors confirm that all information contained in this document that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which render the reproduced information inaccurate or misleading.

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates and the Directors' knowledge of the UK property market.

**No incorporation of website**

The contents of the Company's website at [www.custodianreit.com](http://www.custodianreit.com) do not form part of this document. Investors should base their decision to invest on the contents of this document alone and should consult their professional advisers prior to making an application to subscribe for Ordinary Shares.

**Currency presentation**

Unless otherwise indicated, all references in this document to "GBP", "pounds sterling", "Sterling", "£", "pence" or "p" are to the lawful currency of the UK.



## EXPECTED TIMETABLE

Each of the times and dates in the timetable below is subject to change and may, with the consent of Numis, be extended or brought forward without further notice. The Company will notify investors of any such changes to these dates by making an announcement via an RIS. References to times are to London time unless otherwise stated.

**2015 (unless stated otherwise)**

### *Issue*

Record Date for entitlements under the Open Offer	6.00 p.m. on 2 November
Posting of this document and Application Form	6 November
Placing and Offer for Subscription opens	6 November
Ex-entitlement date for the Open Offer	6 November
Basic Entitlements and Excess CREST Open Offer	as soon as possible after 8.00 a.m. on
Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	6 November
Latest time for requesting withdrawal of Basic Entitlement and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 20 November
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 23 November
<b>Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims)</b>	<b>3.00 p.m. on 24 November</b>
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction</b>	<b>11.00 a.m. on 26 November</b>
<b>Latest time and date for receipt of Offer for Subscription Application Forms and payment in full under the Offer for Subscription or settlement of relevant CREST instruction</b>	<b>11.00 a.m. on 27 November</b>
<b>Latest time and date for receipt of commitments under the Placing</b>	<b>11.00 a.m. on 27 November</b>
Admission and dealings in Issue Shares commence on the Main Market	8.00 a.m. on 3 December
Crediting of CREST accounts in respect of the Issue Shares	8.00 a.m. on 3 December
Share certificates in respect of the Issue Shares despatched	week commencing 7 December

### *Placing Programme*

Placing Programme opens	3 December
Publication of the Placing Programme Price in respect of each Subsequent Placing	As soon as reasonably practicable following the closing of each Subsequent Placing
Admission and crediting of CREST accounts in respect of each Subsequent Placing	8.00 a.m. on each day Ordinary Shares are issued pursuant to a Subsequent Placing
Share certificates in respect of Ordinary Shares despatched	Approximately one week following admission of the relevant Ordinary Shares
Last date for Ordinary Shares to be issued pursuant to the Placing Programme	3 November 2016

## ISSUE AND PLACING PROGRAMME STATISTICS

Number of Existing Ordinary Shares	193,305,659
Number of Ordinary Shares being offered pursuant to the Placing*	up to 71,976,967
Number of Ordinary Shares being offered pursuant to the Open Offer*	up to 38,661,131
Number of Ordinary Shares being offered pursuant to the Offer for Subscription*	up to 71,976,967
Issue Price per Issue Share	104.2p
Estimated net proceeds of the Placing, the Open Offer and the Offer for Subscription**	£73.4 million
Placing Programme Price for Ordinary Shares issued pursuant to the Placing Programme	Not less than the latest published NAV per Ordinary Share at the time of allotment
ISIN/SEDOL of the Ordinary Shares	GB00BJFLFT45/BJFLFT4
Ticker code	CREI

\* A total of 71,976,967 new Ordinary Shares are being offered in aggregate under the Issue.

\*\* Assuming the maximum number of Issue Shares are issued under the Issue and the Issue Costs are approximately £1.6 million.

## DIRECTORS, INVESTMENT MANAGER AND ADVISERS

<b>Directors</b>	David Ian Hunter ( <i>Independent Non-Executive Chairman</i> ) Barry Gordon Gilbertson ( <i>Senior Independent Non-Executive Director</i> ) Ian Thomas Mattioli ( <i>Non-Executive Director</i> ) Matthew Wadman John Thorne ( <i>Independent Non-Executive Director</i> )
<b>Company Secretary</b>	Nathan James Mclean Imlach
<b>Investment Manager and Administrator</b>	Custodian Capital Limited MW House 1 Penman Way Grove Park Enderby Leicester LE19 1SY
<b>Sponsor</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
<b>Legal Advisers to the Company</b>	Walker Morris LLP Kings Court 12 King Street Leeds LS1 2HL
<b>Legal Advisers to Numis</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL
<b>Valuers</b>	Lambert Smith Hampton Interchange Place Edmund Street Birmingham B3 2TA
<b>Reporting Accountants, Auditor of the Company and Tax Advisers</b>	Deloitte LLP 2 New Street Square London EC4A 3BZ
<b>Receiving Agent and Registrar</b>	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Depository</b>	Langham Hall UK Depositary LLP 5 Old Bailey London EC4M 7BA

## DEFINITIONS

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

<b>Acquisition Agreements</b>	the agreements dated 25 February 2014 between the Company and certain other entities pursuant to which the Company acquired certain properties on the Initial Admission Date
<b>Act</b>	the UK Companies Act 2006, as amended from time to time
<b>Admission</b>	the admission of the Ordinary Shares issued under the Issue and/or the Placing Programme (as the context requires) to the premium segment of the Official List and to trading on the Main Market
<b>AGM</b>	an annual general meeting of the Company
<b>AIF</b>	an alternative investment fund within the meaning of the AIFM Directive
<b>AIFM</b>	an alternative investment fund manager within the meaning of the AIFM Directive
<b>AIFM Directive</b>	the Alternative Investment Fund Managers Directive, 2011/61/EU
<b>Application Form</b>	the application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer (including the Excess Application Facility)
<b>Articles</b>	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part VII of this document
<b>Audit Committee</b>	the Company's audit committee
<b>Basic Entitlement</b>	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 5 Existing Ordinary Shares registered in their name on the Record Date
<b>Board</b>	the directors of the Company for the time being
<b>Business Day</b>	a day other than a Saturday, Sunday or other day when banks in the City of London are not generally open for business
<b>Capita Asset Services</b>	a trading name of Capita Registrars Limited, a company incorporated in England and Wales with registered number 2605568
<b>CDD Rules</b>	has the meaning defined in paragraph 2.3(c) of Part XII of this document
<b>COB Rules</b>	the Conduct of Business Rules contained in the FCA Handbook
<b>Company</b>	Custodian REIT plc a company incorporated in England and Wales with registered number 8863271
<b>Corporate Governance Code</b>	the UK Corporate Governance Code, as published by the Financial Reporting Council in September 2012
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear
<b>CREST Manual</b>	the CREST Manual referred to in agreements entered into by Euroclear and available at <a href="http://www.euroclear.com/CREST">www.euroclear.com/CREST</a>
<b>CREST Member</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
<b>CREST Participant</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time
<b>CREST Sponsored Member</b>	a CREST Member admitted to CREST as a CREST sponsored member

<b>CREST Sponsor</b>	a CREST Participant admitted to CREST as a CREST sponsor
<b>CTA 2009</b>	the UK Corporation Tax Act 2009
<b>CTA 2010</b>	the UK Corporation Tax Act 2010
<b>Depositary</b>	Langham Hall UK Depositary LLP
<b>Depositary Agreement</b>	the depositary agreement dated 25 February 2014 between the Company and Langham Hall UK LLP (and novated to the Depositary with effect from 31 March 2015)
<b>Directors</b>	the directors of the Company whose names are set out on page 31 of this document
<b>Disclosure and Transparency Rules</b>	the disclosure rules and transparency rules made by the FCA under Part VI, section 72 of FSMA, as amended from time to time
<b>Distribution</b>	any dividend or other distribution by the Company (“distribution” being construed in accordance with Part 23 of the CTA 2010)
<b>EEA States</b>	the member states of the European Economic Area
<b>Enlarged Issued Share Capital</b>	the issued share capital of the Company at Admission, as enlarged pursuant to the Issue (assuming that the Issue and the Placing Programme are fully subscribed, when the context otherwise requires)
<b>ERISA</b>	the US Employee Retirement Income Security Act of 1974, as amended from time to time
<b>EU or European Union</b>	the member states of the European Union
<b>Euroclear</b>	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738, being the operator of CREST
<b>Excluded Territory</b>	the United States, Canada, Australia, the Republic of South Africa, Japan, any EEA State (other than the UK) and any other jurisdiction where the extension or availability of the Issue or the Placing Programme would breach any applicable law
<b>ex-entitlement date</b>	the date on which the Ordinary Shares trade ex-entitlement to participate in the Open Offer
<b>Excess Application Facility</b>	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Basic Entitlements in accordance with the terms and conditions of the Open Offer
<b>Excess CREST Open Offer Entitlement</b>	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to their Basic Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility
<b>Excess Shares</b>	Open Offer Shares which may be applied for by Qualifying Shareholders under the Excess Application Facility
<b>Existing Ordinary Shares</b>	the Ordinary Shares in issue as at the date of this document
<b>Facilities Agreements</b>	the Lloyds Term Facility, the RCF and the Scottish Widows Term Facility
<b>FATCA</b>	the US Foreign Account Tax Compliance Act
<b>FCA</b>	the UK Financial Conduct Authority
<b>FSMA</b>	the UK Financial Services and Markets Act 2000, as amended from time to time
<b>Group</b>	the Company, its wholly owned subsidiaries and its 75 per cent. subsidiaries from time to time (as defined in section 606 of CTA 2010)
<b>HMRC</b>	Her Majesty’s Revenue and Customs

<b>IFRS</b>	International Financial Reporting Standards, as adopted by the European Union
<b>Initial Admission</b>	the admission of Ordinary Shares to the premium segment of the Official List and to trading on the Main Market on the Initial Admission Date
<b>Initial Admission Date</b>	26 March 2014
<b>Initial Property Portfolio</b>	the portfolio of properties bought pursuant to the Acquisition Agreements
<b>Investment Company Act</b>	the United States Investment Companies Act of 1940, as amended from time to time
<b>Investment Management Agreement</b>	the investment management agreement dated 25 February 2014 between the Company and the Investment Manager, a summary of which is set out in paragraph 8.2 of Part VII of this document
<b>Investment Manager or Custodian Capital</b>	Custodian Capital Limited, a company incorporated in England and Wales with registered number 6504305
<b>Investment Objective</b>	the investment objective of the Company as described in paragraph 2 of Part II of this document
<b>Investment Policy</b>	the investment policy of the Company as described in paragraph 3 of Part II of this document
<b>ISA</b>	an investment plan for the purposes of section 694 of Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 and the Individual Savings Account Regulations 1998 (SI 1998/1870)
<b>Issue</b>	the Placing, the Open Offer and the Offer for Subscription (or any one or more of them as the context requires)
<b>Issue Costs</b>	the costs, commissions, fees and expenses of the Issue which will be borne by the Company and paid on or around Admission
<b>Issue Price</b>	104.2p per Ordinary Share
<b>Issue Shares</b>	the new Ordinary Shares issued pursuant to the Placing, the Open Offer and the Offer for Subscription
<b>Lloyds</b>	Lloyds Bank Plc
<b>Lloyds Term Facility</b>	the term facilities agreement between the Company and Lloyds entered into on 9 December 2014 described in more detail in paragraph 8.7 of Part VII of this document
<b>Listing Rules</b>	the listing rules made by the FCA under section 73A of Part VI of FSMA, as amended from time to time
<b>Longstop Date</b>	31 December 2015
<b>London Stock Exchange</b>	London Stock Exchange Plc
<b>Main Market</b>	the main market of the London Stock Exchange for listed securities
<b>Member Account ID</b>	the identification code or number attached to any member account in CREST
<b>NAV or Net Asset Value</b>	<p>in relation to the Company or its Ordinary Shares as a whole, means the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies; and</p> <p>in relation to an Ordinary Share, means the net asset value of the Company on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares then in issue</p>
<b>Net Debt</b>	has the meaning given to that term in Part VI of this document
<b>Net Initial Yield or NIY</b>	rent expressed as a percentage of gross property value and expenses

<b>Non-PID Dividends</b>	a dividend paid by the Company that is not a PID
<b>Numis</b>	Numis Securities Limited, a company incorporated in England and Wales with registered number 2285918
<b>Offer for Subscription</b>	the offer for subscription of up to 71,976,967 Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in this document
<b>Offer for Subscription Application Form</b>	the application form attached to this document for use in connection with the Offer for Subscription
<b>Offer for Subscription CREST Applicant</b>	an applicant for new Ordinary Shares who submits an Offer for Subscription CREST Application
<b>Offer for Subscription CREST Application</b>	an application for new Ordinary Shares made by sending a USE instruction through CREST in accordance with the terms and conditions set out in Part XII
<b>Offer for Subscription CREST Entitlement</b>	the entitlement to apply for new Ordinary Shares pursuant to an Offer for Subscription CREST Application
<b>Official List</b>	the Official List of the FCA
<b>Open Offer</b>	the conditional invitation to Qualifying Shareholders to apply for Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document
<b>Open Offer Entitlements</b>	together, the Basic Entitlement and the entitlement to apply for Open Offer Shares at the Issue Price
<b>Open Offer Shares</b>	38,661,131 Ordinary Shares available for issue pursuant to the Open Offer
<b>Ordinary Shares</b>	the new ordinary shares of 1p each in the capital of the Company designated as such and having the rights and being subject to the restrictions specified in the Articles
<b>Overseas Shareholders</b>	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of jurisdictions outside the United Kingdom
<b>Panel</b>	the Panel on Takeovers and Mergers
<b>Participant ID</b>	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
<b>PID or Property Income Distribution</b>	a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Qualifying Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Qualifying Property Rental Business
<b>Placee</b>	any person subscribing for Ordinary Shares pursuant to the Placing and/or a Subsequent Placing
<b>Placing</b>	the conditional placing by Numis of Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in this document and the Placing Agreement
<b>Placing Agreement</b>	the conditional placing agreement between the Company, the Investment Manager and Numis, a summary of which is set out in paragraph 8.1 of Part VII of this document
<b>Placing Programme</b>	the programme pursuant to which new Ordinary Shares will be issued as described in Part IV of this document
<b>Placing Programme Price</b>	the issue price Ordinary Share agreed by the Company and Numis in respect of each Subsequent Placing made pursuant to the Placing Programme



<b>Placing Shares</b>	up to 71,976,967 Ordinary Shares available for issue pursuant to the Placing
<b>Property Portfolio</b>	the properties owned by the Group as at the date of this document (or such date as the context otherwise requires)
<b>Property Rental Business</b>	a business within the meaning of section 205 of the CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business (as per section 519(3) of the CTA 2010)
<b>Prospectus Directive</b>	the Directive of the European Parliament and of the European Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (No 2003/71/EC)
<b>Prospectus Rules</b>	the prospectus rules made by the FCA under Part VI of FSMA, as amended from time to time
<b>PwC</b>	PricewaterhouseCoopers LLP
<b>Qualifying Property Rental Business</b>	a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders holding Existing Ordinary Shares on the Record Date in a CREST account
<b>Qualifying Non-CREST Shareholders</b>	Qualifying Shareholders holding Existing Ordinary Shares on the Record Date in certificated form
<b>Qualifying Shareholders</b>	Shareholders on the register of members of the Company at the Record Date except for Overseas Shareholders with addresses in an Excluded Territory
<b>RCF</b>	the revolving credit facility agreement between the Company and Lloyds entered into on 25 February 2014, described in more detail in paragraph 8.3 of Part VII of this document
<b>Receiving Agent</b>	Capita Asset Services
<b>Receiving Agent Agreement</b>	the receiving agent agreement dated 25 February 2014 between the Company and the Receiving Agent
<b>Record Date</b>	6.00 p.m. on 2 November 2015
<b>Registrar</b>	Capita Asset Services
<b>Registrar Agreement</b>	the registrar agreement dated 4 November 2015 between the Company and the Registrar
<b>Regulation S</b>	Regulation S, as promulgated under the Securities Act
<b>Regulatory Information Service or RIS</b>	a regulatory information service that is on the list of regulatory information services maintained by the FCA
<b>REIT</b>	a company or group to which Part 12 of the CTA 2010 applies
<b>REIT Group</b>	a group UK REIT within the meaning of Part 12 of the CTA 2010
<b>REIT Regime</b>	Part 12 of the CTA 2010
<b>Residual Business</b>	the business of the Group which is not Qualifying Property Rental Business
<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 this document is sent or made available to a person in that jurisdiction
<b>RICS</b>	Royal Institute of Chartered Surveyors
<b>RICS Red Book</b>	the Royal Institution of Chartered Surveyors Valuation – Professional Standards Incorporating the International Valuation Standards, Global and UK edition April 2015
<b>Scottish Widows</b>	Scottish Widows Plc

<b>Scottish Widows Term Facility</b>	the term facility agreement between the Company, Scottish Widows and Lloyds entered into on 14 August 2015, described in more detail in paragraph 8.8 of Part VII of this document
<b>SDRT</b>	Stamp Duty Reserve Tax
<b>Securities Act</b>	the United States Securities Act of 1933 (as amended)
<b>Shareholder</b>	a holder of Ordinary Shares
<b>SIPP</b>	Self-Invested Personal Pension
<b>SSAS</b>	Small Self Administered Scheme
<b>Subsequent Placing</b>	any placing of Ordinary Shares made after Admission pursuant to the Placing Programme described in this document
<b>Substantial Shareholder</b>	a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent. or more of the distributions paid by the Company and/or share capital of the Company, or which controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company (referred to in section 553 of the CTA 2010 as a “holder of excessive rights”)
<b>Substantial Shareholding</b>	the holding of Ordinary Shares by a Substantial Shareholder
<b>Takeover Code</b>	the City Code on Takeovers and Mergers
<b>Target Portfolio</b>	the portfolio of 11 properties which the Company has entered into non-legally binding heads of terms to acquire
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UKLA or UK Listing Authority</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>uncertificated</b>	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>United States or US</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 Person</b>	a “US Person” as defined in Regulation S promulgated under the Securities Act
<b>Valuation Agreement</b>	the valuation agreement dated 16 January 2014 between the Company and the Valuer, described in more detail in paragraph 8.5 of Part VII of this document
<b>Valuer</b>	Lambert Smith Hampton, a trading name of Lambert Smith Hampton Group Limited, a company incorporated in England and Wales with registered number 2521225

**PART I**

**LETTER FROM THE CHAIRMAN OF THE COMPANY**

**Custodian REIT Plc**

*Incorporated and registered in England and Wales with registered number 8863271*

*Directors:*

David Hunter (*Independent Non-executive Chairman*)  
Barry Gilbertson (*Senior Independent Non-executive Director*)  
Ian Mattioli (*Non-executive Director*)  
Matthew Thorne (*Independent Non-executive Director*)

Registered Office  
MW House 1 Penman Way  
Grove Park  
Enderby  
Leicester  
LE19 1SY

4 November 2015

*To: Holders of Ordinary Shares*

Dear Shareholder

**Placing, Open Offer and Offer for Subscription**  
**to raise up to £50 million, with the ability to increase this to up to £75 million, at an issue price of**  
**104.2p per Ordinary Share**

**Placing Programme**  
**of up to 100 million Ordinary Shares**

**1. Introduction**

The Company has today announced that it proposes to raise gross proceeds of up to £50 million, with the ability to increase this to up to £75 million (approximately £48.8 million and £73.4 million, respectively, net of expenses) through the issue of up to 71,976,967 new Ordinary Shares by way of a Placing, an Open Offer and an Offer for Subscription, all at 104.2 pence per Ordinary Share (the “**Issue Price**”).

In addition to the Issue, the Company is facilitating potential issues of up to 100 million Ordinary Shares pursuant to a rolling twelve month Placing Programme.

This letter sets out the background to and explains the reasons for the Issue, which the Directors believe is in the best interests of the Company and Shareholders as a whole and has been structured to enable Qualifying Shareholders to participate in the Issue under the Open Offer, thereby giving Shareholders the opportunity to invest further in the issued share capital of the Company.

To ensure the Company’s continued compliance with the Investment Policy and the Facilities Agreements, the Directors believe that the most effective method of raising funds is by way of a Placing, Open Offer and Offer for Subscription together with the on-going Placing Programme.

You are recommended to read the whole of this document (and all the information incorporated by reference into it which is listed in Part VI of this document) and not rely on the summarised information set out in this letter. In particular, you are advised to consult the section entitled “Risk Factors” on pages 14 to 24 of this document.

**2. Custodian REIT and its market**

The Company invests in a diversified portfolio of UK commercial real estate properties to achieve its investment objective of providing Shareholders with an attractive level of income together with the potential for capital growth.

**3. Current trading and prospects of Custodian**

As at 31 October 2015 (being the date to which the valuation report set out in Part V of this document was prepared) the value of the Property Portfolio was approximately £246 million and consisted of 101 assets held directly by the Company. The Property Portfolio is held in accordance with the Investment Policy and the Investment Objective and accordingly the properties are diversified by region, sector and income. Since 31 October 2015, no material changes have occurred to the Property Portfolio.

In order to fund property acquisitions and the Company's general working capital requirements, as at 31 October 2015, approximately £64.6 million had been raised by the issue of Ordinary Shares since the Initial Admission Date, at an average premium of 6 per cent. to the prevailing NAV at the time of each such issue. The success of such issues has allowed the Company to seek to maximise the opportunities in the property market and exploit economies of scale relating to ongoing charges. This has been further enhanced by drawing and deploying £20 million of variable rate, five year term debt and £20 million of ten year fixed rate debt to meet the Company's gearing target of 25 per cent. loan to value, which, as at the date of this document, was 17.3 per cent.

The Company believes that the current property market dynamic supports its strategy of targeting a high income return, fully covered by income from smaller lot size properties across regional markets.

The Investment Manager anticipates that demand for property will continue from across the investor spectrum as interest rates stay "lower for longer" and that a competitive investment market has the potential to generate value growth.

The Company's focus on smaller lot sizes has allowed it to secure a strong pipeline of opportunities and it is expected that lesser levels of competition for these assets will endure, with many larger funds continuing to sell their smaller lots.

Given this market dynamic, and an expectation of continued growth in the regions, it is anticipated that the Company's typical investment in good quality secondary regional property will show value relative to larger lots. This value may be expressed through a higher initial income yield, but also through opportunities for future rental growth which are not "priced-in" to every deal.

#### **4. Reasons for the Issue and use of proceeds**

To capitalise on current opportunities to invest in commercial real estate properties in the UK, the Company proposes to raise further capital to make further investments. To ensure the Company's continued compliance with the Investment Policy and the Facilities Agreements, the Directors believe that the most effective method of raising such funds is to complete the Issue and the Placing Programme.

The net proceeds of the Issue and the Placing Programme are expected to be used first to repay amounts drawn under the RCF (approximately £3.9 million as at 31 October 2015) and then invested by the Company within a period of six to nine months after Admission (depending on the amount of net proceeds of the Issue) in the property pipeline (including the Target Portfolio discussed below) and additional UK commercial real estate properties to complement the properties in the Property Portfolio.

The Company recently entered into non-legally binding heads of terms to acquire a portfolio of 11 UK commercial properties for an aggregate consideration of approximately £69.4 million. The Target Portfolio is consistent with the Investment Policy, comprising smaller size, good quality, secondary offices, retail and industrial assets diversified by tenant and region. The tenant covenant profile also meets the minimum criteria set out in the Investment Policy.

It is intended, subject to the completion of due diligence and to contract, that the acquisition of the Target Portfolio will be completed in two tranches in early January 2016. First, it is intended that approximately £28 million of assets will be acquired through a combination of the Company's existing cash resources and capacity under the RCF. Second, it is intended that the balance of the Target Portfolio (or part thereof) will be acquired by the Company subject to the availability of net proceeds of the Issue and the Placing Programme.

Following the intended acquisition of the Target Portfolio, the weighted average unexpired lease term of the Property Portfolio as a whole would stand at approximately 6.1 years. The Board believes the acquisition will enhance returns to Shareholders while improving dividend cover and offering the potential for a number of asset management opportunities.

In addition to the Target Portfolio, the Company has committed pipeline investments in the form of the funding of pre-let industrial developments in Cannock and Stevenage, and the completion of the refurbishment of an industrial unit in Milton Keynes. This committed pipeline totals approximately £5 million of further investment. The Company also has a £6.6 million leisure park under offer and the Investment Manager continues to track other investment opportunities including a single let industrial property, a high street retail property adjoining an existing portfolio holding and a city centre office building. The combined value of these other opportunities is approximately £12.5 million.

## 5. Principal terms of the Issue

Up to 71,976,967 Ordinary Shares are available under the Issue at the Issue Price of 104.2 pence per Ordinary Share to raise up to £75 million (before expenses), of which 38,661,131 Ordinary Shares, to raise approximately £40.3 million, are first available to existing Shareholders through the Open Offer. The total number of Ordinary Shares issued under the Issue will be determined by Numis, after consultation with the Company and the Investment Manager, and will be notified by the Company via an RIS announcement and the Company's website, prior to Admission.

All elements of the Issue have the same Issue Price. The Issue Price was set based on the Directors' assessment of market conditions and to ensure the Issue Costs are at least covered by the premium of the Issue Price over the NAV per Ordinary Share. The Issue Price represents a discount of 4.8 per cent. to the closing price per Existing Ordinary Share of 109.5 pence on 3 November 2015 and a premium of approximately 3 per cent. (adjusting for the dividend of 1.5 pence per Ordinary Share in respect of the quarter to 30 September 2015 to which the new Ordinary Shares will not be entitled) to the latest published (unaudited) NAV per Ordinary Share of 102.6 pence.

The Issue, which is not underwritten, is conditional upon, amongst other things, the Placing Agreement having become unconditional (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission and Admission becoming effective not later than 8.00 a.m. on 3 December 2015 or such later time and/or date as Numis and the Company may agree in writing, being not later than 8.00 a.m. on the Longstop Date.

At the Annual General Meeting (the "AGM") of the Company held on 22 July 2015, the Directors sought approval from Shareholders for, amongst other things, approval to allot new Ordinary Shares. The necessary resolutions were passed by the Shareholders and the Directors now have unused authority and power to allot up to 80,952,829 Ordinary Shares, without being required to first offer such Ordinary Shares to Shareholders. If required, the Directors may convene a general meeting of the Company to seek further authorities to allot Ordinary Shares as and when required to enable the Placing Programme to be fully implemented.

### *Open Offer*

The Directors acknowledge the importance of pre-emption rights of Shareholders and consequently Open Offer Shares will be offered to Qualifying Shareholders at the Issue Price to raise up to approximately £40.3 million (before expenses). Overseas Shareholders with addresses in an Excluded Territory will not be able to participate in the Open Offer. The Open Offer provides an opportunity for Qualifying Shareholders to participate in the fundraising (subject to compliance with applicable securities laws) by subscribing both for their Basic Entitlement and for any Excess Open Offer Entitlement, subject to availability and scaling back.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding(s) of Existing Ordinary Shares prior to 8.00 a.m. on 6 November 2015 is advised to consult his stockbroker, bank or other agent through whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him under the rules of the London Stock Exchange by those who purchased his holding(s) or part thereof.

### *Basic Entitlements*

The Open Offer Shares will be offered to Qualifying Shareholders on the following basis:

#### **1 Open Offer Share                      for every 5 Existing Ordinary Shares**

registered in the name of the relevant Qualifying Shareholder on the Record Date and so in proportion to any other number of Existing Ordinary Shares held.

Basic Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and made available in the Excess Application Facility.

The aggregate subscription price is payable in full on application. Applications under the Open Offer must specify a fixed sum in Sterling, being the aggregate subscription price for the Open Offer Shares for which a Qualifying Shareholder wishes to apply at the Issue Price.

Qualifying Shareholders are also being offered the opportunity to subscribe for Excess Shares in excess of their Basic Entitlements pursuant to the Excess Application Facility as described below.



### ***Excess Application Facility***

Qualifying Shareholders may apply for Excess Shares using the Excess Application Facility. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlements will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to Part XI of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

Applications for Excess Shares will be satisfied only to the extent that corresponding applications for Basic Entitlements are not made by other Qualifying Shareholders or are made for less than their *pro rata* entitlements (subject to any scaling back at the discretion of Numis (in consultation with the Company and the Investment Manager)). The total number of Open Offer Shares to be issued by the Company is fixed and will not be increased in response to any applications under the Excess Application Facility. If there is an oversubscription for Open Offer Shares resulting from applications under the Excess Application Facility, allocations of Open Offer Shares in respect of such applications will be scaled down at the discretion of Numis (in consultation with the Company and the Investment Manager). No assurances can be given that the applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Excess monies in respect of applications under the Excess Application Facility which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

### ***General***

**Qualifying Shareholders should note that the Open Offer is not a rights issue and that Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Open Offer Entitlements are not transferable unless to satisfy a *bona fide* market claim and the Application Forms, not being documents of title, cannot be traded.**

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part XI of this document and, in respect of Qualifying Non-CREST Shareholders only, on the accompanying Application Form. These terms and conditions should be read carefully before an application is made.

**The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 26 November 2015, with Admission expected to take place on 3 December 2015.**

Shareholders should consult their respective stockbroker, bank manager, solicitor, accountant or other independent financial adviser if they are in any doubt about the contents of this document.

The Open Offer is separate to, and does not form part of, the Placing and/or the Offer for Subscription.

### ***Placing***

Up to 71,976,967 Ordinary Shares are available to be placed by Numis (as agent for the Company) at the Issue Price to raise up to £75 million (before expenses). The actual number of Ordinary Shares available under the Placing will be reduced to the extent to which Qualifying Shareholders validly take up their Basic Entitlements under the Open Offer and Ordinary Shares are issued under the Offer for Subscription.

The Company, the Investment Manager and Numis have entered into the Placing Agreement pursuant to which Numis has agreed, subject to certain conditions, to use reasonable endeavours to procure placees in return for the payment by the Company of placing commissions to Numis. Further details of the Placing Agreement are set out in paragraph 8.1 of Part VII of this document.

Payment for the Placing Shares should be made in accordance with settlement instructions to be provided to Placees by Numis.

Placees will receive a contract note following closing of the Placing and prior to Admission of the Placing Shares notifying them of the number of Placing Shares they will receive. Dealings in the Placing Shares will not be permitted prior to Admission.

The Placing is separate to, and does not form part of, the Open Offer and/or the Offer for Subscription.



### ***Offer for Subscription***

Up to 71,976,967 Ordinary Shares are available under the Offer for Subscription at the Issue Price, to raise up to £75 million (before expenses). The actual number of Ordinary Shares available under the Offer for Subscription will be reduced to the extent to which Qualifying Shareholders validly take up their Basic Entitlements under the Open Offer and Ordinary Shares are issued under the Placing. The Offer for Subscription is only being made to certain categories of investors in the UK but, subject to applicable law, the Company may allot Ordinary Shares on a private placement basis to applicants in other jurisdictions.

The terms and conditions of application under the Offer for Subscription are set out in Part XIII of this document and an Offer for Subscription Application Form accompanies this document on pages 159 to 164, each of which should be read carefully before an application is made. The aggregate subscription price is payable in full on application. Applications under the Offer for Subscription must specify a fixed sum in Sterling, being the aggregate subscription price for the Ordinary Shares for which they wish to apply at the Issue Price.

**The latest time and date for receipt of completed Offer for Subscription Application Forms and payment in full under the Offer for Subscription and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 27 November 2015, with Admission expected to take place on 3 December 2015.**

The Offer for Subscription is separate to, and does not form part of, the Placing and/or the Open Offer.

### ***Scaling back***

A maximum of 71,976,967 Ordinary Shares are available under the Issue.

In the event that commitments under the Placing and valid applications under the Open Offer and the Offer for Subscription are such that the aggregate number of Ordinary Shares to be issued under the Issue reaches 71,976,967 Ordinary Shares, further commitments may not be accepted and the Issue may be closed. In any event Numis has the discretion (after consultation with the Company) to scale back applications under the Open Offer (in relation to the Excess Application Facility only) and the Offer for Subscription. In addition, the Company reserves the right to decline in whole or in part any application for Ordinary Shares pursuant to the Placing, the Open Offer and/or the Offer for Subscription.

Accordingly, applicants for Ordinary Shares may, in certain circumstances, not be allotted the number of (or any) Ordinary Shares for which they have applied.

### ***Fractions and excess application monies***

Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders in the Open Offer and will instead be aggregated and made available under the Excess Application Facility. All other fractions of Ordinary Shares arising in the context of the Issue (if any) will be disregarded and not be issued.

To the extent that (other than on a scaling back) the fixed sum specified in relation to any applications for Ordinary Shares exceeds the aggregate value, at the Issue Price, of the Ordinary Shares issued pursuant to such application, the balance of such sum (which will never exceed the Issue Price) will be retained for the benefit of the Company.

### ***Dilution***

Qualifying Shareholders will have their proportionate shareholdings in the Company diluted by approximately 12.6 per cent. or approximately 27.1 per cent. as a consequence of the Issue (assuming all of the new Ordinary Shares available under the Issue are issued) if they do take up or do not take up (respectively) their Basic Entitlement, and by approximately 36.5 per cent. or approximately 47.1 per cent. as a consequence of the Issue and the Placing Programme (assuming all of the new Ordinary Shares available under the Issue and the Placing Programme are issued) if they do take up or do not take up (respectively) their Basic Entitlement.

### ***General***

The Board considers the Placing, the Open Offer and the Offer for Subscription to be a suitable fundraising structure as it will allow access to a wide variety of new investors to broaden the Company's shareholder base, whilst providing Existing Shareholders with the opportunity to participate in the fundraising through the Open Offer.

The result of the Placing, the Open Offer and the Offer for Subscription (and any scaling back) will be announced prior to Admission through an RIS. The balance of subscription moneys in the event of scaling back (or unsuccessful or rejected applications) will be posted to applicants by cheque, without interest, at the applicant's own risk.

The Issue is conditional, amongst other things, on:

- the satisfaction of certain conditions contained in the Placing Agreement which are typical for an agreement of that nature;
- Numis not having terminated the Placing Agreement in accordance with its terms;
- Admission occurring on or before 8.00 a.m. on 3 December 2015 (or such later date as Numis may, in its absolute discretion, specify, but not later than 8.00 a.m. on the Longstop Date).

The Issue has not been underwritten

The Issue Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant Ordinary Shares). Applications will be made to the UK Listing Authority for the Issue Shares to be admitted to the premium segment of the Official List of the UK Listing Authority and to the London Stock Exchange for the Issue Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings for normal settlement in the Issue Shares will commence at 8.00 a.m. on 3 December 2015.

#### **6. Directors' participation in the Issue**

Directors (and their connected persons) are interested in an aggregate of 3,587,404 Existing Ordinary Shares (representing approximately 1.86 per cent. of the Existing Ordinary Shares). The Directors (other than Ian Mattioli) intend to apply for their Basic Entitlements under the Open Offer. Ian Mattioli's wife intends to apply for 100,000 Open Offer Shares under the Open Offer. Accordingly, the Directors and their connected parties intend to apply for, in aggregate, 112,000 Open Offer Shares.

Further details of the Directors' participation in the Issue, their shareholdings as at the date of this document, and their anticipated shareholdings at Admission are set out in paragraph 5.9 of Part VII of this document.

#### **7. Placing Programme**

In addition to the Placing, the Open Offer and the Offer for Subscription, the Company has made arrangements under which the Board has discretion to issue pursuant to the Placing Programme up to 100 million Ordinary Shares. The maximum number of Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of Ordinary Shares finally to be issued.

The Placing Programme is intended to be flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares over a period of time. The Placing Programme is intended to satisfy market demand for the Ordinary Shares and to raise further money for investment in accordance with the Investment Policy.

Further details of the Placing Programme are set out in Part IV of this document.

#### **8. ISAs and SIPPs**

With effect from 1 July 2014, the new ISA ("NISA") regime commenced in the UK, which amongst other things removed the concept of stocks and shares and cash components of an ISA. For the 2015/2016 tax year, NISAs will have a subscription limit of £15,240, all of which can be invested in stocks and shares.

It is expected that the new Ordinary Shares will be eligible for inclusion in ISAs (subject to applicable subscription limits) provided that they have been acquired through the Open Offer or the Offer for Subscription (but not any of the new Ordinary Shares acquired directly under the Placing or the Placing Programme) and that the new Ordinary Shares will not be taxable property for the purposes of Investment-Regulated Pension Schemes (including schemes formerly known as SIPPs).

Ordinary Shares may be eligible for inclusion in a SIPP or SSAS, subject to the trustees/investment managers of the relevant SIPP or SASS having firstly satisfied themselves that the proposed

investment falls within the permitted investment/non-taxable property rules that apply to UK registered SIPPs and SSASs.

## **9. Listing, dealing and settlement**

It is expected that the Ordinary Shares allotted pursuant to the Issue will be issued on 3 December 2015 and admitted to the Official List and to trading on the Main Market on 3 December 2015.

Ordinary Shares issued pursuant to the Issue will be in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of the Ordinary Shares will, where requested or required by law, be despatched during the week commencing 7 December 2015. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the Company's register of members. The Issue cannot be revoked after dealings have commenced, expected to be on 3 December 2015.

In the event that there are any significant changes affecting any of the matters described in this document or where any significant new matters have arisen after the publication of this document and prior to the close of the Placing Programme, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s).

The terms and conditions which shall apply to any subscription for Ordinary Shares procured by Numis pursuant to the Placing and the Placing Programme are contained in Part X of this document.

## **10. Overseas Shareholders and investors**

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Manager.

The Company has elected to impose the restrictions described below on the Issue and on the future trading of the Ordinary Shares so that the Company will not be required to register the offer and sale of the Ordinary Shares under the Securities Act and will not have an obligation to register as an investment company under the Investment Company Act and related rules and also to address certain ERISA and other considerations.

These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Ordinary Shares to trade such securities. The Company and its agents will not be obligated to recognise any resale or other transfer of the Ordinary Shares made other than in compliance with the restrictions described below.

The Ordinary Shares have not been, nor will be, registered under the Securities Act or under the securities legislation of any state or other political sub-division of the United States and the Ordinary Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons. There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S. Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S to: (i) a person outside the United States and not known by the transferor to be a US Person, by prearrangement or otherwise; or (ii) the Company or a subsidiary thereof.

The relevant clearances have not been and will not be, obtained from the securities commission of any province or territory of Canada, Australia, the Republic of South Africa, Japan or any EEA State (other than the UK) and they may not, subject to certain exceptions, be offered or sold directly or indirectly in, into or within Canada, Australia, the Republic of South Africa, Japan or any EEA State (other than the UK) or to any national, citizen or resident of Canada, Australia, the Republic of South Africa, Japan or any EEA State (other than the UK). This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

Unless otherwise agreed by the Board, the Ordinary Shares will only be offered for subscription to potential investors who are resident in the United Kingdom. The making of the Offer for

Subscription to overseas investors is at the discretion of the Board and may be affected by the laws or regulatory requirements of relevant jurisdictions. Overseas investors who wish to subscribe for Ordinary Shares under the Offer for Subscription are referred to paragraph 9 of Part XII of this document.

Overseas Shareholders who wish to apply for Open Offer Shares under the Open Offer are referred to paragraph 5 of Part XI of this document.

Shareholders and potential investors who are in any doubt as to their position in this respect are strongly recommended to consult their own professional advisers as soon as possible.

## **11. Taxation**

Information regarding certain aspects of UK taxation is set out in Part VIII of this document. These details are, however, intended only as a general guide to certain aspects of the current tax position under UK taxation law. Shareholders and potential investors who are in any doubt as to their tax position, or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser without delay.

## **12. Risk Factors**

**Shareholders and potential investors should consider fully the risk factors associated with the Group, its business, the Ordinary Shares and the Issue. Your attention is drawn to the Risk Factors set out on pages 14 to 24 in this document.**

## **13. Action to be taken in respect of the Open Offer**

### ***Qualifying Non-CREST Shareholders***

Qualifying Non-CREST Shareholders wishing to apply for any or all of their entitlements to Open Offer Shares must complete the accompanying Application Form in accordance with the instructions set out in Part XI of this document and on the Application Form. In particular, Qualifying Non-CREST Shareholders who wish to subscribe for more than their Basic Entitlements should complete Boxes 5, 6, 7 and 8 in the Application Form and then sign and date in Box 9. Completed Application Forms should be returned, with the appropriate payment in accordance with the instructions set out in Part XI of this document and on the accompanying Application Form, to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive by no later than 11.00 a.m. on 26 November 2015.

### ***Qualifying CREST Shareholders***

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer.

Yours sincerely

David Hunter  
*Non-executive Chairman*

## **PART II**

### **THE COMPANY**

#### **1. General**

- 1.1 The Company was incorporated on 27 January 2014 as a closed-ended investment company that has been established with an indefinite life.
- 1.2 The Company invests in a diversified portfolio of UK commercial real estate properties to seek to achieve its investment objective of providing Shareholders with an attractive level of income together with the potential for capital and income growth.
- 1.3 Custodian Capital is the discretionary investment manager of the Company and will deal with the acquisition of real estate assets to add to the Company's investment portfolio and will decide upon and manage the development and disposal of assets in that portfolio.
- 1.4 The Company holds, and will continue to hold, directly those properties in the Property Portfolio and any further properties it acquires.
- 1.5 The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised individual who is seeking an attractive level of income with the potential for income and capital growth from investing in a diversified portfolio of UK commercial real estate properties and who understands and accepts the risks inherent in the Investment Policy.

#### **2. Investment Objective and target return**

- 2.1 The Investment Objective is to provide Shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK.
- 2.2 The Company anticipates that income will constitute the majority of the return to Shareholders. However, in line with the Investment Objective, the Company will seek to invest in properties with the potential for capital growth and believes that this approach will enhance Shareholders' total return over the long term.
- 2.3 On the basis of market conditions as at the date of this document the Company is targeting\* an annualised dividend, payable quarterly, of 6.25p per Ordinary Share in respect of the financial year ending 31 March 2016. The Company's dividend policy is set out in paragraph 5 below.

*\*This is a target only and not a profit forecast. There can be no assurance that the target can or will be met and it should not be taken as an indication of the Company's expected or actual future results. Accordingly, Shareholders and potential investors should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable.*

#### **3. Investment Policy**

- 3.1 The Investment Policy is to invest in a diversified portfolio of UK commercial real estate properties. The target portfolio will be a UK commercial property portfolio, characterised by small lot sizes with individual property values of less than £7.5 million at acquisition. The target portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50 per cent.
- 3.2 The Company will continue to pursue the Investment Policy as follows:
  - (a) To hold a portfolio of UK commercial property, diversified by sector, location, tenant and lease term.
  - (b) The portfolio will be diversified by location across the UK with a focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers.
  - (c) The Company will target a portfolio with no one tenant or property accounting for more than 10 per cent. of the total rent roll of the Company's portfolio at the time of purchase, except:
    - (i) in the case of a single tenant which is a governmental body or department, where no percentage limit to proportion of the total rent roll shall apply; or



- (ii) in the case of a single tenant rated by ICC with a credit rating of less than 60 in which case the exposure to such single tenant may not exceed 5 per cent. of the total rent roll (a credit rating in the range of 51-60 represents “normal, limited risk potential, normal terms”).
- (d) The Company will seek to maintain an average unexpired lease term of over five years across the portfolio secured against low risk tenants and to minimise rental voids.
- (e) The Company will not undertake speculative development (that is, development of property which has not been leased or pre-leased), save for refurbishment of existing holdings, but may (provided that it shall not exceed 20 per cent. of the gross assets of the Company) invest in forward funding agreements or forward commitments (these being, arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments, where the Company intends to own the completed development.
- (f) The Company may continue to use gearing, including to fund the acquisition of property and cash flow requirements. Over the medium term, the Company is expected to target borrowings of 25 per cent. of the aggregate market value of all the properties of the Company at the time of borrowing.
- (g) The Company continues to reserve the right to use efficient portfolio management techniques, such as interest rate hedging and credit default swaps, to mitigate market volatility.
- (h) Uninvested cash or surplus capital or assets may be invested on a temporary basis in:
  - (i) cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or
  - (ii) any “government and public securities” as defined for the purposes of the FCA rules.
- (i) Any material change to the Investment Policy will require the prior approval of Shareholders.

#### **4. The Property Portfolio**

The Company acquired the Initial Property Portfolio of 48 assets for aggregate consideration of £95.2 million pursuant to the Acquisition Agreements. The Company subsequently purchased 39 assets, and sold two assets, prior to the period ended 31 March 2015, for net aggregate consideration of £105.8 million. As at 31 October 2015, the Property Portfolio was valued by the Valuer at approximately £246 million and consisted of 101 assets spread across the UK (that valuation report is set out in Part V of this document). The Company holds, and will continue to hold, directly those properties in the Property Portfolio and any further properties it acquires.

Since 31 October 2015, no material changes to the Property Portfolio have occurred.

In order to seek to achieve the Investment Objective and, in accordance with the Investment Policy, the Company’s investment strategy is to target institutional grade tenants on long leases in properties with low obsolescence. This strategy has enabled the Company to achieve an implied yield of 5.75 per cent. for the period ended 31 March 2015 (based on the target dividend divided by share price at 31 March 2015) and a current void rate within the Property Portfolio of 2.3 per cent.

Further information regarding the Property Portfolio as at 31 October 2015, is set out below.

##### **4.2 Regional split by income**

The Property Portfolio of 79 freehold and 22 leasehold properties, located across the UK, is split by geographic region as shown in Figure 1 below. Further details of the properties comprised in the Property Portfolio are set out in the valuation report at Part V of this document.



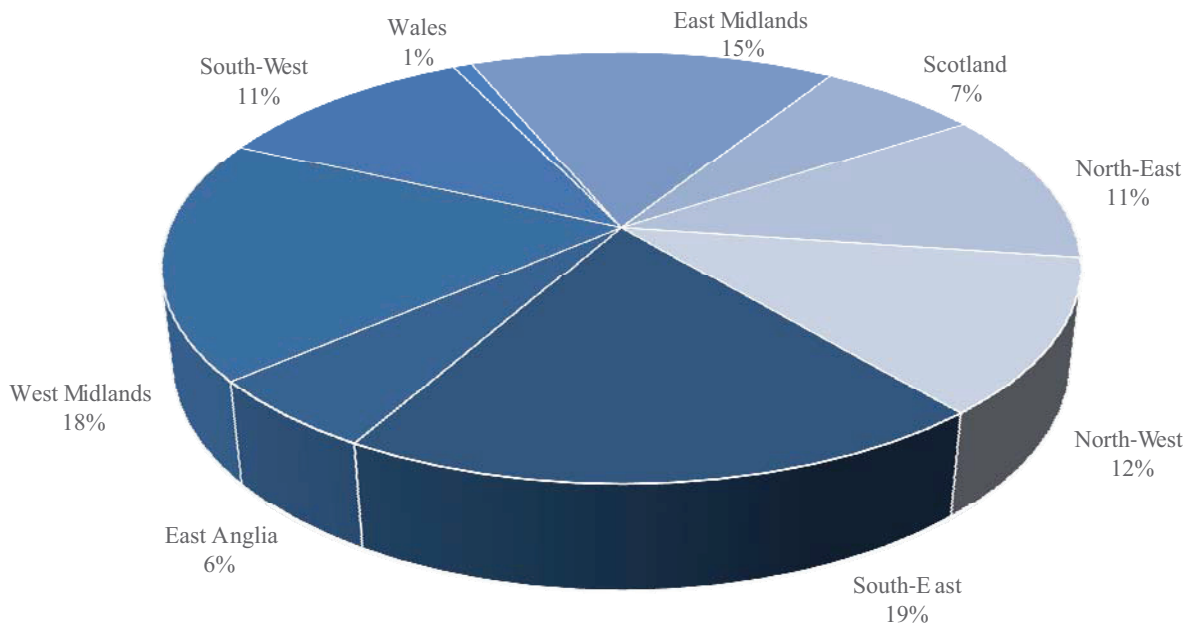


Figure 1

#### 4.3 Sector split by income

The Property Portfolio is diversified between the main commercial property sectors: Industrial 47 per cent., Retail 18 per cent., Office 12 per cent., Retail Warehouse 6 per cent. and Other 17 per cent. as illustrated in Figure 2 below.

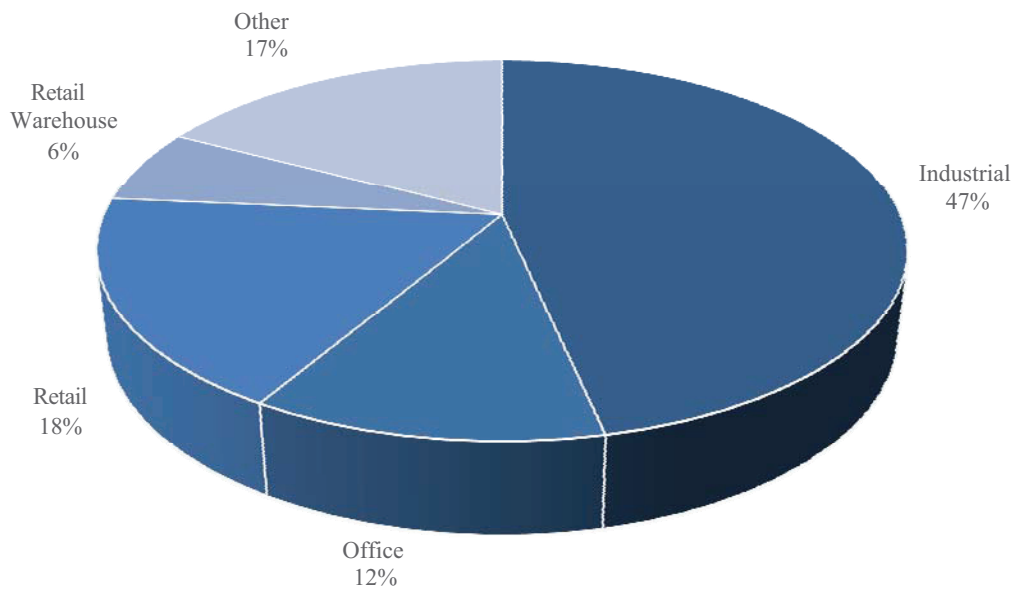


Figure 2

#### 4.4 Split of “Other” income

The sub sector “Other” referred to in Figure 2 above is detailed more fully in Figure 3 below.

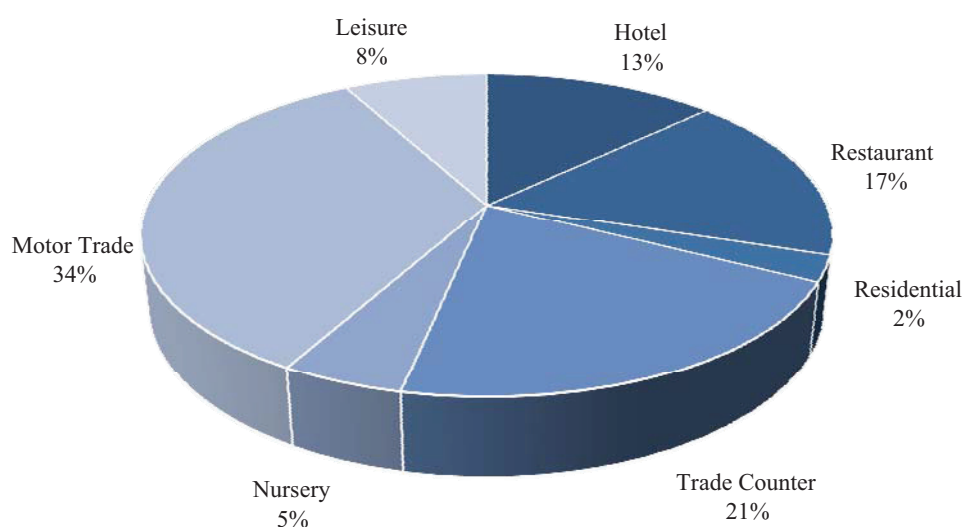


Figure 3

#### 4.5 Net initial yield advantage for small lot sizes

Figure 4 shows the average net initial yield<sup>1</sup> from 1 January 2013 to 30 June 2015, for small lot sizes in comparison to large lot sizes.

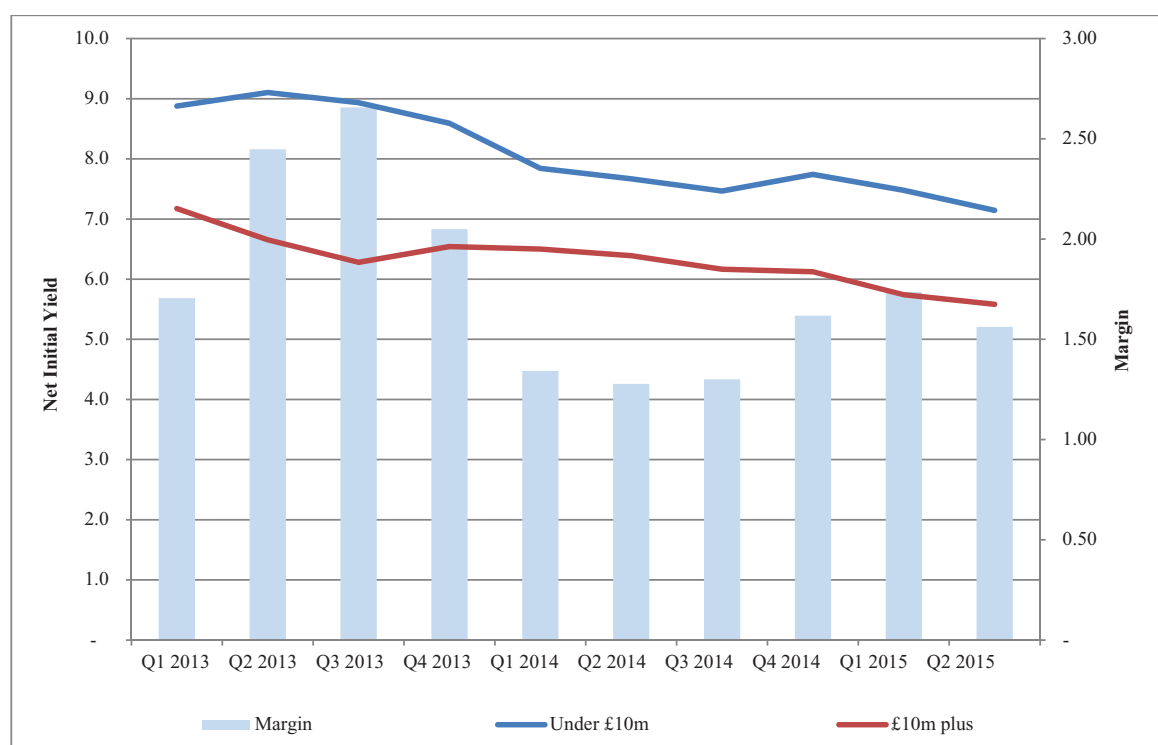


Figure 4 (Source: compiled by Lambert Smith Hampton from information contained in the UK Investment Transactions Bulletin produced by Lambert Smith Hampton for Q2 2015)

<sup>1</sup> Average net initial yield is calculated as annualised contractual rent divided by gross value and therefore takes no account of property management costs. The annual running costs of the Company (which are estimated to be approximately 1.34 per cent. of NAV based on the Issue and the Placing Programme being fully subscribed) will be deducted from the Company's income.

To illustrate further how the Company ranks against a selected group of peers, Figure 5 highlights how the Company’s prospective dividend yield is the highest in relation to that peer group.

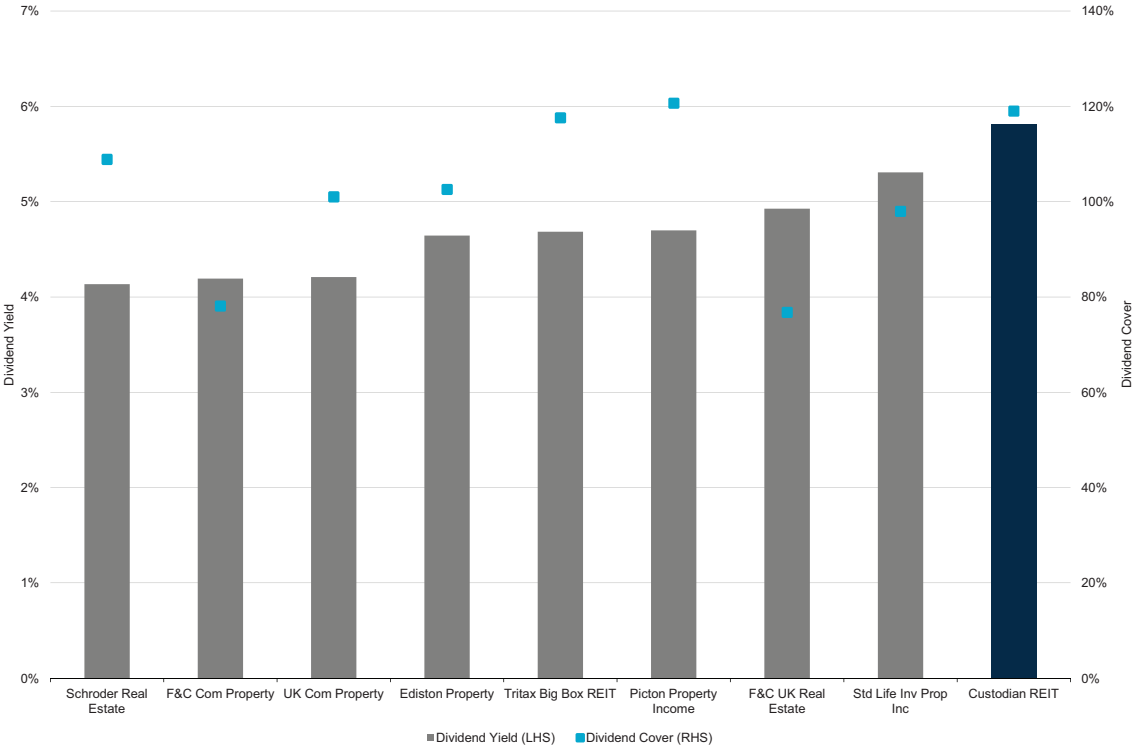


Figure 5 (Source: Numis Securities Research dated 22 October 2015)

4.6 Rental growth

The Investment Property Forum UK forecasts average rental growth of 2.7 per cent. per year. In order to seek to benefit from such rental growth, the Company uses rent reviews to increase income growth from the Property Portfolio. Figure 6 provides an analysis of the Property Portfolio in relation to those properties that are subject to a rent review.

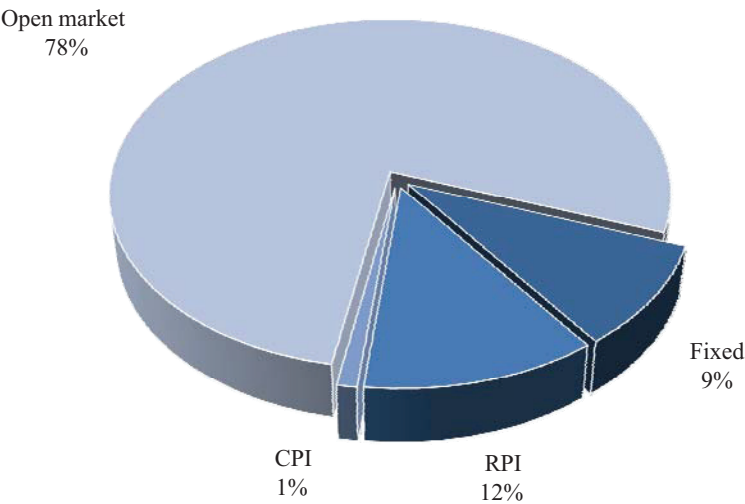
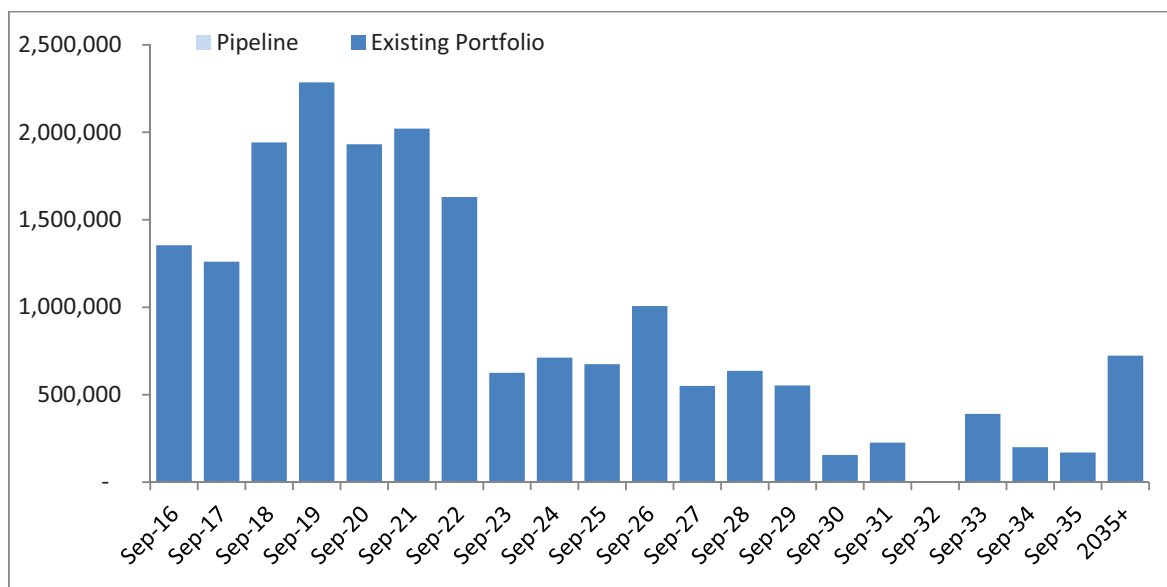


Figure 6

#### 4.7 *Managed income profile*

Currently, within the Property Portfolio the weighted average unexpired lease term (“**WAULT**”) is seven years. Figure 7 gives an overview of the lease expiry profile for the Property Portfolio and Figure 8 demonstrates the extent to which the Company’s income from the Property Portfolio is at risk for the periods specified.



12 months to

Figure 7

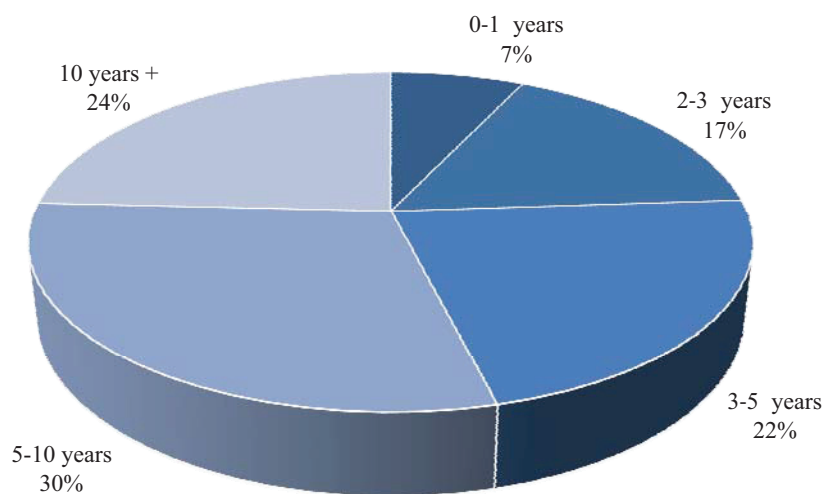


Figure 8

#### 4.8 *Income growth v yield compression*

Income is expected to make up a larger proportion of the Company's total return for the period ending 31 March 2016. The Property Portfolio has witnessed a continued hardening of initial yield and consequential valuation growth. Figure 9 below highlights the extent to which the Company's yield compression has led to valuation growth, as compared to the market.



Date	All property yield	Yield Compression	Custodian REIT NIY	Yield Compression
2012 Q3	6.28%	 93 bps	7.40%	 30 bps
2015 Q3	5.35%		7.10%	

Figure 9 (Source: CBRE Marketview UK Prime Rent and Yield, Q3 2012 and Q3 2015, and data contained in the valuation report at Part V of this document)

#### 4.9 *Management of current assets*

In order to seek to maximise the NAV, since 30 September 2015, and in respect of the properties mentioned:

(a) **Grantham**

The Company has agreed a lease extension with the landlord and agreed a standardised service charge across the premises, which, the Directors believe, has resulted in a £50,000 uplift in value and an improved WAULT.

(b) **Bedford**

The Company is in ongoing negotiations to remove the 2017 break clause in the headlease, in return for six months occupation of the premises at zero rent. The Directors believe that this arrangement could potentially result in a £350,000 uplift in value, as well as improved WAULT.

(c) **Milton Keynes**

The Company accepted the surrender of the existing lease at the premises for a £150,000 premium and is in the process of undertaking a £900,000 refurbishment. Following completion of that refurbishment, the Directors believe that the premises could see a £500,000 uplift in value on securing a new letting (in addition to the rental income from such new tenant).

(d) **Redditch**

There is an ongoing open market rent review at these premises which, the Directors believe, may result in the current rent increasing from £250,000 to between £300,000 and £325,000, 10 per cent. higher than the Company initially forecast.

#### 5. **Dividend policy**

- 5.1 The Company intends to pay interim dividends on a quarterly basis in cash. Subject to market conditions and the level of the Company's net income, the next interim dividend is expected to be paid on 31 December 2015 to Shareholders on the register on 19 November 2015 in respect of the period from 1 July 2015 to 30 September 2015.
- 5.2 On the basis of market conditions as at the date of this document the Company will target\* an annualised dividend, payable quarterly, of 6.25p per Ordinary Share in respect of the financial year ending 31 March 2016.

*\* This is a target only and not a profit forecast. There can be no assurance that the target can or will be met and it should not be taken as an indication of the Company's expected or actual future results. Accordingly, potential investors should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable.*

- 5.3 The Board attaches considerable importance to the dividend and the Company's aim is to increase it over a period, if not every year, at a rate which is fully covered by net rental income and which does not inhibit the flexibility of its investment strategy.
- 5.4 The Company may offer Shareholders the opportunity to elect to receive dividends in the form of further Ordinary Shares.
- 5.5 Assuming the Company retains REIT status, the Company will be required to meet a minimum distribution test for each accounting period that it is a REIT. This minimum distribution test requires the Company to distribute an amount equal to a corresponding PID from a REIT and a minimum of 90 per cent. of the Company's UK income profits for each accounting period to be paid within 12 months of the end of the accounting period, as adjusted for tax purposes. Further details of the tax treatment of an investment in the Company are set out in Part VIII of this document.

## **6. Gearing policy**

- 6.1 The Company intends to continue to operate with a conservative level of gearing, with a target over the medium term of borrowings of 25 per cent. of the aggregate market value of all properties of the Company as at the time of drawdown (market value to be determined in accordance with the most recent valuation of the properties at that time).
- 6.2 The borrowings are secured by way of a first charge over a discrete number of those properties in the property portfolio acquired by the Company, which leaves as many properties unencumbered from fixed charges as possible. Additional properties will be added to the charged portfolio, as required, to maintain the maximum loan-to-value ratio of the Company's borrowings. Further details of the Facilities Agreements are set out in paragraph 8 of Part VII of this document.
- 6.3 The Company has entered into the Facilities Agreements, pursuant to which Lloyds and Scottish Widows (as applicable) have taken a first charge over a discrete number of properties, providing the relevant lender with a maximum loan-to-value ratio of between 45 and 50 per cent. on those properties specifically charged to it, and a floating charge over all of the Company's assets and undertaking. Pursuant to the Facilities Agreements, as at the date of this document, the Company's weighted average cost of debt was 308 bps (assuming the debt is fully drawn and based on three months LIBOR at 50 bps). Further details of the Facilities Agreements are set out in paragraph 8 of Part VII of this document.
- 6.4 The Company has agreed terms with Lloyds and received credit approval to increase the facility available under the RCF from £25 million to £35 million and to move the termination date of the RCF to five years after the date upon which the amendment and restatement agreement relating to the RCF is entered into, subject only to completion of documentation.



## 7. Selected financial information

The key figures that summarise the Company's financial condition in respect of the financial period ended 31 March 2015, which have been extracted without material adjustment from the financial information referred to in Part VI of this document, are set out in the following tables.

	<b>31 March 2015 £000</b>
<b>Assets</b>	
Investment property	207,287
Trade and other receivables	1,072
Cash and cash equivalents	849
<b>Total assets</b>	<b>209,208</b>
<b>Liabilities</b>	
Deferred rental income	3,119
Trade and other payables	2,292
Bank borrowings	23,811
<b>Total liabilities</b>	<b>29,222</b>
<b>TOTAL NET ASSETS</b>	<b>179,986</b>

	<b>31 March 2015 £000</b>
Earnings per Ordinary Share	6.0p
Dividend per Ordinary Share	6.25p
Profit before tax	8,747
Ongoing operating costs	3,042

## 8. Capital structure

### 8.1 *Share capital*

At the date of this document the share capital of the Company consists of 193,305,659 Ordinary Shares. At any General Meeting each Shareholder has on a show of hands one vote and on a poll one vote in respect of each Ordinary Share held.

### 8.2 *Duration and continuation vote*

As the Company is a long-term investment vehicle it does not have a fixed life. However, under the Articles, the Board is obliged to propose a continuation vote at the Company's seventh AGM and at every seventh AGM thereafter. If at such AGM, such resolution is not passed, the Board shall, within three months of such meeting, convene a General Meeting at which a special resolution shall be proposed to the members of the Company for the winding up of the Company and/or a special resolution shall be proposed to the members of the Company for the reconstruction of the Company, provided that such resolution for the reconstruction of the Company shall, if passed, provide an option to Shareholders to elect to realise their investment in the Company.

### 8.3 *Further issues of Ordinary Shares*

- (a) Further issues of shares, of whatever class, for cash will be subject to pre-emption rights conferred on existing Shareholders, save to the extent these rights have been dis-applied by special resolution of the Company. The Board currently has unused authority to issue on a non- pre-emptive basis up to 80,952,829 Ordinary Shares. This authority expires on the earlier of the date of the next AGM of the Company and 22 October 2016.
- (b) If the existing authorities described in paragraph 8.3(a) are exhausted, the Directors may convene a general meeting to obtain further authority to issue Ordinary Shares on a non pre-emptive basis from Shareholders before the Company's 2016 AGM.

- (c) The Directors currently intend to seek annual renewal of the authority to issue Ordinary Shares on a non-pre-emptive basis from Ordinary Shareholders in respect of a number of Ordinary Shares deemed at the Board's discretion as appropriate.
- (d) Ordinary Shares issued under the Placing Programme may be issued under this document provided that this document is updated by a supplementary prospectus (if required) under section 87G of FSMA.
- (e) The Prospectus Rules also currently allow for the issue of shares representing, over a period of 12 months, less than 10 per cent. of the number of shares of the same class already admitted to trading on the same regulated market, provided that such issue is not made by way of an offer of the Company's securities to the public.

#### 8.4 *Repurchase of Ordinary Shares*

- (a) The Articles allow the Company to purchase Ordinary Shares in the market at prices which represent a discount to the prevailing NAV per Ordinary Share. On 22 July 2015, the Company passed a special resolution granting the Directors authority to make market purchases of up to 18,100,565 Ordinary Shares.
- (b) The Board will consider whether the Company should purchase Ordinary Shares where such Ordinary Shares are quoted in the market at a significant discount to NAV per Ordinary Share. The making and timing of any share buybacks is at the absolute discretion of the Board and is expressly subject to the Board determining that the Company has sufficient surplus cash resources available (excluding borrowed monies), as well as the provisions of the Act (including the requirement for distributable reserves).
- (c) The Board intends to seek Shareholder approval to renew its authority to make market purchases of its own issued Ordinary Shares once its existing authority has expired or at subsequent AGMs.
- (d) Under the Listing Rules, the maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of (i) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. In any event, Ordinary Shares will only be repurchased at prices below the last published NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.
- (e) Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board and only in accordance with the Act, the Listing Rules, and the Disclosure and Transparency Rules. Any purchase of Ordinary Shares would be made out of the available cash or cash equivalent resources of the Company or from borrowings.
- (f) Ordinary Shares bought back by the Company may, to the maximum extent permitted by law, be retained in treasury to be reissued at a future date and resold by the Company. Such Ordinary Shares will not be sold from treasury at a discount to the prevailing NAV per Ordinary Share unless approved by Shareholders in accordance with the Listing Rules.
- (g) At the date of this document, the Company does not hold any Ordinary Shares in treasury.

## PART III

### DIRECTORS, INVESTMENT MANAGER AND ADMINISTRATION OF THE COMPANY

#### 1. Directors

- 1.1 The Board comprises four Directors, all of whom are non-executive and, save for Ian Mattioli, are independent of the Investment Manager. The Directors are responsible for managing the Company's business in accordance with the Articles and the Investment Policy and have overall responsibility for the Company's activities, including its investment activities and reviewing the performance of the Company's portfolio.
- 1.2 The Directors may delegate certain functions to other parties such as the Investment Manager and the Registrar. In particular, the Directors have delegated responsibility for management of the investments comprised in the Company's portfolio to the Investment Manager. The Directors have responsibility for exercising overall control and supervision of the Investment Manager.
- 1.3 The Directors are:

##### **David Ian Hunter** (*Independent Non-executive Chairman*)

David is an international property consultant specialising in property funds and companies. He is on the boards of both listed and unlisted companies in UK and overseas, and has corporate advisory roles in the UK and France. He has over 25 years' experience as a fund manager, including as Managing Director of Aberdeen Asset Management's property fund business. David is a former President of the British Property Federation and was actively involved in the introduction of REITs to the UK.

##### **Barry Gordon Gilbertson** (*Senior Independent Non-executive Director*)

Barry is the designated Senior Independent Director. He is an international consultant with a focus on real estate, strategy and risk, who has more than 40 years' experience advising on property. He was an adviser to the Bank of England from 2003 to 2014 and is a former global President of the Royal Institution of Chartered Surveyors. In 1996, Barry became the first chartered surveyor to become a full equity partner in any firm of chartered accountants, worldwide, when he joined the Coopers & Lybrand (now part of PricewaterhouseCoopers) partnership, where he worked until 2011. Barry has been a non-executive consultant to Knight Frank LLP, and currently holds independent non-executive directorships of two publicly-quoted companies – Granite REIT which is quoted on the NYSE and TSX and convert Immobilien Invest SE quoted on the Vienna Stock Exchange. Barry became a Member of Council of The University of Bath in 2014 and holds Visiting Professor appointments at two UK universities.

##### **Ian Thomas Mattioli** (*Non-executive Director*)

Ian has over 30 years' experience in the financial services industry and, together with Bob Woods, founded Mattioli Woods which now has over £6 billion of assets under management, administration and advice. Ian is responsible for the vision and operational management of Mattioli Woods and instigated the development of the investment proposition, including the structured products initiative. His personal achievements include winning the London Stock Exchange AIM Entrepreneur of the Year award.

##### **Matthew Wadman John Thorne** (*Independent Non-executive Director*)

Matthew qualified as a chartered accountant in 1978 with Price Waterhouse. He is an independent non-executive director of Bankers Investment Trust plc, chairing the audit committee, and since May 2007 has been an advisor to Consensus Business Group (led by Vincent Tchenguiz). He is also an advisory board and panel member of Greenwich Hospital. Matthew's previous executive roles have included Group Finance Director of McCarthy & Stone plc from 1993 to 2007, Finance Director of Ricardo plc from 1991 to 1992 and Investment Director of Beazer plc from 1983 to 1991.

## **2. The Investment Manager**

- 2.1 The Company has appointed Custodian Capital as its investment manager and AIFM. The Investment Manager is a private company limited by shares and comprises a team of experienced individuals with expertise in the operation of and investment in UK commercial real estate.
- 2.2 Custodian Capital is a subsidiary of Mattioli Woods Plc, a provider of specialist pensions consultancy and administration, employee benefits and wealth management. Custodian Capital has an established market presence in the small property sector and a proven track record of property syndication for clients and staff and asset management. Mattioli Woods Plc was established in 1991 and has grown organically and by acquisition. Mattioli Woods Plc was admitted to the AIM market operated by London Stock Exchange in 2005 and, as at 3 November 2015, had a market capitalisation of approximately £161.5 million. Mattioli Woods Plc has under management, administration or advice over £6 billion of assets.
- 2.3 The Investment Manager is authorised and regulated by the FCA.
- 2.4 Ian Mattioli is beneficially interested in the share capital of Mattioli Woods Plc, which is the parent company of the Investment Manager and therefore has an indirect interest in the Investment Manager.

## **3. Key personnel of the Investment Manager**

- 3.1 The Investment Manager's key personnel are:

- (a) **Richard Shepherd-Cross BSc MRICS** (*Managing Director*)

Richard has more than 20 years' experience in the commercial property market. He sits on the board of the Investment Manager, operating the business and managing a core team of 11. Richard is a former director at Jones Lang LaSalle in London where he led the portfolio investment team. Richard has had responsibility for developing the services of Mattioli Woods Plc's property business and for establishing Custodian Capital in 2011.

- (b) **Nathan James Mclean Imlach CA FCSI CF** (*Finance Director*)

Nathan qualified as a chartered accountant in 1993 with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. He joined Mattioli Woods as its Finance Director in 2005, prior to its admission to AIM. Nathan has also been the Finance Director of Custodian Capital since its formation in 2011 and oversees the reporting and accounting framework of the company. He is a Fellow of the Chartered Institute for Securities & Investment and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales. Nathan is an independent non-executive director of Mortgage Advice Bureau (Holdings) plc, chairing the audit committee, and is a trustee of Leicester Grammar School.

- (c) **Ian Thomas Mattioli** (*Founder and Chairman*)

Ian's biography is set out above.

## **4. Investment Management Agreement**

- 4.1 The Company has entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed as AIFM with responsibility for the property management of the Company's assets, subject to the overall supervision of the Directors. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Board (including, without limitation, the Investment Policy) and in accordance with the investment restrictions referred to in the Investment Management Agreement.
- 4.2 Pursuant to the Investment Management Agreement, the Company pays to the Investment Manager on a quarterly basis in arrears (on 1 January, 1 April, 1 July and 1 October each year) a fund and asset management fee calculated by reference to the closing NAV of the Company each quarter as follows:
  - (a) 0.9 per cent. of that amount of the NAV of the Company as at the relevant quarter day being less than or equal to £200 million divided by four; plus

- (b) 0.75 per cent. of that amount of the NAV of the Company as at the relevant quarter day in excess of £200 million divided by four.
- 4.3 The Investment Manager is also appointed under the Investment Management Agreement to provide company secretarial, financial and administrative services to the Company.
- 4.4 The Investment Management Agreement is for an initial term of three years from (the “**Initial Term**”), terminable by either party by giving not less than 12 months’ prior written notice to the other, which notice may only be given after the expiry of the Initial Term.
- 4.5 Further details of the Investment Management Agreement are set out in paragraph 8.2 of Part VII of this document.

## **5. Conflicts of interest**

- 5.1 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 Company. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company, save that the Investment Manager has undertaken in the Investment Management Agreement not to provide such services to any other company or other collective vehicle with a similar investment objective or policy to the Company without first having received the prior written consent of 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.
- 5.2 A conflict of interest may also arise under the Investment Management Agreement, pursuant to which the Investment Manager is required to calculate the Net Asset Value of the Company (as described in more detail in paragraph 9 below), since the Investment Manager’s fee is calculated based by reference to the Company’s Net Asset Value. Having regard to the Investment Manager’s obligations under the Investment Management Agreement, its obligations under the AIFM Directive and otherwise to act in the best interests of the Company, the Investment Manager has sought to mitigate this conflict of interest by ensuring that the valuation process is functionally independent from the Investment Manager’s portfolio management and remuneration policy. The Investment Manager has also implemented measures to prevent undue influence upon the employees responsible for the valuation function.

## **6. Administration and secretarial arrangements**

- 6.1 Custodian Capital has also been appointed to provide company secretarial, financial and administrative services to the Company pursuant to the Investment Management Agreement. In such capacity, Custodian Capital is responsible for general secretarial functions required by the Act and for ensuring that the Company complies with the Articles and its continuing obligations as a company listed on the premium segment of the Official List. Custodian Capital will continue to provide the services of Nathan Imlach to act as company secretary of the Company. Custodian Capital is also responsible for the Company’s general administrative functions as provided for in the Investment Management Agreement.
- 6.2 The Investment Management Agreement provides that the Company will pay to Custodian Capital an administrative fee equal to 0.125 per cent. of the NAV of the Company at the end of the last accounting period of the Company. The administrative fee is payable in quarterly instalments in advance.
- 6.3 The Investment Management Agreement is for an initial term of three years (the “**Initial Term**”), terminable by either party by giving not less than 12 months’ prior written notice to the other, which notice may only be given after the expiry of the Initial Term.
- 6.4 Further details of the Investment Management Agreement are set out in paragraph 8.2 of Part VII of this document.
- 6.5 In relation to the Issue and the Admission only, PwC is providing ongoing general secretarial services as required by the Company to comply with its obligations as a company listed on the premium segment of the Official List. PwC’s fee for providing such services is estimated to be £1,500.



## **7. Registrar, Receiving Agent and Depositary**

- 7.1 Capita has been appointed as the Company's Registrar and Capita will act as the Company's Receiving Agent pursuant to the Registrar Agreement and the Receiving Agent Agreement respectively.
- 7.2 Langham Hall UK Depositary LLP has been appointed the Company's Depositary (which the Company is required to appoint as an AIFM) pursuant to the Depositary Agreement. Further details of the Depositary Agreement are set out in paragraph 8.4 of Part VII of this document.

## **8. Auditor**

Deloitte LLP of 2 New Street Square, London EC4A 3BZ which is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales will provide audit services to the Company.

## **9. NAV publication and calculation**

- 9.1 The properties held by the Company are valued by an external valuer quarterly in accordance with the RICS Red Book. The NAV attributable to the Ordinary Shares is published quarterly based on the most recent valuation of the Company's portfolio and in accordance with IFRS. The NAV 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 (unaudited) NAV of the Ordinary Shares as at 30 September 2015 was 102.6p. It is expected that the next NAV of the Ordinary Shares will be published on or about 19 January 2016 setting out the NAV of the Ordinary Shares as at 31 December 2015.
- 9.2 The calculation of the NAV 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.

## **10. Shareholder meetings, reports and accounts of the Company**

- 10.1 All General Meetings shall be held in the UK and shall be held each calendar year. The next AGM is expected to be held in July 2016.
- 10.2 The Company's annual report and accounts is prepared up to 31 March each year and ordinarily copies are sent to Shareholders by the following June. Shareholders also receive an unaudited half yearly report covering the six months to 30 September each year, ordinarily despatched in the following December.
- 10.3 In accordance with Article 19 of the AIFM Directive, the Investment Manager has implemented a policy which ensures that the NAV calculation (as described in paragraph 5.2 above) is functionally independent from the Investment Manager's portfolio management and remuneration policy. The Investment Manager has also implemented measures to prevent undue influence upon the employees responsible for the valuation function.

## **11. Accounting policies**

- 11.1 The audited accounts of the Company are prepared under IFRS. Financial statements prepared by the Company in accordance with IFRS will include a statement of comprehensive income, a statement of financial position, a statement of changes in equity and a cash flow statement.
- 11.2 Within the statement of comprehensive income, there is no requirement to differentiate between revenue and capital items. Gains/losses on investments within the statement of comprehensive income show the movement in fair value of the investment properties and any gains/losses on disposals of investment properties.
- 11.3 The Company's management and administration fees, finance costs and all other expenses are charged through the statement of comprehensive income. Costs directly relating to the issue of new Ordinary Shares are charged to the Company's share premium.



## 12. Annual expenses

- 12.1 The principal annual running costs of the Company are the fees payable to the Investment Manager, the Directors, the Valuer, the Registrar and the Depositary. The Company also incurs regulatory fees, insurance costs, professional fees, audit fees and other expenses. The total running costs of the Company for the period ended 31 March 2015 (excluding the fundraising costs and irrecoverable property costs) were approximately £2.3 million.
- 12.2 The irrecoverable property costs for the period ended 31 March 2015 were approximately £0.4 million.

## 13. Corporate Governance

- 13.1 The Listing Rules require that the Company must “comply or explain” against the UK Corporate Governance Code (the “**Corporate Governance Code**”). In addition, the Disclosure and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.
- 13.2 The Directors recognise the value of the Corporate Governance Code and have taken appropriate measures to ensure that, since the Initial Admission Date, the Company has complied with the Corporate Governance Code, so far as is possible given the Company’s size and nature of business. The areas of non-compliance by the Company with the Corporate Governance Code are as follows:
- (a) there is no chief executive position within the Company, which is not in accordance with provision A.2.1 of the Corporate Governance Code. As an investment company the Company has no employees and therefore no requirement for a chief executive;
  - (b) the Company has not established a nomination committee, which is not in accordance with Code Provision B.2.1 of the Corporate Governance Code. As all of the Directors are non-executive, the Company considers that the Board as a whole can fulfil the role otherwise undertaken by such a committee; and
  - (c) the Company has not established a remuneration committee, which is not in accordance with Code Provision D.2.1 of the Corporate Governance Code. As all of the Directors are non-executive, the Company considers that the Board as a whole can fulfil the role otherwise undertaken by such committees.

### 13.3 Board Committees

#### (a) *Audit Committee*

The Audit Committee comprises the independent Directors and is chaired by Matthew Thorne. The Audit Committee meets at least twice per year. The Audit Committee is responsible for reviewing the annual and half yearly accounts, the system of internal controls and risk management, and the terms of appointment and remuneration of the auditor. It is also the forum through which the auditor reports to the Board. The Audit Committee is also responsible for reviewing the objectivity of the external auditor and the terms under which the external auditor are appointed to perform non-audit services.

The Audit Committee meets representatives of the Investment Manager and its compliance officers who report as to the proper conduct of business in accordance with the regulatory environment in which the Company and the Investment Manager operate. The Company’s auditor also attends the Audit Committee at its request and reports on its work procedures, the quality and effectiveness of the Company’s accounting records and its findings in relation to the Company’s statutory audit. The Company meets with the auditor, without representatives of the Investment Manager being present, at least once a year.

#### (b) *Management Engagement Committee*

The Management Engagement Committee comprises the independent Directors (being David Hunter, Barry Gilbertson and Matthew Thorne) and is chaired by Barry Gilbertson. On a regular basis, it reviews the appropriateness of the Investment Manager’s continuing appointment together with the terms of conditions thereof and makes recommendations on any proposed amendment to the Investment Management Agreement (including in relation to the administration and secretarial services provided pursuant to the Investment

Management Agreement) or any other agreement entered into with the Investment Manager. The Management Engagement Committee also performs a review of the performance of other key service providers to the Company.

#### 13.4 *Directors' Share dealings*

The Directors have adopted a code of directors' dealings in Ordinary Shares, which is based on the Model Code for directors' dealings contained in the Listing Rules (the "**Model Code**"). The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

## PART IV

### THE PLACING PROGRAMME

#### 1. Introduction

The Company has made arrangements under which the Board has discretion to issue pursuant to the Placing Programme up to 100 million Ordinary Shares. The maximum number of Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of Ordinary Shares finally to be issued. The Placing Programme is intended to be flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares over a period of time. The Placing Programme is intended to satisfy market demand for the Ordinary Shares and to raise further money for investment in accordance with the Investment Policy.

#### 2. Background to and reasons for the Placing Programme

2.1 The Company wishes to have the flexibility to issue further Ordinary Shares on a non-pre-emptive basis where there appears to be reasonable demand for Ordinary Shares in the market, for example if the Ordinary Shares trade at a premium to their NAV per Ordinary Share. Ordinary Shares issued under the Placing Programme will be issued at a price not less than the prevailing cum income NAV per Ordinary Share. In addition, the Ordinary Shares issued under the Placing Programme will not be issued at a discount of more than 10 per cent. of the middle market price nor more than the best offer price per Ordinary Share as quoted on the London Stock Exchange at the time that the proposed issue is announced or agreed respectively. Consequently, as determined by the Directors, an issue of Ordinary Shares under the Placing Programme may be used by the Company to reduce any premium over NAV at which its Ordinary Shares may be trading. Shareholder authority to issue further Ordinary Shares on a non-pre-emptive basis was granted on 22 July 2015 and further Shareholder authority may be sought by the Directors to enable the Placing Programme to be implemented in full.

2.2 Ordinary Shares will be issued pursuant to the Placing Programme when the Directors consider that it is in the best interests of Shareholders to do so and to address continuing demand for the Ordinary Shares. In utilising its discretion under the Placing Programme and seeking such authorities in the future the Directors intend to take into account relevant factors, including the desirability of limiting the premium to NAV at which the Ordinary Shares trade in order to ensure that Shareholders and new investors who acquire Ordinary Shares are not disadvantaged by being required to acquire additional Ordinary Shares at a high premium to NAV per Ordinary Share.

#### 2.3 Benefits of the Placing Programme

2.4 The Directors believe that the issue of Ordinary Shares pursuant to the Placing Programme should yield the following principal benefits:

- (a) maintain the Company's ability to issue Ordinary Shares, so as to better manage the premium at which the Ordinary Shares may trade to NAV per Ordinary Share;
- (b) enhance the NAV per Ordinary Share of existing Ordinary Shares through new share issuance at a premium to the cum income NAV per Ordinary Share;
- (c) grow the Company, thereby spreading operating costs over a larger capital base which should reduce the total expense ratio; and
- (d) improve liquidity in the market for the Ordinary Shares.

2.5 The Directors will consider the potential impact of the Placing Programme on the payment of dividends to Shareholders and intend to ensure that it will not result in any material dilution of the dividends per Ordinary Share that the Company may be able to pay. In the event that 100 million new Ordinary Shares are issued under the Placing Programme and assuming that £75 million is raised pursuant to the Issue, before expenses, a Shareholder holding shares representing 1 per cent. of the Company's issued Ordinary Share capital immediately following Admission on completion of the Issue, who does not participate in the Placing Programme, would, following the completion of the Placing Programme, hold shares representing approximately 0.64 per cent. of the Company's issued Ordinary Share capital, if they subscribed for their Basic Entitlement or 0.53 per cent. if they did not subscribe for their Basic Entitlement.

### **3. The Placing Programme**

- 3.1 The Placing Programme will open immediately following Admission of the Issue Shares and will close on 3 November 2016 (or any earlier date on which it is fully subscribed). The maximum number of Ordinary Shares to be issued pursuant to the Placing Programme is 100 million. Ordinary Shares issued under the Placing Programme will be issued pursuant to the existing authority granted to the Directors which expires on the earlier of the date of the next AGM of the Company and the date which is 15 months after 22 July 2015 (unless previously renewed, revoked or varied by the Company in a general meeting) and any similar authority granted to Directors in addition to the existing authority or following such expiry. Further details regarding the authority to allot on a non pre-emptive basis can be found in paragraph 3.3 of Part VII of this document.
- 3.2 The allotment and issue of Ordinary Shares under the Placing Programme is at the discretion of the Directors. Allotments and issuances may take place at any time prior to the final closing date of 3 November 2016. An announcement of each allotment and issue pursuant to a Subsequent Placing will be released through an RIS, including details of the number of Ordinary Shares allotted and issued and the applicable Placing Programme Price for the allotment and issue. It is anticipated that dealings in the Ordinary Shares will commence three Business Days after the trade date for each Subsequent Placing. Whilst it is expected that all Ordinary Shares allotted and issued pursuant to a Subsequent Placing will be issued in uncertificated form, if any Ordinary Shares are issued in certificated form it is expected that share certificates would be despatched approximately one week after admission of the relevant Ordinary Shares to the Official List and to trading on the Main Market of the London Stock Exchange. No temporary documents of title will be issued.
- 3.3 Such Ordinary Shares will, subject to the Company's decision to proceed with a placing under the Placing Programme at any given time, be issued to Numis (or to placees secured by Numis) at the Placing Programme Price. Where Numis is the placee, it will trade the Ordinary Shares in the secondary market. No Ordinary Shares will be issued at a discount to the NAV per Ordinary Share at the time of the relevant allotment. The Company will not issue any Ordinary Shares at a discount of 10 per cent. or more to the middle market price of the Ordinary Shares at the relevant time without further Shareholder approval.
- 3.4 The Placing Programme is not being underwritten and, as at the date of this document, the actual number of Ordinary Shares to be issued under the Placing Programme is not known. The number of Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of Ordinary Shares finally to be issued.
- 3.5 So far as the Directors are aware as at the date of this document, no major Shareholders or Directors intend to make a commitment for Ordinary Shares under the Placing Programme. In the event that a related party (as defined in the Listing Rules) wished to make a commitment for Ordinary Shares under the Placing Programme, the Company would comply with its obligations under Chapter 11 of the Listing Rules including, if required, seeking Shareholder approval for the allotment and issue of Ordinary Shares to that related party.
- 3.6 Applications will be made to the FCA for the Ordinary Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such shares to be admitted to trading on its Main Market for listed securities. All Ordinary Shares issued pursuant to the Placing Programme will be issued conditionally on such Admission occurring. This document has been published in order to obtain admission to the Official List of any Ordinary Shares issued pursuant to the Placing Programme. This will include any Ordinary Shares issued under the Directors' existing authority to issue Ordinary Shares on a non-pre-emptive basis after the date of this document. Should the Board wish to issue Ordinary Shares in excess of the amount which it will then be authorised to issue, further authorities will be sought at an appropriate time by convening a general meeting of Shareholders for this purpose.
- 3.7 The Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant Ordinary Shares).

- 3.8 The Placing Programme will be suspended at any time when the Company is unable to issue Ordinary Shares pursuant to the Placing Programme under any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion. The Placing Programme may resume when such conditions cease to exist.

#### **4. Conditions**

- 4.1 Each allotment and issue of Ordinary Shares pursuant to a Subsequent Placing is conditional on:
- (a) Shareholder authority for the disapplication of pre-emption rights in respect of the relevant allotment and issue being in place;
  - (b) the Placing Programme Price being not less than the prevailing cum income NAV per Ordinary Share;
  - (c) Admission of the Ordinary Shares issued pursuant to such Subsequent Placing; and
  - (d) the Placing Agreement not being terminated in accordance with its terms and a particular Subsequent Placing becoming unconditional, in each case in accordance with the terms of the Placing Agreement prior to the completion of the Subsequent Placing.
- 4.2 In circumstances in which these conditions are not fully met, the relevant issue of Ordinary Shares pursuant to the Placing Programme will not take place.
- 4.3 The terms and conditions which apply to any subscriber for Ordinary Shares under the Placing Programme procured by Numis are set out in Part X of this document.

#### **5. Calculation of the Placing Programme Price**

- 5.1 The Placing Programme Price will be calculated by reference to the estimated cum income NAV of each existing Ordinary Share together with a premium intended to at least cover the direct costs and expenses of the placing pursuant to the Placing Programme (including, without limitation, any placing commissions). The Directors will determine the Placing Programme Price on the basis of the prevailing market price of the Ordinary Shares and also so as to at least cover the costs and expenses of each Subsequent Placing under the Placing Programme and thereby avoid any dilution of the NAV of the existing Ordinary Shares held by Shareholders. By way of illustration, based on the latest published NAV of the Ordinary Shares of 102.6p and an approximately 5 per cent. premium to NAV, the Placing Programme Price would be expected to be approximately 107.7p. The expenses indirectly borne by the investor within this illustrative issue premium are estimated at approximately 1.5p per Ordinary Share.
- 5.2 Fractions of Ordinary Shares will not be issued and placing consideration will be allocated accordingly. Where Ordinary Shares are issued, the total assets of the Company will increase by that number of Ordinary Shares multiplied by the relevant Placing Programme Price. It is not expected that there will be any material impact on the earnings and NAV per Ordinary Share, as the net proceeds resulting from any issue are expected to be invested in investments consistent with the Investment Objective and Investment Policy of the Company and the Placing Programme Price is expected to represent a modest premium to the then prevailing NAV.

#### **6. Settlement**

- 6.1 Payment for Ordinary Shares issued under the Placing Programme will be made through CREST or through Numis, in any such case in accordance with settlement instructions to be notified to placees by Numis. In the case of those subscribers not using CREST, monies received by Numis will be held in a segregated client account pending settlement.
- 6.2 To the extent that any placing commitment is rejected in whole or in part, any monies received will be returned without interest at the risk of the placee.

#### **6.3 CREST**

- (a) CREST is a paperless settlement procedure operated by Euroclear enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. Settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

- (b) It is expected that the Company will arrange for Euroclear to be instructed to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Ordinary Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.
  - (c) The transfer of Ordinary Shares out of the CREST system following the issue of Ordinary Shares should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form.
- 6.4 CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. An investor applying for Ordinary Shares under the Placing Programme may elect to receive Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the Regulations) in relation to CREST. If a Shareholder or transferee requests Ordinary Shares to be issued in certificated form and is holding such Ordinary Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Ordinary Shares. Shareholders holding definitive certificates may elect at a later date to hold such Ordinary Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

#### **6.5 *Costs of the Placing Programme***

The costs of this Placing Programme including the commissions payable to Numis on the Ordinary Shares issued pursuant to the Placing Programme are expected to be recouped through the cumulative premium at which the relevant Ordinary Shares are issued pursuant to the Placing Programme.

Assuming that 100 million new Ordinary Shares are issued under the Placing Programme, before expenses, at an illustrative Placing Programme Price of 104.2p per Ordinary Share, the gross proceeds of the Placing Programme would be £104.2 million. The costs of the Placing Programme are estimated to be equal to 1.5 per cent. of the gross proceeds and the net proceeds of the Placing Programme would therefore be approximately £102.6 million.

### **7. Use of Proceeds**

The total net proceeds of the Placing Programme will depend on the number of Ordinary Shares issued pursuant to the Placing Programme and the relevant Placing Programme Prices. The Directors intend to use the net proceeds of each Subsequent Placing, after costs, to acquire investments in accordance with the Investment Objective and Investment Policy.

### **8. Placing Agreement**

The Company, the Investment Manager and Numis have entered into the Placing Agreement pursuant to which Numis has agreed, subject to certain conditions and as agent for the Company, to use reasonable endeavours to procure places in the Placing Programme in return for the payment by the Company of placing commissions to Numis. Further details of the Placing Agreement are set out in paragraph 8.1 of Part VII of this document.

### **9. Overseas investors**

- 9.1 This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares under the Placing Programme in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Manager.
- 9.2 The Company has elected to impose the restrictions described below on the Placing Programme and on the future trading of the Ordinary Shares so that the Company will not be required to register the offer and sale of the Ordinary Shares under the Securities Act and will not have an obligation to register as an investment company under the Investment Company Act and related rules and also to address certain ERISA and other considerations.



- 9.3 These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Ordinary Shares to trade such securities. The Company and its agents will not be obligated to recognise any resale or other transfer of the Ordinary Shares made other than in compliance with the restrictions described below.
- 9.4 The Ordinary Shares have not been, nor will be, registered under the Securities Act or under the securities legislation of any state or other political sub-division of the United States and the Ordinary Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons. There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S. Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S to: (i) a person outside the United States and not known by the transferor to be a US Person, by prearrangement or otherwise; or (ii) the Company or a subsidiary thereof.
- 9.5 The relevant clearances have not been and will not be, obtained from the securities commission of any province or territory of Canada, Australia, the Republic of Ireland, the Republic of South Africa, Japan or any EEA State (other than the UK) and they may not, subject to certain exceptions, be offered or sold directly or indirectly in, into or within Canada, Australia, the Republic of South Africa, Japan or any EEA State (other than the UK) or any national, citizen or resident of Canada, Australia, the Republic of South Africa, Japan or any EEA State (other than the UK). This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.
- 9.6 Unless otherwise agreed by the Board, the Ordinary Shares will only be offered for subscription to potential investors who are resident in the United Kingdom. The ability of overseas investors to participate in the Placing Programme is at the discretion of the Board and may be affected by the laws or regulatory requirements of relevant jurisdictions. Overseas investors who wish to subscribe for Ordinary Shares under the Placing Programme are referred to paragraphs 4 to 5 of the Terms and Conditions of Application under the Placing and each Subsequent Placing set out in Part X of this document. Potential investors who are in any doubt as to their position in this respect are strongly recommended to consult their own professional advisers as soon as possible.

## **10. Money laundering**

- 10.1 Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK, the Company and its agents, the Investment Manager, the Receiving Agent and Numis may require evidence in connection with any application for Ordinary Shares, including further identification of the applicant(s) before any Ordinary Shares are issued.
- 10.2 The Company and its agents, the Investment Manager, the Receiving Agent and Numis reserve the right to request such information as is necessary to verify the identity of the prospective Shareholder and (if any) the underlying prospective beneficial owner of the Ordinary Shares. In the event of delay or failure by the prospective Shareholder to produce any information required for verification purposes, the Directors, in consultation with Numis and the Investment Manager, may refuse to accept a subscription for Ordinary Shares.

## **11. Subscriber warranties**

- 11.1 Each subscriber of Ordinary Shares in the Placing Programme and each subsequent investor in the Ordinary Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgments and agreements set out in paragraph 4 in Part X of this document.
- 11.2 The Company, the Investment Manager, Numis, and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

11.3 If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

**PART V**  
**VALUATION REPORT ON THE PROPERTY PORTFOLIO**

To  
The Directors  
Custodian REIT Plc  
1 Penman Way  
Grove Park  
Enderby  
Leicester  
LE19 1SY



To  
Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

Lambert Smith Hampton  
Interchange Place  
Edmund Street  
Birmingham  
B3 2TA

4 November 2015

Dear Sirs,

**PROPERTY PORTFOLIO VALUATION**

**1. Introduction**

In accordance with our instructions we have considered the properties currently owned by the Company in order to advise you of our opinion of the Market Value (as defined below) of the freehold and leasehold interests of the properties held as investments as at 31 October 2015. We have not found it necessary to qualify the definition of Market Value, as stated below, within this report. We have also provided an estimate of net annual rents receivable as at 31 October 2015.

The valuation has been prepared in accordance with paragraph 130 of ESMA's update of the CESR recommendations for the consistent implementation of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (the "**ESMA Recommendations**"), to which we refer below. Each property has been valued individually and not as part of a portfolio.

Our valuation has been carried out in accordance with The Royal Institution of Chartered Surveyors Valuation – Professional Standards Incorporating the International Valuation Standards, Global and UK edition January 2014 (the "**Red Book**") and in accordance with the Prospectus Rule 5.6.6 and paragraph 128-130 of the ESMA Recommendations. It has been undertaken by External Valuers, as defined in the Red Book (independent experts for the purposes of paragraph 130 of the ESMA Recommendations).

We understand that our valuation is required in connection with the prospectus to be published in connection with the Placing, the Open Offer, the Offer for Subscription and the Placing Programme by the Company and the issue of up to 171,976,967 new Ordinary Shares of 1p each in the capital of the Company (the "**Prospectus**"), and the admission of those new Ordinary Shares (issued and to be issued) of the Company to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market.

The RICS considers it good practice to rotate the valuer responsible when a series of valuations is provided over a period of time and we confirm that Lambert Smith Hampton follow this practice.

We do not consider that any conflict of interest arises for us in preparing our valuation, and the Company has confirmed to us that it also considers this to be the case.

We confirm that we do not have any material interest in the Company or any of the properties.

The properties have been inspected on various dates on a rolling basis over the course of the last 18 months by the regional network of Lambert Smith Hampton and this process has been overseen by David Williams BSc (Hons) MRICS. David Williams has undertaken this Valuation Report with assistance from Lambert Smith Hampton's regional network of offices and is qualified for the purposes of this instruction. David Williams will sign the valuation on behalf of Lambert Smith Hampton in conjunction with another senior director in the Valuation Division.

## **2. Basis of Valuation**

### ***General***

In accordance with the Red Book and the Listing Rules, our valuation has been prepared on the basis of Market Value, which under Practice Statements PS 3.2, the Red Book defines as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

We have had no reason to qualify this definition.

### ***Properties in the course of development***

The Company is currently committed to acquiring various properties which are in the course of development and in various stages of construction. We understand that investment property under construction is now to be brought into the scope of IAS 40 Investment Property. Therefore we have provided Market Values of these properties on the following basis:

- *The leases to the various occupiers have been completed in accordance with the agreed lease terms provided to us*
- *The rent and other tenant obligations under the leases commence on the Valuation Date*
- *We have also reflected the current stage of the developments and the outstanding stage payments to be made to the developers*

Our valuations are also carried out in accordance with the definitions, assumptions and comments as detailed within our “Terms of Engagement”.

## **3. Scope of Report**

The scope of this report extends to the freehold, heritable and leasehold interests in properties owned as at 31 October 2015.

## **4. Tenure and Tenancies**

Our valuations have been based upon the details of tenure and tenancies and other information provided by the Company. In addition, we have previously been provided with Certificates of Title supplied to us by the Company's solicitors. Where possible this information has been confirmed during our inspections of the properties and individual leases.

In considering the covenant strength of individual tenants we have periodically carried out credit checks on the tenants within the portfolio produced by Graydon Credit Risk Intelligence. Where information regarding the tenant companies is not available we have assumed that they are capable of meeting their rent and repair liabilities under the lease contracts. We have, however also reflected in our valuations our general understanding of purchasers' likely perceptions of the tenants' financial status.

## **5. Net Annual Rents**

When assessing values of the properties we have had regard to the annual rents receivable for each property. We have had regard to the definition of “net annual rent” given in Listing Rules, Appendix 1. This defines “net annual rent” in relation to a property as the current income or income estimated by the valuer:

- (a) *ignoring any special receipts or deductions arising from the properties;*
- (b) *excluding Value Added Tax and before taxation (including tax on profits and allowances for interest on capital and loans); and*

- (c) 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.*

## **6. Floor Areas**

Lambert Smith Hampton has carried out measured surveys in accordance with the RICS Code of Measuring Practice (6<sup>th</sup> Edition) of the properties within the portfolio where possible. In the few cases where properties have not been measured, mainly due to tenants' operational reasons, we have relied on floor areas provided by the Investment Manager which we have assumed have also been measured in accordance with the RICS Code of Measuring Practice (6<sup>th</sup> Edition).

We have not carried out measured site surveys but site areas have been calculated from observed site boundaries and with reference to the appropriate Ordnance Survey extracts.

We confirm that all of the properties within the portfolio have been inspected by Lambert Smith Hampton on a rolling basis over the course of the last 18 months save for the property at Abbey Sands, Torquay which has been purchased very recently by the Company and Lambert Smith Hampton did not advise the Company in respect of this purchase.

## **7. Condition and Repair**

We have not undertaken a structural survey of any of the properties, or arranged for any tests or inspections to be carried out on any of the service installations. Furthermore, no detailed examinations have been carried out to determine whether any deleterious materials such as high alumina cement, woodwool slab or blue asbestos have been used in the construction of any of the buildings and the valuations are therefore made on the assumption that no such materials exist.

We have not made exhaustive enquiries of the statutory authorities and would point out that the complexity of building regulations and other statutory enactments often have a material effect on the way in which a building is planned and used upon the cost of consequential works.

Unless otherwise stated in the certificate of title we have reviewed we have assumed that each property has a valid and up to date Fire Certificate and that it complies with the Health & Safety Act 1974, Building Regulations and all other statutory enactments. We have further assumed that there are no outstanding liabilities arising out of the provisions of the Defective Premises Act 1972.

## **8. Environmental Protection Act**

Our valuations have been prepared on the basis that the properties have not been used for any purpose which may at a later stage be regarded as contaminative and that no contamination exists. Should it, however, be subsequently established that such contamination exists at any of the properties or any adjoining land or that any premises have been or are being put to contaminative use, this may be found to have a detrimental effect on the value reported.

## **9. Plant and Machinery**

We have included in our valuation plant and machinery items normally regarded as forming part of the "building" service installation.

## **10. Town Planning**

Oral enquiries of the planning and other relevant local authorities have been made in respect of each property and we have made all such enquiries as are appropriate to particular local conditions. We have assumed, except where stated to the contrary that all buildings are currently used in accordance with the relevant local authority approval and all conditions imposed on such consents have been adhered to.

The Company has confirmed to us in writing that all properties referred to in this Report have all the relevant planning permissions in accordance with the relevant local authority approval and all conditions imposed on such consents have been adhered to.

## **11. General Comments**

We have assumed that all the properties are capable of unrestricted transfer to a third party purchasers (in the case of leasehold property, subject to the lessor's consent, not to be unreasonably withheld) and have made no allowance to reflect the balance of outstanding mortgages which may exist, either in respect of the capital or interest rolled up thereon.

No allowances have been made in our valuations for any expenses of realisation, neither have we reflected any element of “marriage value” or “special purchaser value” which could possibly be realised by a merger of interests or by a sale to an owner or occupier of an adjoining property.

No allowance has been made for any liability which may arise for payment of corporation tax or capital gains tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We would also specifically draw your attention to the fact that the valuations stated within this report are exclusive of any valued added tax liability, which may be incurred.

To the extent that we have been supplied with information by the Company and/or its solicitors or by other professional advisers, we have assumed in preparing the valuations that such information is accurate in all respects.

In the valuation of the portfolio, we have valued each property separately and not as part of the portfolio. Accordingly, we have made no allowances, either positive or negative, in the aggregate value reported to reflect the possibility of the whole or part of the portfolio being placed on the market at any one time.

For each individual valuation we have made an allowance for hypothetical purchasers’ costs of acquisition.

## 12. Valuation

**£246,014,000**

**(Two Hundred and Forty Six Million and Fourteen Thousand Pounds)**

made up as follows:

### *Category of Property*

#### FREEHOLD/HERITABLE

77 properties held as investments with an aggregate value of – £199,044,000

#### LEASEHOLD

22 properties held as investments with an aggregate value of – £44,025,000

#### FREEHOLD PROPERTIES WHICH ARE IN THE COURSE OF CONSTRUCTION

2 properties to be held as investments with an aggregate value of – £2,945,000

**Total – £246,014,000**

## 13. Geographical Split of Properties

Total in number	Geographical Region	Combined Net Annual Rent £pa	Combined Market Value £
24	North	£4,568,055	£61,260,000
22	South East	£3,565,389	£52,025,000
12	South West	£2,042,951	£30,580,000
33	Midlands	£6,434,279	£84,394,000
9	Scotland	£1,290,289	£16,345,000
1	Wales	£149,982	£1,410,000
<b>Total</b>		<b>£18,050,945</b>	<b>£246,014,000</b>

This valuation has been prepared for inclusion in this document.

The above valuation of the Property Portfolio was accurate as at 31 October 2015 and there have been no material changes in value between the above date and the date of this document.

The valuation of the Property Portfolio, as at 31 March 2015, was £207.6 million. The main reason for the increase in the value of the portfolio over the interim period is that a further 14 assets have been purchased. The Company has also actively managed the Property Portfolio and conducted a number of lease re-gears, completed new lettings and settled rent reviews all have which have led to



an increase in the net rental income which has positively influenced the market value. The Company has also made several stage payments to the developers of the properties under construction.

For the purpose of Prospectus Rule 5.5.3R(2)(f), we accept responsibility for the information within this report and valuation and declare that we have taken all reasonable care to ensure that the information contained in this report and valuation is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I of the Prospectus Directive Regulation.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Williams', with a long horizontal line extending to the right.

David Williams, *Director*  
For and on behalf of Lambert Smith Hampton

A handwritten signature in black ink, appearing to read 'Timothy Sandford', with a long horizontal line extending to the right.

Timothy Sandford, *Director*  
For and on behalf of Lambert Smith Hampton

Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
29/31, Castle Street, Hinckley	Retail	£70,000	£70,000	£775,000	8.54%	05/09/2013	Freehold
59/65A, High Street, Redcar	Retail	£98,600	£93,008	£830,000	11.22%	17/06/2014	Freehold
47B, George Street, Edinburgh	Retail	£109,900	£109,900	£2,055,000	5.05%	24/02/2014	Freehold
The Crystal Retail Centre, Stourbridge	Retail	£206,052	£206,052	£2,820,000	6.91%	11/02/2014	Freehold
85, High Street, Cheltenham	Retail	£42,000	£42,000	£590,000	6.73%	06/11/2014	Leasehold
15 Abbeygate Street, Bury St Edmunds	Retail	£49,900	£53,000	£740,000	6.37%	07/11/2014	Freehold
6/8 Dyer Street, Cirencester	Retail	£59,500	£66,650	£925,000	6.08%	06/11/2014	Leasehold
101 Mostyn Street, Llandudno	Retail	£149,982	£110,000	£1,410,000	10.05%	04/09/2015	Leasehold
Grove Farm Triangle, Leicester	Retail	£82,250	£82,674	£1,110,000	7.00%	26/02/2014	Leasehold
The Dome Roundabout, Watford	Retail	£85,260	£85,260	£1,360,000	5.93%	11/02/2014	Leasehold
9 White Lion Street, Norwich	Retail	£200,000	£185,000	£2,440,000	7.75%	16/06/2014	Freehold
27/29 High Street, Weston-Super-Mare	Retail	£123,500	£115,000	£1,555,000	7.51%	06/11/2014	Freehold
37-40A Frederick Street, Birmingham	Retail	£130,137	£139,887	£2,075,000	5.93%	07/05/2015	Leasehold
109 Commercial Road, Portsmouth	Retail	£0	£127,500	£1,495,000	0.00%	22/10/2015	Freehold
43/44 High Street, Kings Lynn	Retail	£125,000	£100,000	£1,230,000	9.61%	16/06/2014	Freehold
98 Argyle Street, Glasgow,	Retail	£120,000	£120,000	£1,810,000	6.26%	23/10/2015	Freehold
19-23 Palmerston Road, Southsea	Retail	£116,087	£152,250	£1,905,000	5.76%	24/06/2014	Leasehold
54 Above Bar Street, Southampton	Retail	£220,000	£220,000	£3,100,000	6.71%	24/06/2014	Leasehold
489 Aylestone Road, Leicester	Retail	£248,000	£202,600	£3,185,000	7.36%	18/06/2014	Freehold
14 Cornhill Street, Bury St Edmunds	Retail	£90,000	£90,000	£1,240,000	6.86%	20/06/2014	Freehold
161-171 High Street, Dumfries	Retail	£85,000	£85,000	£1,150,000	7.00%	20/06/2014	Freehold
2-6 Long Wyre Street, Colchester	Retail	£247,250	£142,000	£2,735,000	8.55%	20/06/2014	Freehold
28/29a Pride Hill, Shrewsbury	Retail	£135,000	£160,000	£2,145,000	5.95%	29/05/2014	Freehold
10 Watergate Street, Chester	Retail	£58,000	£58,000	£890,000	6.16%	20/06/2014	Leasehold
15 St Peters Gate, Nottingham	Retail	£140,000	£105,000	£1,770,000	7.48%	14/07/2014	Freehold
Staples, Milton Keynes	Retail	£418,886	£410,000	£5,675,000	6.98%	11/08/2014	Freehold
Discovery Retail Park, Grantham	Retail	£324,286	£322,381	£4,550,000	6.74%	08/07/2015	Freehold
Phase II, Harbour Road Portishead	Retail	£260,000	£260,000	£4,295,000	5.83%	22/09/2015	Freehold

Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
Sainsbury's, Anthony Road, Torpoint	Retail	£217,500	£219,000	£3,035,000	6.77%	11/12/2014	Freehold
11-13 Silver Street, Bedford	Retail	£86,000	£86,000	£1,160,000	7.00%	28/05/2015	Freehold
8 Eastgate Street, Chester	Retail	£110,000	£110,000	£1,900,000	5.48%	26/05/2015	Freehold
97-98 Westborough Scarborough	Retail	£92,500	£92,500	£1,210,000	7.24%	26/05/2015	Freehold
37 Market Place, St Albans	Retail	£75,000	£75,000	£1,235,000	5.75%	29/05/2015	Freehold
61 East Street, Taunton	Retail	£92,250	£81,200	£1,340,000	6.51%	28/05/2015	Freehold

<b>Retail Total</b>	<b>£4,667,840</b>	<b>£4,576,862</b>	<b>£65,740,000</b>	<b>6.71%</b>
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Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
1 Pride Place, Pride Park, Derby	Office	£257,000	£227,732	£2,660,000	9.13%	03/09/2013	Freehold
Unit C, Madison Place, Central Park, Manchester	Office	£119,905	£93,496	£1,200,000	10.43%	17/06/2014	Leasehold
Grove Park, 1 Penman Way, Leicester	Office	£479,642	£454,770	£5,640,000	8.04%	26/02/2014	Freehold
MW House, 1 Penman Way, Leicester	Office	£249,675	£252,000	£3,180,000	7.41%	12/02/2014	Freehold
Cardinal House, Leeds	Office	£339,000	£322,200	£3,790,000	8.45%	21/11/2014	Freehold
40 David Street, Leeds	Office	£289,750	£281,600	£3,085,000	8.88%	21/11/2014	Freehold
Westbury House, Solihull	Office	£189,000	£142,895	£1,950,000	9.16%	26/06/2015	Freehold
250 West George Street, Glasgow	Office	£222,008	£223,800	£2,575,000	8.13%	10/02/2015	Freehold
Lancaster House, Newhall Street, Birmingham	Office	£498,479	£601,741	£6,194,000	7.60%	29/10/2015	Freehold

<b>Office Total</b>	<b>£2,644,459</b>	<b>£2,600,234</b>	<b>£30,274,000</b>	<b>8.26%</b>
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Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
Unit E/F Reg's Way, Bardon 22, Coalville	Industrial	£129,000	£135,641	£1,600,000	8.82%	13/09/2013	Freehold
Phoenix Business Park, Brindley Road, Hinckley	Industrial	£77,350	£84,000	£905,000	8.08%	05/09/2013	Freehold
The Diamond, Diamond Way, Stone	Industrial	£322,000	£322,000	£3,440,000	8.85%	03/09/2013	Leasehold
Unit M3, RD Park, Avonmouth	Industrial	£215,221	£215,221	£3,125,000	6.51%	14/02/2014	Freehold

Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
Units 2, 7, 8 & 9 Shepcote Enterprise Park, Sheffield	Industrial	£105,525	£108,509	£1,170,000	8.52%	17/04/2015	Leasehold
Howemoss Drive, Kirkhill Industrial Estate, Aberdeen	Industrial	£193,500	£193,500	£2,285,000	8.00%	21/10/2015	Freehold
Units 1 & 2 Priory Business Park, Bedford	Industrial	£396,086	£330,000	£4,500,000	8.32%	07/11/2014	Leasehold
Sytner Body Shop, Brades Road, Oldbury	Industrial	£209,310	£209,310	£3,055,000	6.48%	11/02/2014	Freehold
South Delivery Office, Orchard Business Park, Coventry	Industrial	£232,535	£215,000	£3,740,000	5.88%	11/02/2014	Freehold
Lancaster Way, Ermine Bus. Park, Huntingdon	Industrial	£104,958	£90,000	£1,275,000	7.78%	12/02/2014	Freehold
Unit 4, The Furrows, Trafford Park	Industrial	£220,000	£225,000	£3,100,000	6.71%	18/02/2014	Leasehold
Sheffield Parkway, Sheffield	Industrial	£136,705	£136,705	£2,050,000	6.30%	17/04/2015	Freehold
3 Queens Drive, Kilmarnock	Industrial	£94,500	£95,000	£1,100,000	8.14%	26/10/2015	Heritable
Unit A, 14-16 Verney Street, Bermondsey	Industrial	£200,052	£266,736	£3,580,000	5.28%	26/02/2014	Freehold
NHS Ambulance Centre, Opus Aspect, Erdington	Industrial	£151,500	£151,500	£2,830,000	5.06%	24/02/2014	Freehold
Unit 1, Willowbridge Way, Castleford	Industrial	£125,000	£125,000	£1,570,000	7.53%	04/09/2014	Freehold
1 Livingstone Boulevard, Hamilton	Industrial	£175,000	£190,820	£2,000,000	8.26%	03/06/2014	Freehold
DX Warehouse, Harrington Way, Nuneaton	Industrial	£242,000	£242,000	£2,980,000	7.65%	18/07/2014	Freehold
Unit C, Estuary Commerce Park, Speke	Industrial	£135,500	£141,494	£1,780,000	7.19%	08/04/2014	Leasehold
Unit E, Estuary Commerce Park, Speke	Industrial	£119,239	£101,823	£1,515,000	7.44%	08/04/2014	Leasehold
Stratton Business Park, Biggleswade	Industrial	£300,000	£300,000	£3,810,000	7.44%	19/08/2014	Freehold
3 Carriage Drive, White Rose Way, Doncaster	Industrial	£355,000	£361,250	£4,780,000	7.02%	29/07/2014	Freehold
Sapa Profiles, Ravensbank Drive, Redditch	Industrial	£250,000	£297,650	£3,385,000	6.98%	26/06/2015	Freehold
JTF, Chesford Grange Warrington	Industrial	£485,000	£485,000	£6,300,000	7.28%	21/10/2014	Freehold
Massmould Ltd, Bradbourne Drive, Milton Keynes	Industrial	£280,000	£280,000	£3,990,000	6.63%	25/11/2014	Freehold
Zeus Building, Tally Close, Salford	Industrial	£403,676	£349,700	£5,455,000	6.99%	24/09/2014	Freehold

Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
Domino's Unit, Bradbourne Drive, Milton Keynes	Industrial	£0	£254,104	£2,300,000	0.00%	26/10/2015	Freehold
Langage Science Park, Plymouth	Industrial	£235,000	£257,500	£3,370,000	6.59%	26/06/2015	Freehold
Units A & B National Court, Leeds	Industrial	£187,500	£192,750	£2,350,000	7.54%	15/12/2014	Freehold
Foxbridge Way, Normanton	Industrial	£282,300	£316,200	£4,260,000	6.26%	06/03/2015	Freehold
Western Drive, Cambuslang	Industrial	£197,996	£167,000	£2,120,000	8.82%	17/03/2015	Freehold
Ashby Park, Ashby de la Zouch	Industrial	£465,000	£332,600	£4,230,000	10.39%	25/06/2015	Freehold
Tournament Fields, Warwick	Industrial	£180,000	£180,000	£2,710,000	6.28%	21/04/2015	Freehold
Albert Road, Bristol	Industrial	£250,000	£255,000	£3,525,000	6.70%	26/05/2015	Leasehold
Invincible Road, Farnborough	Industrial	£136,660	£135,350	£1,120,000	11.51%	27/05/2015	Leasehold
Telford Way, Kettering	Industrial	£119,000	£119,000	£1,545,000	7.28%	27/05/2015	Freehold
Loscoe Close, Normanton	Industrial	£44,000	£88,000	£1,230,000	6.77%	26/05/2015	Freehold
Kingswood Lakeside, Cannock	Industrial	£0	£283,500	£1,945,000	0.00%	03/07/2015	Freehold
2 Campsie Drive Glasgow	Industrial	£92,385	£97,300	£1,250,000	7.00%	16/06/2015	Leasehold
Caxton Way Stevenage	Industrial	£0	£186,500	£1,000,000	0%	14/09/2015	Feehold
<b>Industrial Total</b>		<b>£7,848,498</b>	<b>£8,518,663</b>	<b>£108,275,000</b>	<b>6.85%</b>		

Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
The Old Library Knutsford	Other	£50,000	£50,000	£685,000	6.89%	17/06/2014	Freehold
107 Bois Moor Road, Chesham	Other	£52,000	£52,000	£690,000	7.12%	18/06/2014	Freehold
10, Chequers Road, Basingstoke	Other	£63,000	£65,000	£800,000	7.44%	18/06/2014	Freehold
Coventry Road, Elmdon, Solihull	Other	£145,000	£119,179	£1,615,000	8.49%	05/09/2015	Freehold
1-10 Lenton Apartments, 1, Cottesmore Road, Lenton	Other	£87,205	£87,000	£1,200,000	6.87%	03/09/2013	Freehold
Counterpoint, Weston Road, Crewe	Other	£141,138	£120,100	£1,560,000	8.55%	17/06/2014	Freehold
Bentley Manchester, Knutsford	Other	£367,705	£370,000	£6,600,000	5.27%	18/02/2014	Freehold
Travelodge, Portishead	Other	£199,980	£200,000	£3,165,000	5.97%	14/02/2014	Freehold
Redhill Honda, 105 107, Brighton Road, Redhill	Other	£140,000	£140,000	£1,890,000	7.00%	11/02/2014	Freehold
Prezzo, Sawclose, Bath	Other	£122,500	£122,500	£2,250,000	5.15%	14/02/2014	Leasehold

Property	Type	Net Rent	Market Rent	Market Value	Initial Yield	LSH Inspection	Interest
Premier Inn, Castlegate Way, Dudley	Other	£239,400	£239,400	£4,130,000	5.48%	24/02/2014	Freehold
Marshall Toyota, Mallory Road, Peterborough	Other	£225,500	£195,000	£2,475,000	8.61%	19/08/2014	Freehold
MKM Building Supplies, Castleford	Other	£110,000	£110,000	£1,625,000	6.39%	22/05/2014	Freehold
84-90 Palmerston Road, Southsea	Other	£86,000	£80,000	£1,480,000	5.50%	24/06/2014	Leasehold
Yates's, High Wycombe	Other	£115,000	£115,000	£1,680,000	6.47%	14/11/2014	Freehold
Co-op Petrol Station, Gillingham	Other	£268,708	£220,000	£3,225,000	7.88%	10/07/2015	Freehold
Stephenson Road, Lincoln	Other	£192,012	£170,000	£2,325,000	7.78%	27/10/2015	Freehold
Abbey Sands Torquay	Other	£285,000	£285,000	£4,330,000	6.22%	—	Leasehold
	<b>Other Total</b>	<b>£2,890,148</b>	<b>£2,455,179</b>	<b>£41,725,000</b>	<b>6.55%</b>		
<b>Grand Total</b>		<b>£18,050,945</b>	<b>£18,150,938</b>	<b>£246,014,000</b>	<b>6.93%</b>		



## PART VI

### FINANCIAL INFORMATION ON THE COMPANY

#### 1. Basis of financial information

The financial statements of the Company included in the annual report for the period ending 31 March 2015 published on 9 June 2015 (the “**2015 Annual Report**”) are incorporated by reference into this document. The financial statements were prepared in accordance with IFRS, and the audit report for such financial year was unqualified. The 2015 Annual Report is available on the Company’s website, [www.custodianreit.co.uk](http://www.custodianreit.co.uk).

#### 2. Cross-reference list

The 2015 Annual Report, which has been incorporated in full in this document, included, amongst other things, the following information (on the pages specified in the table below):

##### *Financial statements and independent auditor’s report for the year ended 31 March 2015*

Chairman’s statement	page 2
Investment Manager’s report	page 6
Board of Directors	page 30
Directors’ remuneration report	page 37
Directors’ report	page 39
Independent auditor’s report	page 43
Consolidated and Company statement of comprehensive income	page 48
Consolidated and Company statements of financial position	pages 49 – 50
Consolidated and Company statement of cash flows	page 51
Consolidated and Company statement of changes in equity	page 52
Notes to the financial statements	page 53

## PART VII

### ADDITIONAL INFORMATION ON THE COMPANY

#### 1. Responsibility and Directors

- 1.1 The Directors of the Company, whose names appear on page 31 of this document, and the Company 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 and belief of the directors of the Company and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The business address of each Director is MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY.
- 1.3 Each of the Director's respective functions are set out on page 56 of this document.

#### 2. The Company

- 2.1 The Company is a closed-ended investment company and was incorporated with limited liability in England and Wales, under the Act, with registered number 8863271 on 27 January 2014 and with the name Custodian REIT Plc. Its registered office and principal place of business is at MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY (telephone number: 0116 240 8740). The Company is tax resident in the UK. The Company has an indefinite life. Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not an authorised or regulated entity. The Company's accounting reference date is 31 March.
- 2.2 The principal legislation under which the Company was formed and now operates (and under which the Ordinary Shares have been or will be created) is the Act.
- 2.3 The Company's website address is: [www.custodianreit.com](http://www.custodianreit.com).
- 2.4 The ISIN (International Security Identification Number) of the Ordinary Shares is GB00BJFLFT45 and the SEDOL code is BJFLFT4.
- 2.5 The Company is the holding company of the Group and has one wholly owned subsidiary, Custodian Real Estate Limited, which was incorporated in England and Wales and is dormant.
- 2.6 The Company has, and during the period covered by the historical financial information in Part VI had, no employees.
- 2.7 The Investment Manager is a private company limited by shares and was incorporated in England and Wales under the Companies Act 1985 with the registered number 6504305 on 14 February 2008. The Investment Manager operates under the Act and has an indefinite life. Its registered office and principal place of business is MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY (telephone number: 0116 240 8740). The Investment Manager is authorised and regulated by the FCA.
- 2.8 The Valuer is a private company limited by shares and was incorporated in England and Wales under the Companies Act 1985 with the registered number 2521225 on 12 July 1990. The Valuer operates under the Act. Its registered office is at United Kingdom House, 180 Oxford Street, London W1D 1NN and its principal place of business is at Interchange Place, Edmund Street, Birmingham B3 2TA (telephone number: 0121 236 1623).

#### 3. Share capital

- 3.1 The Company was incorporated with no authorised share capital. At incorporation, the issued share capital of the Company consisted of one Ordinary Share and 4,999,999 redeemable ordinary shares of 1p each in the capital of the Company (the "**Redeemable Ordinary Shares**"), which were issued to the subscriber to the Company's memorandum of association, Mattioli Woods Plc.

### 3.2 *History of share capital*

- (a) On incorporation, the Company issued one Ordinary Share and 4,999,999, Redeemable Ordinary Shares to Mattioli Woods Plc.
- (b) The Redeemable Ordinary Shares were redeemed by the Company immediately following the Initial Admission Date in consideration of the payment of a sum equal to the amount received by the Company in payment up of the amount due on the Redeemable Ordinary Shares.
- (c) On the Initial Admission Date, the Company allotted and issued 131,989,310 Ordinary Shares (all of which were fully paid up).
- (d) Since the Initial Admission Date, the Company has allotted and issued the following Ordinary Shares, all of which were, at the time of allotment becoming wholly unconditional, traded on the Main Market:

<b>Date</b>	<b>Number Allotted</b>	<b>Price per share / total raised</b>	<b>Cumulative Total</b>
3 October 2014	23,866,349	104.75 / £25,000,000	155,855,659
13 February 2015	21,500,000	104.0 / £22,360,000	177,355,659
13 February 2015	250,000	104.0 / £260,000	177,605,659
23 April 2015	500,000	109.75 / £548,750	178,105,659
7 May 2015	500,000	108.75 / £543,750	178,605,659
18 May 2015	650,000	108.675 / £706,388	179,255,659
27 May 2015	750,000	108.675 / £815,063	180,005,659
9 June 2015	1,000,000	108.675 / £1,086,750	181,005,659
10 July 2015	750,000	108.675 / £815,063	181,755,659
20 July 2015	2,000,000	108.675 / £2,173,500	183,755,659
29 July 2015	1,250,000	109.0 / £1,362,500	185,005,659
6 August 2015	500,000	109.0 / £545,000	185,505,659
10 August 2015	1,800,000	107.5 / £1,935,000	187,305,659
21 August 2015	1,000,000	107.5 / £1,075,000	188,305,659
4 September 2015	750,000	107.5 / £806,250	189,055,659
11 September 2015	500,000	107.5 / £537,500	189,555,659
18 September 2015	1,250,000	107.5 / £1,343,750	190,805,659
8 October 2015	1,000,000	107.0 / £1,070,000	191,805,659
16 October 2015	1,500,000	107.0 / £1,605,000	193,305,659

The issued share capital of the Company (all of which will be fully paid-up) immediately following Admission (on the assumption 71,976,967 Ordinary Shares are issued pursuant to the Issue) will be 265,282,626 Ordinary Shares.

### 3.3 *Share authorities*

At the AGM held on 22 July 2015, the Directors obtained the authorities and powers required to allot and issue the Issue Shares, and Ordinary Shares under the Placing Programme, on a non pre-emptive basis, being:

- (a) authority under section 551 of the Act for the Directors to allot up to 90,502,829 Ordinary Shares; and
- (b) power under section 570 of the Act to allot Ordinary Shares for cash on the basis that the statutory pre-emption rights in section 561 of the Act do not apply to such allotment provided that this authority is limited to the allotment of up to 90,502,829 Ordinary Shares; and
- (c) authority under the Act to make market purchases of Ordinary Shares up to a maximum aggregate number of 18,100,565 Ordinary Shares (further details of which are set out in paragraph 8.4 of Part II of this document).

- 3.4 Since 22 July 2015, the Company has issued further Ordinary Shares under the authorities detailed above and accordingly, as at the date of this document, the Directors have authority to allot 80,952,829 Ordinary Shares.

- 3.5 Each allotment of Ordinary Shares under the Placing Programme is conditional, amongst other things, on Shareholder authority for the disapplication of pre-emption rights in respect of the relevant allotment being in place. If the existing authorities, as detailed in paragraph 3.3 above are exhausted, the Directors may convene a general meeting of Shareholders to seek further authorities and powers to issue Ordinary Shares on a non pre-emptive basis from the Shareholders before the Company's 2016 AGM.
- 3.6 As at 3 November 2015 (being the latest practicable date prior to the date of this document) the Company did not hold any Ordinary Shares in treasury and no Ordinary Shares were held by or on behalf of the Company itself or by subsidiaries of the Company.
- 3.7 Other than pursuant to the Issue and the Placing Programme, no share or loan capital of the Company has been issued or has agreed to be issued, is not prepared to be issued, for cash or any other consideration and no commissions (save pursuant to the Placing Agreement which is summarised in paragraph 8.1 below, or the payments to the Investment Manager described in paragraph 8.2 below), discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.8 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.9 The Company does not have in issue any securities not representing share capital. No convertible securities, exchangeable securities or securities with warrants have been issued by the Company.
- 3.10 No Ordinary Shares are currently in issue with a fixed date on which entitlement to a dividend arises or within a time limit after which entitlement to a dividend will lapse in accordance with the Articles and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.11 No person has voting rights that differ from those of other Shareholders.
- 3.12 It is expected that the Ordinary Shares to be allotted pursuant to the Issue will be issued pursuant to a resolution of the Board on or around 2 December 2015 conditional only upon 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 Ordinary Shares arising under the Issue to the premium segment of the Official List 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 FCA and any listing conditions having been satisfied and the London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that such Ordinary Shares will be admitted to trading on the Main Market.  
  
The Ordinary Shares to be allotted pursuant to the Issue will be issued at the Issue Price. The Ordinary Shares have a nominal value of 1p each and, therefore, will be issued at a premium of 103.2p per Ordinary Share. The currency of the Ordinary Shares is Sterling.
- 3.13 As at the date of this document, no person has any right to acquire or call for the issue of new shares and no undertaking exists to increase the capital of the company.

#### 4. Summary of the Articles

Pursuant to section 31 of the Act, the objects for which the Company is established are unrestricted and the Company has the full power and authority to carry out any object not prohibited by law. On 24 February 2014, the Company passed a special resolution to adopt the Articles conditional on the Initial Admission. The Articles contain provisions, *inter alia*, to the following effect:

##### 4.1 Voting rights

- (a) Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative shall have one vote for every Ordinary Share of which he is the holder.
- (b) A Shareholder is not entitled to vote unless all calls or other sums due from him have been paid.

- (c) Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the default shares represent at least 0.25 per cent. of their class, 14 days)), is served with a disenfranchisement notice. Such disentitlement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

#### 4.2 **General meetings**

- (a) The Company must hold an AGM each year in addition to any other general meetings held in the year. The directors can call a general meeting at any time.
- (b) At least 21 clear days' written notice must be given for every AGM. For all other general meetings, not less than 14 days' written notice must be given. The notice for any general meeting must state: (i) whether the meeting is an AGM or general meeting; (ii) the date, time and place of the meeting; (iii) the general nature of the business of the meeting; (iv) any intention to propose a resolution as a special resolution; and (v) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member. All members who are entitled to receive notice under the Articles must be given notice.
- (c) Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.
- (d) Each director may attend and speak at any general meeting.
- (e) Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

#### 4.3 **Dividends**

- (a) Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.
- (b) Subject to the Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.
- (c) Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.
- (d) The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.
- (e) The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 4.10 below.

#### 4.4 **Substantial Shareholders**

The Articles contain provisions relating to Substantial Shareholders. Under the REIT Regime a tax charge may be levied on the Company if it makes a distribution to a company beneficially entitled (directly or indirectly) to 10 per cent. or more of the Ordinary Shares or dividends of

the Company or which controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company. If, however, the Company has taken “reasonable steps” to prevent the possibility of such a distribution being made, then this tax charge may not arise. The Articles:

- (a) provide the directors with powers to identify Substantial Shareholders (including giving notice to a Shareholder requiring him to provide such information as the directors may require to establish whether or not he is a Substantial Shareholder;
- (b) provide the directors with powers to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (c) allow dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Ordinary Shares;
- (d) seek to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in paragraph 4.4(c) above are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend; and
- (e) (i) provide the directors with powers if certain conditions are met, to require a Substantial Shareholder; or (ii) a Shareholder who has not complied with a notice served in accordance with the power referred to in paragraph 4.4(a) above; or (iii) a Shareholder who has provided materially inaccurate or misleading information in relation to the Substantial Shareholder provisions of the Articles, to dispose of such number of their shares as the directors may specify, or to take such other steps as will cause the directors to believe the Shareholder is no longer a Substantial Shareholder.

Ordinary Shares held as nominee are disregarded for this purpose.

#### 4.5 *Return of capital*

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Act and the Insolvency Act 1986 (as amended), divide amongst the Shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

#### 4.6 *Continuation Vote*

The Board is obliged to propose a continuation vote at the Company’s seventh AGM and at every seventh AGM thereafter. If at such AGM, such resolution is not passed, the Board shall, within three months of such meeting, convene a general meeting at which a special resolution shall be proposed to the members of the Company for the winding up of the Company and/or a special resolution shall be proposed to the members of the Company for the reconstruction of the Company, provided that such resolution for the reconstruction of the Company shall, if passed, provide an option to Shareholders to elect to realise their investment in the Company in full.

#### 4.7 *Transfer of Shares*

- (a) The Articles provide for shares to be held in a system for holding shares in uncertificated form (for example CREST), such shares being referred to as “Participating Securities”. The Ordinary Shares are freely transferable although they are subject to such of the restrictions in the Articles relating to Substantial Shareholders, ERISA and the Investment Company Act.
- (b) In the case of shares represented by a certificate (“**Certificated Shares**”), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.
- (c) The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.



- (d) The Board may, in its absolute discretion and without assigning any reason therefore refuse to register any instrument of transfer of shares, all or any of which are not fully paid.
- (e) The Board may also refuse to register a transfer unless:
  - (i) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
  - (ii) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and
  - (iii) in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.
- (f) The Board may decline to register the transfer of Certificated Shares where the transfer of Certificated Shares would cause or is likely to cause either: (i) the assets of the Company to be considered “plan assets” under the Plan Asset Regulations; (ii) the Company to be required to register under the Investment Company Act, or members of the senior management of the Company to be required to register as “investment advisors” under the Investment Advisers Act of 1940; (iii) whose ownership of shares may cause the Company to register under the US Exchange Act or any similar legislation; (iv) whose ownership of shares may cause the Company not being considered a “Foreign Private Issuer” as such term is defined in rule 3b-4(c) under the Exchange Act; (v) whose ownership may result in a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time, in connection with any increase in the Company’s share capital; (vi) whose ownership of shares may cause the Company to be a “controlled foreign corporation” for the purposes of the Code, or may cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the Code); or (vii) whose ownership of shares may cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply.
- (g) Save as otherwise set out in this paragraph 4.7 the Board will not have the power to decline to register the transfer of Participating Securities. However, the Board will have the right to require, upon notice, that a holder of Participating Securities transfers the Participating Securities to an eligible transferee within 14 days of the notice, among other things, if the continued holding of such Participating Securities by such holder may cause or is likely to cause or result in any of the following: (i) the assets of the Company to be considered “plan assets” under the Plan Asset Regulations; (ii) the Company to be required to register under the Investment Company Act, or members of the senior management of the Company to be required to register as “investment advisors” under the Investment Advisers Act of 1940; (iii) the Company to be required to register under the US Exchange Act or any similar legislation; (iv) the Company not being considered a “Foreign Private Issuer” as such term is defined in rule 3b-4(c) under the Exchange Act; (v) a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time, in connection with any increase in the Company’s share capital; (vi) the Company to be a “controlled foreign corporation” for the purposes of the Code, or may cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the Code or FATCA) including as a result of the relevant shareholder failing to provide information concerning itself as requested by the Company in accordance with these Articles; or (vii) the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply. Failing any such transfer, the Board shall have the right to instruct that the relevant shares are converted into certificated form in order to allow the Company to transfer such shares.
- (h) In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.

- (i) The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 4.10 below) unless the Shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:
  - (i) a transfer in connection with a *bona fide* sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;
  - (ii) a transfer pursuant to the acceptance of an offer made to all the Company's Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or
  - (iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the UK on which the Company's shares are normally traded.

#### 4.8 *Variation of rights*

- (a) Subject to the Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as mentioned above, such rights shall not be varied.
- (b) The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

#### 4.9 *Share capital and changes in capital*

- (a) Subject to and in accordance with the provisions of the Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.
- (b) Subject to the provisions of the Articles and the Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.
- (c) The Company may by ordinary resolution alter its share capital, in accordance with the Act. The resolution may determine that, as between holders of shares resulting from a sub-division any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.
- (d) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.
- (e) Subject to the Act and the Listing Rules and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Ordinary Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.
- (f) The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law.

#### **4.10 *Disclosure of interests in shares***

- (a) Section 793 of the Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a Shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent. of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a “disenfranchisement notice”). The disenfranchisement notice will state that the identified shares no longer give the Shareholder any right to attend or vote at a Shareholders’ meeting or to exercise any other right in relation to Shareholders’ meetings.
- (b) Once the disenfranchisement notice has been given, if the directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.
- (c) The Articles do not restrict in any way the provisions of section 793 of the Act.

#### **4.11 *Non-UK Shareholders***

Shareholders with addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices shall be served.

#### **4.12 *Untraced Shareholders***

Subject to various notice requirements, the Company may sell any of a Shareholder’s shares in the Company if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque or warrant or other method of payment for amounts payable in respect of such shares sent and payable in a manner authorised by the Articles has been cashed or effected and no communication has been received by the Company from the member or person concerned.

#### **4.13 *Borrowing powers***

- (a) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party provided that the Board shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company, so as to secure (so far as the Board is able) that the aggregate amount for the time being of all borrowings by the Group (excluding any money owed between members of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 50 per cent. of the Company’s total assets.
- (b) These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the Shareholders.

#### **4.14 *Directors***

- (a) Subject to the Act, and provided he has made the necessary disclosures, a director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.
- (b) The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board’s normal procedures, any requirement about the quorum of the meeting is met without including the director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.

- (c) Save as mentioned below, a director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (d) A director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  - (i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company;
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning his being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
  - (v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons, including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and
  - (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the directors or for persons who include directors, provided that for that purpose "insurance" means only insurance against liability incurred by a director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, directors.
- (e) The directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees of all directors shall not exceed £175,000. The directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.
- (f) The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such directors.
- (g) The directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Act. Subject to sections 205(2) to (4) of the Act, the Company may provide a director with funds to meet his expenditure in defending any civil or criminal proceedings brought or

threatened against him in relation to the Company. The Company may also provide a director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

- (h) The directors are obliged to retire by rotation and are eligible for re-election at the third AGM after the AGM at which they were elected. Any non-executive director who has held office for nine years or more is subject to re-election annually. Any director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.
- (i) There is no age limit for directors.
- (j) Unless and until otherwise determined by ordinary resolution of the Company, the directors (other than alternate directors) shall not be less than two in number.

#### 4.15 *Redemption and conversion*

The Ordinary Shares are neither redeemable nor convertible.

#### 4.16 *Electronic communication*

The Company may communicate electronically with its members in accordance with the provisions of the Act.

- 4.17 There is nothing contained in the Articles which governs the ownership threshold above which member ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 4.18 Save as set out above, there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.
- 4.19 There are no conversion rights attached to any of the shares in the Company pursuant to the Articles or otherwise.

### 5. **Directors' and other interests**

- 5.1 It is estimated that the aggregate remuneration to be paid and benefits in kind granted to Directors by the Group in respect of the next financial period of the Company to 31 March 2016 will not exceed £137,500. Members of the Group paid the following to the Directors for the period ended 31 March 2015.

Name	Payment on the		
	Initial Admission		
	Date (£)	Fees (£)	Total (£)
David Hunter	13,164	42,500	55,664
Barry Gilbertson	13,164	28,000	41,164
Ian Mattioli	N/A	26,000	26,000
Matthew Thorne	13,164	32,500	45,664
<b>Total</b>	<b>39,492</b>	<b>129,000</b>	<b>168,492</b>

- 5.2 Each of the Directors is engaged under a letter of appointment with the Company dated 24 February 2014 and does not have a service contract with the Company. Under the terms of their appointment, each Director is required to retire by rotation and seek re-election at least every three years. Each Directors' appointment under his respective letter of appointment is terminable immediately by either party (the Company or the Director) giving written notice and no compensation or benefits are payable upon termination of office as a director of the Company becoming effective. The Company has agreed to pay David Hunter, Barry Gilbertson, Ian Mattioli and Matthew Thorne an annual fee of £45,000, £30,500, £27,000 and £35,000 respectively. The Company has also agreed to pay to each of David Hunter, Barry Gilbertson and Matthew Thorne by way of remuneration for services supplied in connection with this document £5,000 each (before the deduction of tax), conditional upon the Issue raising gross proceeds of £50 million or more, which each such Director has agreed to apply, after the deduction of tax, to acquire Ordinary Shares.



- 5.3 The Directors are not eligible for bonuses, pension or retirement benefits, share options, long term incentive schemes or other benefits. There is no amount set aside or accrued by any members of the Group in respect of contingent or deferred compensation payments or any benefits in kind payable to the Directors.
- 5.4 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company since its date of incorporation or remain in any respect outstanding or unperformed.
- 5.5 No loan or guarantee has been granted or provided by any member of the Group for the benefit of any Director.
- 5.6 There are no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director was selected.
- 5.7 Save as disclosed at paragraph 5.8 below in relation to the arrangements in place with Ian Mattioli, there are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Company's securities.
- 5.8 On 25 February 2014, Ian Mattioli, the Company and Numis entered into a lock in agreement. Under the terms of the agreement, Ian Mattioli undertook not to dispose of any Ordinary Shares or any interest in Ordinary Shares for a period of 12 months commencing on the Initial Admission Date and for a further period of 12 months thereafter not to dispose any Ordinary Shares or any interest in Ordinary Shares without the prior written consent of Numis.
- 5.9 As at the date of this document and immediately following Admission, other than as disclosed in this paragraph 5.9, 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.

	As at 3 November 2015		Immediately following Admission	
	Number	Percentage of the Company's issued share capital	Number <sup>1</sup>	Percentage of the Company's issued share capital <sup>2</sup>
David Hunter	20,000	0.01	24,000	0.009
Barry Gilbertson	20,000	0.01	24,000	0.009
Matthew Thorne	20,000	0.01	24,000	0.009
Ian Mattioli	3,527,404 <sup>3</sup>	1.82	3,627,404	1.37

<sup>1</sup> Assuming the Directors subscribe for the new Ordinary Shares in accordance with paragraph 6 of Part I of this document.

<sup>2</sup> Assuming the maximum number of Ordinary Shares under the Issue are subscribed.

<sup>3</sup> Ian Mattioli holds 122,256 Ordinary Shares directly with the remainder being held with, by or for the benefit of him/other members of his family.



5.10 Details of those companies (other than the Company) and partnerships of which the Directors have been directors or partners at any time within the five years ending on 3 November 2015 (being the latest practicable date prior to the publication of this document) are as follows:

Director	Current directorships/partnerships	Previous directorships/partnerships
David Hunter	IO Co Investor 2 LLP IO Investment LLP Design Dundee Limited Hindley Edinburgh Limited HCP High Yield Commercial Property LLP Gruinard Residential Limited Hunter Advisers Limited Hunter Capital Partners Limited The DALK Partnership LLP	Pearson Pension Property Fund Limited Treveria Properties Sarl Treveria Asset Management Ltd Treveria Asset Management GmbH Nordic & Russia Holdings No. 2 AB Fastighetsaktiebolaget Scapularum Fastighets AB Pectoralis Nordic & Russia Baltic AB Nordic & Russia Finland AB MorOst 171:2 167:3 AB Nordic & Russia Holdings No 3 AB NR Nordic & Russia Properties Cooperatief U.A. British Property Federation Ingenious Film Partners 2 LLP Longbow Real Estate Capital LLP Warrington (General Partner) Limited The Grange Birkenhead Nominee (No. 2) Limited Golden Square Nominee (No. 1) Limited Arndale Centre Nominee (No. 2) Limited PSCP (General Partner) Limited Arndale Centre Nominee (No. 1) Limited Aberdeen Property Investors UK Limited Golden Square Nominee (No. 2) Limited The Grange Birkenhead Nominee (No. 1) Limited Goodman Real Estate Services (UK) Limited Regent Property Partners (Retail Parks) Limited Aberdeen Property Managers Limited Property Partners (Two Rivers) Limited Regent Property Partners (Residential) Limited Property Management Employment Services Limited Arlington Property Investors UK Limited Aberdeen Estate Managers Limited API Research & Strategic Services Limited API Business Development Limited Property Partners (Whitgift) Limited Arlington Property Investors Europe Limited Aberdeen PSCP Limited Regent Retail Parks (St John's Wolverhampton) Limited Aberdeen Real Estate Investors Operations (UK) Limited Aberdeen Real Estate Operations Limited Transeuropean Properties (General Partner) II Limited Transeuropean Properties (General Partner) Limited White City (Shepherds Bush) General Partner Limited Westfield White City SALP Limited

Director	Current directorships/partnerships	Previous directorships/partnerships
		Euro Salas Properties Limited Westfield White City SAGP Limited Cathedral Investment Properties Limited Scottish Amicable Investment Property Limited Roproperty Holdings UK Limited Scottish Amicable Farms Limited Prudential Lifetime Mortgages Limited
Barry Gilbertson	Tigger Limited Circus Area Residents Association Limited conwert Immobilien Invest SE Deeley Freed Estates Limited Granite REIT Incorporated Granite REIT	College of Estate Management Cranmer Court (Tenants) Limited Damsle LLP PricewaterhouseCoopers LLP Rona Incorporated YoungDementia UK Homes Granite Real Estate Incorporated
Matthew Thorne	The Bankers Investment Trust PLC West Mews Management Limited	Thirty Seven Gloucester Street Limited (dormant) CLC Services Limited CLC Sports Services Limited CLC Parabola Limited Lavender Cosmetics Limited
Ian Mattioli	Taylor Patterson Group Limited Lanson House Limited Taylor Patterson Trustees Limited Taylor Patterson Financial Planning Limited Taylor Patterson Associates Limited Mattioli Woods (New Walk) Limited Boyd Coughlan Limited Custodian Real Estate Limited Thoroughbred Wealth Management Limited Atkinson Bolton Consulting Limited Custodian Capital Limited John Bradley Financial Services Limited Kudos Financial Services Limited Mainsforth Developments Limited Mattioli Woods plc Pension Consulting Limited Professional Independent Pension Trustees Limited TCF Global Independent Financial Services Limited MDL First Limited Mattioli Woods plc Professional Independent Pension Trustees Limited	Bank Street Trustees Limited C P SIPP Trustees Limited CP SSAS Trustees Limited G B Pension Trustees Limited Great Marlborough Street Pension Trustees Limited J B Trustees Limited M. W. Trustees Limited <sup>3</sup> S L T Trustees Limited

<sup>3</sup> M W Trustees Limited is the professional trustee for a number of pension schemes and thereby a co-owner of the commercial property assets within those schemes. Some of these pension schemes have had receivers appointed by a lender to the property assets in order that action could be agreed in respect of that specific property. A receiver manager has not been appointed by M W Trustees Limited.

5.11 As at the date of this document none of the Directors:

- (a) save as disclosed in paragraph 5.10 above, has 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;
- (b) has had any convictions in relation to fraudulent offences for the five years preceding the date of this document;
- (c) save as disclosed in paragraph 5.10 above, 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 5.10 above for the five years preceding the date of this document; 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).

5.12 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. Save for Ian Mattioli, who is a director of the Investment Manager and a substantial shareholder in the ultimate parent of the Investment Manager, all of the Directors are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

## **6. Related party transactions**

Save for the Investment Management Agreement (and the fees payable to the Investment Manager as described in paragraph 8.2 below) and the Acquisition Agreements the Company is 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 from its incorporation on 27 January 2014 to 3 November 2015 (being the last practicable date prior to the publication of this document).

## **7. Substantial Share interests**

7.1 As at the close of business on 3 November 2015 (being the latest practicable date prior to the publication of this document) the Company is not aware of any persons who are directly or indirectly interested in 3 per cent. or more of the Company’s issued share capital, save for the following:

	<b>As at 3 November 2015</b>	
	<b>Number</b>	<b>Percentage of the Company’s issued share capital</b>
Investec Wealth & Management Limited	9,421,201	4.9
F&C Asset Management plc	16,278,818	8.4

7.2 As at the close of business on 3 November 2015 (being the latest practicable date prior to the publication of this document), the Directors are not aware of any person who could, directly or indirectly, jointly or severally, own or exercise control over the Company or of any arrangements, the operation of which may result in a change of control of the Company.

## **8. Material contracts of the Group**

Set out below is a summary of (a) each material contract (other than a contract in the ordinary course of business) to which the Company or another member of the Group is a party which has been entered into within the two years immediately preceding the date of this document; and (b) any other contract (other than a contract in the ordinary course of business) entered into by the

Company or another member of the Group which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

#### 8.1 **Placing Agreement**

A placing agreement dated 4 November 2015 between the Company, Numis and Custodian Capital relating to Admission and pursuant to which Numis conditionally agrees to use its reasonable endeavours to procure Placees in the Placing and the Placing Programme for Ordinary Shares. In addition, Custodian Capital agrees to assist in the promotion of the Company as an investment opportunity to authorised wealth management advisers.

The Placing Agreement is conditional on, among other things, Admission occurring by 8.00 a.m. on 3 December 2015 (or such later date as Numis may, in its absolute discretion, specify, but not later than 8.00 a.m. on the Longstop Date).

In the event that any of the conditions in the Placing Agreement is not met, Numis shall, amongst other things, not be under any obligation to complete the Placing, the Company shall withdraw any application for Admission (making such announcement as reasonably required by Numis) and appropriate arrangements for the return of Issue monies received shall be made.

Numis also has the right to terminate the Placing Agreement prior to the end of the Placing Programme in the event of, amongst other things, the breach of the Placing Agreement or certain *force majeure* events.

In consideration for the services it receives under the Placing Agreement, the Company has agreed to pay the following fees:

- (i) a corporate finance fee of £90,000 to Numis and a fixed fee of £35,000 to the Investment Manager for work done in connection with this document;
- (ii) a placing commission equal to 1.25 per cent. of the proceeds attributable to the issue of Ordinary Shares pursuant to the Issue to Numis;
- (iii) a placing commission payable to Numis in respect of each Subsequent Placing equal to:
  - (a) 1.00 per cent. of the proceeds attributable to the issue of Ordinary Shares pursuant to that Subsequent Placing if the proceeds are less than £25 million; or
  - (b) 1.25 per cent. of the proceeds attributable to the issue of Ordinary Shares pursuant to that Subsequent Placing if the proceeds are £25 million or more.
- (iv) a fee equal to 0.25 per cent. of the gross proceeds of the Issue and the Placing Programme to the Investment Manager; and
- (v) all of the properly incurred costs and expenses of and incidental to the Issue and the Placing Programme and related arrangements together with any applicable VAT.

The Company and the Investment Manager have in the Placing Agreement given certain customary representations and warranties to Numis and the Company has agreed to provide customary indemnities to Numis.

#### 8.2 **Investment Management Agreement**

The Company entered into the Investment Management Agreement with the Investment Manager on 25 February 2014. Pursuant to the Investment Management Agreement, the Investment Manager has responsibility for:

- (a) general property management of the properties held by the Company, including ensuring the Company receives the necessary advice to comply with its lease and headlease obligations, managing tenant applications, supervising tenants and preparing a budget for the properties;
- (b) sourcing and assisting with the acquisition of properties that fall within the Investment Policy;
- (c) implementing an asset management strategy to deliver added value;
- (d) obtaining buildings insurance for the properties;
- (e) arranging senior and subordinated debt (if required) to optimise the capital structure and support the acquisition process; and
- (f) coordinating with third parties providing services to the Company.

In addition, the Investment Manager calculates the NAV of the Ordinary Shares on a quarterly annual basis and these calculations are reported to Shareholders in the Company's interim financial statements and annual accounts. The services provided by the Investment Manager under the Investment Management Agreement are provided on a non-exclusive basis and the Investment Manager is free to provide similar services to other third parties.

The Investment Management Agreement is for an initial term of three years from 26 March 2014 (the "**Initial Term**"), and is terminable by either party by giving not less than 12 months' prior written notice to the other, which notice may only be given after the expiry of the Initial Term. The Investment Management Agreement may be terminated on the occurrence of an insolvency event in relation to a party, if the Investment Manager is fraudulent, grossly negligent or commits a material breach which, if capable of remedy, is not remedied within three months or on a force majeure event continuing for more than 90 days.

The Investment Manager is paid on a quarterly basis in arrears (on 1 January, 1 April, 1 July and 1 October each year) a fund and asset management fee calculated by reference to the closing NAV of the Company each quarter as follows:

- (a) 0.9 per cent. of that amount of the NAV of the Company as at the relevant quarter day which is less than or equal to £200 million divided by four; plus
- (b) 0.75 per cent. of that amount of the NAV of the Company as at the relevant quarter day which is in excess of £200 million divided by four.

In addition, pursuant to the terms of the Investment Management Agreement, the Investment Manager provides day-to-day administration of the Company and act as secretary to the Company, including maintenance of accounts and preparing annual accounts of the Company. The Company pays to the Investment Manager an administrative fee equal to 0.125 per cent. of the NAV of the Company at the end of the last accounting period of the Company. The administrative fee is payable in quarterly instalments in advance.

### 8.3 ***The RCF***

On 25 February 2014, the Company and Lloyds entered into a revolving credit facility agreement pursuant to which Lloyds agreed to provide the Company with a revolving credit facility of £25 million for a term of three years from the date of first drawdown. Under the terms of the RCF, the Company pays interest of 2.45 per cent. above LIBOR per annum on the outstanding amounts utilised under the RCF from time to time (payable quarterly).

An arrangement fee of £62,500 was payable on the date of first utilisation with a further arrangement fee in an amount equal to 0.75 per cent. of the then undrawn facility payable on the date falling six months after the date of first utilisation. After the first anniversary of the date of first utilisation under the RCF, the Company is required to pay a cancellation fee of 1 per cent., reducing by 0.25 per cent. per annum, on any amounts of the RCF that it cancels. A commitment fee (calculated on a daily basis and payable quarterly in arrears or on cancellation of the RCF) is payable by the Company (a) in respect of the period from 25 February 2014 to the date falling eight months after the date of first utilisation (being 26 March 2014) in an amount equal to 0.5 per cent. of the then unutilised facility, (b) in respect of the 12 month period thereafter an amount equal to (i) 0.5 per cent. of the first £100,000 of the unutilised facility during such period and (ii) 0.75 per cent. of amounts of the unutilised facility in excess of £100,000 during such period and (c) thereafter, an amount equal to 1 per cent. per annum of the unutilised facility during such period.

The Company has given standard representations, warranties and covenants to Lloyds and the RCF contains events of default (which include (amongst other things) cross default provisions and would also include a solvent members' scheme of arrangement), and conditions precedent to funding which are normal for a facility of this type as well as loan-to-value and interest cover financial covenants (as referred to below).

The financial covenants contained within the RCF provide that the Company shall be in "default" if, at any time, (a) the aggregate amount of the loans outstanding under the RCF exceeds 50 per cent. of the "market value" (determined in accordance with and by reference to the valuation most recently supplied to Lloyds) of the properties charged in favour of Lloyds under the RCF (the "**RCF Properties**"), (b) the aggregate amount of all of the Company's financial indebtedness exceeds 35 per cent of the "market value" of all properties owned by the Company and/or (c) the passing rental income (as defined in the RCF) received by the

Company in respect of the RCF Properties in each quarter is less than 250 per cent. of the aggregate amount of finance costs (being interest and other periodic fees) payable by the Company under the RCF in respect of that quarter. The RCF also contains standard cross default provisions meaning that a breach of the terms of the Lloyds Term Facility or the Scottish Widows Term Facility would also constitute a default for the purposes of the RCF.

Pursuant to the terms of the RCF, the Investment Manager (or any other managing agent appointed by the Company to any RCF Property) is required to enter into a 'Duty of Care Agreement' with Lloyds and the Company pursuant to which the Investment Manager (or any other such managing agent) agrees to owe certain duties to Lloyds in the performance of its duties as investment manager to the Company (and/or managing agent in respect of any RCF Property).

The Company has agreed terms with Lloyds and received credit approval to increase the facility available under the RCF from £25 million to £35 million and to move the termination date of the RCF to five years after the date upon which the amendment and restatement agreement relating to the RCF is entered into, subject only to completion of documentation

#### 8.4 *The Depositary Agreement*

On 25 February 2014, the Company, Custodian Capital and Langham Hall LLP entered into a depositary agreement (the Company, Custodian Capital, Langham Hall LLP and the Depositary entered into a novation agreement for the purpose of transferring the rights and obligations of Langham Hall LLP under the original depositary agreement to the Depositary with effect from 31 March 2015). Under the Depositary Agreement the Depositary (who is authorised and regulated by the FCA) is responsible for ensuring the Company's cash flows are properly monitored, the safe keeping of property entrusted to it by the Company (including maintaining an assets register) and the oversight and supervision of the Company and Custodian Capital (as its AIFM). The Company pays the Depositary an annual fee of £38,000 for its services. The agreement contains customary representations, warranties and undertakings from the Company and Custodian Capital in favour of the Depositary and warranties from the Depositary. The agreement also contains a joint and several indemnity from the Company and Custodian Capital in favour of the Depositary against, *inter alia*, any liability or loss suffered by the Depositary (and its officers, agents and employees) as a result of or in connection with the proper provision of services under the agreement. The agreement may be terminated by the Depositary, the Company and/or Custodian Capital by giving not less than six months' written notice.

#### 8.5 *Valuation Agreement*

The Company has entered into the Valuation Agreement with the Valuer, under which the Valuer is responsible for valuing the properties contained within the Company's property portfolio on a quarterly basis. The Valuer carries out valuations of such properties in accordance with the RICS Red Book save for as follows:

- (a) the Valuer departs from Valuation Standard 1.2 in not inspecting each property for every valuation but instead the Valuer commits to inspecting each property within the property portfolio once a year; and
- (b) the Valuer departs from Valuation Standard 2.4 as it does not make enquiries of the local authority in relation to planning status or history.

Pursuant to the Valuation Agreement, the Company pays to the Valuer on a quarterly basis upon receipt of the relevant valuation report, the following:

- (a) £350 per property, plus VAT; and
- (b) for any new purchases made by the Company, 0.75 per cent. of the market value of the relevant property, with a minimum charge of £1,250 and a maximum charge of £5,500, plus VAT.

#### 8.6 *The Acquisition Agreements*

On 25 February 2014 the Company entered into the Acquisition Agreements with various limited partnership and special purpose vehicles. Each Acquisition Agreement related to one property comprised within the Company's initial property portfolio which was owned by the relevant counterparty/counterparties.



Each Acquisition Agreement was conditional upon, amongst other things, the passing of resolutions by the relevant limited partnerships and special purpose vehicles, and the property portfolio comprising properties with an aggregate value on the Initial Admission Date of not less than £75 million.

The aggregate consideration payable by the Company under the Acquisition Agreements was £95.2 million.

#### 8.7 *Lloyds Term Facility*

On 9 December 2014, the Company and Lloyds entered into a term loan facility agreement pursuant to which Lloyds agreed to provide the Company with term loan facilities of:

- (a) the lower of:
  - (i) £10,000,000; and
  - (ii) an amount equal to 50 per cent. of the aggregate market value of certain of the properties charged in favour of Lloyds under the Lloyds Term Facility (“**LT Properties**”), (“**Facility A**”); and
- (b) the lower of:
  - (i) £10,000,000; and
  - (ii) An amount equal to 50 per cent. of the aggregate market value of certain of the LT Properties, (“**Facility B**”).

Under the terms of the Lloyds Term Facility, the Company pays interest in the sum of the aggregate of 2 per cent. per annum above LIBOR (in respect of Facility A) and 1.9 per cent. per annum above LIBOR (in respect of Facility B) (payable quarterly). An arrangement fee of £50,000 for each of Facility A and Facility B was payable on the date of first utilisation. As from 25 March 2015, the Company was required to pay a cancellation fee of 1 per cent., reducing by 0.25 per cent. per annum, on any amounts of the loan facility that it prepays or cancels.

The Company has given standard representations, warranties and covenants to Lloyds and the Lloyds Term Facility contains events of default (which include (amongst other things) cross default provisions and would also include a solvent members’ scheme of arrangement) and conditions precedent to funding which are normal for a facility of this type as well as loan-to-value and interest cover financial covenants (as referred to below). The Lloyds Term Facility will terminate and the loan will be repayable in full on 10 October 2019. The Lloyds Term Facility permits, subject to payment of any applicable break costs, voluntary prepayments.

The financial covenants contained within the Lloyds Term Facility provide that the Company shall be in “default” if, at any time, (a) the aggregate amount of the loans outstanding under the Lloyds Term Facility exceeds 50 per cent. of the “market value” (determined in accordance with and by reference to the valuation most recently supplied to Lloyds) of the LT Properties, (b) the aggregate amount of all of the Company’s financial indebtedness exceeds 35 per cent of the “market value” of all properties owned by the Company and/or (c) the passing rental income (as defined in the Lloyds Term Facility) received by the Company in respect of the LT Properties in each quarter is less than 250 per cent. of the aggregate amount of finance costs (being interest and other periodic fees) payable by the Company under the Lloyds Term Facility in respect of that quarter. The Lloyds Term Facility also contains standard cross default provisions meaning that a breach of the terms of the RCF or the Scottish Widows Term Facility would also constitute a default for the purposes of the Lloyds Term Facility.

The Investment Manager (or any other managing agent appointed by the Company to any LT Property) is required to enter into a Duty of Care Agreement with Lloyds and the Company pursuant to which the Investment Manager agrees to owe certain duties to Lloyds in the performance of its duties as investment manager to the Company (and/or managing agent in respect of any LT Property).

#### 8.8 *Scottish Widows Term Facility*

On 14 August 2015, the Company and the “**SW Finance Parties**” (being Lloyds (in its capacity as “arranger”, “agent” and “security agent”) and Scottish Widows (as “original lender”)) entered into a term loan facility agreement pursuant to which Scottish Widows agreed to provide the Company with a term loan facility of the lesser of the following:

- (a) £20,000,000;
- (b) an amount equal to 40 per cent. of the properties charged in favour of the SW Finance Parties under the Scottish Widows Term Facility (“**SW Properties**”); and
- (c) an amount equal to 55 per cent. of the aggregate vacant possession value of the SW Properties.

Under the terms of the Scottish Widows Term Facility, the Company pays interest in the sum of the aggregate of 1.85 per cent. fixed margin per annum plus the fixed rate of 2.085 per cent. per annum (being an aggregate fixed interest rate of 3.935 per cent. per annum) (payable quarterly). In addition, a fee of £170,000 was payable on the first utilisation date.

The Company has given standard representations, warranties and covenants to the SW Finance Parties, and the agreement contains events of default, (which include (amongst other things) cross default provisions and would also include a solvent members’ scheme of arrangement), and conditions precedent to funding which are normal for a facility of this type as well as loan-to-value, interest cover and weighted average unexpired lease length financial covenants (as referred to below). The Scottish Widows Term Facility will terminate and the loan will be repayable in full on 14 August 2025. The Scottish Widows Term Facility permits, subject to payment of any applicable break costs, voluntary prepayments.

The financial covenants contained within the Scottish Widows Term Facility provide that the Company shall be in “default” if, at any time (a) the amount of the loan outstanding under the Scottish Widows Term Facility exceeds 45 per cent. of the “market value” (determined in accordance with and by reference to the valuation most recently supplied to the SW Finance Parties) of the SW Properties, (b) the aggregate amount of all of the Company’s financial indebtedness exceeds 35 per cent of the “market value” of all properties owned by the Company, (c) the passing rental income (as defined in the Scottish Widows Term Facility) received by the Company in respect of the SW Properties in each quarter is less than 250 per cent. of the aggregate amount of finance costs (being interest and other periodic fees) payable by the Company under the Scottish Widows Term Facility in respect of that quarter and/or (d) the weighted average lengths of the unexpired term of all occupational leases to which the SW Properties are subject is less than 60 months. The Scottish Widows Term Facility also contains standard cross default provisions meaning that a breach of the terms of the RCF or the Lloyds Term Facility would also constitute a default for the purposes of the Scottish Widows Term Facility.

The Investment Manager (or any other managing agent appointed by the Company to any SW Property) is required to enter into a Duty of Care Agreement with the security trustee and the Company pursuant to which the Investment Manager agrees to owe certain duties to the SW Finance Parties in the performance of its duties as investment manager to the Company (and/or managing agent in respect of any SW Property).

## 9. Investment restrictions

9.1 In addition to those restrictions set out in Part II of this document and in accordance with the requirements of the Listing Rules, the Company will comply with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the UK Listing Authority:

- (a) neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of its group as a whole;
- (b) the Company will avoid cross-financing between businesses forming part of its investment portfolio;
- (c) the Company will avoid the operation of common treasury functions as between the Company and investee companies;
- (d) not more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds other than closed-ended investment funds which themselves have published investment policies to invest no more than 15 per cent. of their total assets in other listed closed-ended investment funds; and
- (e) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the Investment Policy.

- 9.2 In the event of any material breach of the Investment Policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company and/or the Investment Manager (at the time of such breach) through an announcement via a Regulatory Information Service.

## **10. Financial information**

- 10.1 Deloitte LLP of 2 New Street Square, London, EC4A 3BZ, United Kingdom which is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales has been the only auditor of the Company since its incorporation. The annual report and accounts of the Company for the period ending 31 March 2015 was prepared in pounds Sterling and in accordance with IFRS.
- 10.2 The Company's accounting period will end on 31 March of each year.
- 10.3 The Company issued financial statements on 9 June 2015.
- 10.4 The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.
- 10.5 As at the date of this document and save as disclosed in paragraph 11 below, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness.
- 10.6 Save as set out in paragraph 3 of Part I, there has been no significant change in the trading or financial position of the Group since 31 March 2015, the date to which the last audited financial information of the Group was prepared.
- 10.7 The Company does not hold any capital in any undertakings which is likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.
- 10.8 Immediately following Admission, the Company's gross assets will increase by an amount equal to the gross proceeds of the Issue, less an amount representing the Issue Costs borne by the Company. It is not possible to quantify the effect of the Issue on the Company's earnings except that they should increase.
- 10.9 As at the date of the document, the Company has not made any firm commitments to any future investments.
- 10.10 Save as disclosed in the section of the document headed "Risk Factors", as at the date of this document, the Company is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 10.11 The estimated maximum amount of all material fees payable, directly or indirectly, by the Company for any services or arrangements entered into on or prior to the date of this document cannot be quantified as the fees payable under the material contracts summarised in paragraph 8 above are based, amongst other things, on the proceeds of the Issue and the subsequent value growth in the NAV.

## 11. Capitalisation and Indebtedness

The following table shows the consolidated gross indebtedness of the Group as at 31 March 2015 and the consolidated Group capitalisation as at the dates stated. The figures for capitalisation and indebtedness have been extracted without material adjustment from the accounting records underlying the Group's historical financial information referred to in Part VI of this document.

	As at 31 March 2015 (audited)
	(£'000)
<b>Total current debt</b>	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
<b>Total non-current debt (excluding current portion of long term debt)</b>	
Guaranteed	
Secured	23,811
Unguaranteed/unsecured	0
<b>Shareholder's equity</b>	
Share capital	1,776
Legal reserves	175,009
Other reserves	0
<b>Total</b>	<b>176,785</b>

Since 31 March 2015, there has been no material change in the Group's capitalisation save for: (i) the Company has issued 15,700,000 Ordinary Shares; (ii) on 30 June 2015, the Company paid an interim dividend on 1.5p per Ordinary Share; and (iii) on 30 September 2015, the Company paid an interim dividend of 1.5p per Ordinary Share.

The following table shows the consolidated Group net financial indebtedness as at 30 September 2015.

	As at 30 September 2015 (unaudited)
	(£'000)
A. Cash	8,347
B. Cash equivalent	0
C. Trading securities	0
<b>D. Liquidity (A) + (B) + (C)</b>	<b>8,347</b>
<b>E. Current Financial Receivable</b>	<b>0</b>
F. Current Bank debt	0
G. Current portion of non current debt	0
H. Other current financial debt	0
<b>I. Current Financial Debt (F) + (G) + (H)</b>	<b>0</b>
<b>J. Net Current Financial Indebtedness (I) – (E) – (D)</b>	<b>(8,347)</b>
K. Non current Bank loans	40,060
L. Bonds Issued	0
M. Other non current loans	0
<b>N. Non current Financial Indebtedness (K) + (L) + (M)</b>	<b>40,060</b>
<b>O. Net Financial Indebtedness (J) + (N)</b>	<b>(31,713)</b>

## **12. Litigation**

There are no governmental, legal or arbitration proceedings (including, in so far as the Company is aware, any governmental, legal or arbitration proceedings which are pending or threatened) during the period commencing 12 months before the date of this document which may have, or have had in the recent past, a significant effect on the Company and/or the Group's financial position or profitability.

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

### **13.1 *Mandatory bids***

- (a) The Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.
- (b) 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. The buy back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

### **13.2 *Squeeze-out***

Under the Act, if an offeror was to acquire 90 per cent. of the issued Ordinary Shares then, within four months of making the offer, that offeror could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must (in general) be the same as the consideration that was available under the takeover offer.

### **13.3 *Sell-out rules***

The Act gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offer to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

### **13.4 *Takeover bids***

As at 3 November 2015 (being the latest practicable date prior to the date of this document), there have been no public takeover bids by third parties in respect of the Company's share capital since incorporation.

#### **14. Disclosure requirements and notification of interest in Ordinary Shares**

- 14.1 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 FCA) of the percentage of voting rights he holds (within four trading days) if he acquires or disposes of Ordinary 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):
- (a) reaches, exceeds or falls below 3, 4, 5, 6, 7, 8, 9 or 10 per cent. and each 1 per cent threshold thereafter up to 100 per cent; or
  - (b) reaches, exceeds or falls below an applicable threshold in paragraph 14.1(a) 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.
- 14.2 Such notification must be made using the prescribed form TR1 available from the FCA's website at <http://www.fca.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 third trading day following receipt of a notification in relation to voting rights.
- 14.3 The FCA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

#### **15. Restrictions on Transfer**

##### **15.1 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. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

##### **15.2 European Economic Area**

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

- (i) 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;
- (ii) 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
- (iii) 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.

For the purpose of the express an "offer of Ordinary Shares to the public" in relation to any Ordinary Shares in any relevant member state means the communications, in any form and by any means, of sufficient information on the terms of the Issue and the terms of the Placing Programme relating to 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.

## **16. Consents**

- 16.1 Numis has given and 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.
- 16.2 Lambert Smith Hampton has given and not withdrawn its written consent to the issue of this document and the inclusion herein of its name, its report contained in Part V of this document and references to it in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

## **17. Third party information**

Where information in this document has been sourced from third parties, the source of that third party information has been disclosed. All information contained in this document that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **18. Miscellaneous**

- 18.1 The Company does not have any existing or planned material tangible fixed assets and thus is not aware of any environmental issues that may affect the Company's utilisation of such assets.
- 18.2 To the extent that the Company maintains its REIT status, the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 will not apply to the Company.

## **19. 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 Numis at The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT and at the Company's registered office until close of business on the date falling 12 months after the date of this document:

- 19.1 the Company's memorandum of association and Articles;
- 19.2 the historical financial information in respect of the financial year ended 31 March 2015, together with the related auditor's report from Deloitte LLP, which are referred to in Part VI of this document;
- 19.3 the valuation report set out in Part V of this document;
- 19.4 the written consents referred to in paragraph 16 above; and
- 19.5 this document.

## **20. Availability of the Prospectus**

In addition, copies of this document are available free of charge from the registered office of the Company and the offices of Numis. Copies of this document are also available for access at [www.custodianreit.com](http://www.custodianreit.com).

## PART VIII

### UNITED KINGDOM TAXATION OF SHAREHOLDERS

#### 1. Introduction

- 1.1 The statements set out below are intended only as a general guide to certain aspects of current UK tax law and HM Revenue & Customs (“**HMRC**”) published practice as at the date of this document and apply only to certain Shareholders resident for tax purposes in the UK (save where express reference is made to non-UK resident persons). The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own independent tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposition of Ordinary Shares.
- 1.2 The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends (as described in this Part IX) paid by the Company, and to disposals of shares in the Company, on the assumption that the Company remains a REIT. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to (i) Shareholders who do not hold their Ordinary Shares as capital assets or investments or who are not the absolute beneficial owners of those Ordinary Shares or dividends in respect of those Ordinary Shares, (ii) Shareholders who own (or are deemed to own) 10 per cent. or more of the share capital or of the voting power of the Company or are entitled to 10 per cent. or more of the Company’s distributions, (iii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies, (iv) Shareholders who hold Ordinary Shares as part of hedging or commercial transactions, (v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise), (vi) Shareholders who hold Ordinary Shares acquired by reason of their employment, (vii) Shareholders who hold Ordinary Shares in a personal equity plan or an individual savings account or (viii) Shareholders who are not resident in the UK for tax purposes (save where express reference is made to non-UK resident Shareholders).

#### 2. UK Taxation of PIDs

##### 2.1 *UK taxation of Shareholders who are individuals*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in Part 3 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of the CTA 2010 applies, treated as a separate UK property business. Income from any other UK property business (a “**different UK property business**”) carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder’s different UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder’s UK property business. A Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate taxpayers will be subject to tax at 40 per cent. and additional rate taxpayers at 45 per cent.

No dividend tax credit will be available in respect of PIDs. However, credit will be available in respect of the basic rate tax withheld by the Company (where required) on the PID.

Please see also paragraph 3 below.

##### 2.2 *UK taxation of UK tax resident corporate Shareholders*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a property business (as defined in Part 4 of CTA 2009) (“**Part 4 property business**”). A PID is, together with any property income distribution from any other company to which Part 12 of the CTA 2010 applies, treated as a separate Part 4 property business. Income from any other Part 4 property business (a “**different Part 4 property business**”) carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder’s different Part 4 property business cannot be offset against a PID as part of a single calculation of the Shareholder’s property business profits.

The main rate of UK corporation tax on such profit is currently 20 per cent. (due to reduce to 19 per cent. from 1 April 2017 and to 18 per cent. from 1 April 2020).

Please see also paragraph 3 below.

### **2.3 *UK taxation of Shareholders who are not resident for tax purposes in the UK***

Where a Shareholder who is resident for tax purposes outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding tax. Under Section 548(7) of the CTA 2010, this income is expressly not non-resident landlord income for the purposes of regulations under section 971 of the Income Tax Act 2007.

Prospective non-UK tax resident Shareholders should consult their own professional advisers on the implications in the relevant jurisdictions of any non-UK implications of receiving PIDs.

Please see also paragraph 3 below.

## **3. Withholding tax and PIDs**

### **3.1 *General***

Subject to certain exceptions summarised below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs (whether paid in cash or in the form of a stock dividend). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

### **3.2 *Shareholders solely resident in the UK***

Where tax has been withheld at source, Shareholders who are individuals may, depending on their particular circumstances, be liable to further tax on their PID at their applicable marginal rate, incur no further liability on their PID, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporate entities will generally be liable to pay corporation tax on their PID and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax, or income tax which they are required to withhold, in the accounting period in which the PID is received.

### **3.3 *Shareholders who are not resident for tax purposes in the UK***

It is not possible for a Shareholder to make a claim under a double taxation convention for a PID to be paid by the Company gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double taxation convention between the UK and the country in which the Shareholder is resident. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on PIDs received from the Company.

### **3.4 *Exceptions to requirement to withhold income tax***

Shareholders should note that in certain circumstances the Company is not required to withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, or a company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring the PID into account in computing its chargeable profits or certain charities. They also include where the Company reasonably believes that the PID is paid to the scheme investment manager of a registered pension scheme, the sub-scheme Investment Manager of certain pension sub-schemes, the account manager of an Individual Savings Account (“ISA”), the plan manager of a Personal Equity Plan (“PEP”), or the account provider for a Child Trust Fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid claim form (copies of which may be obtained on request from the Registrars). Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

#### **4. UK taxation of Non-PID Dividends**

Non-PID Dividends are treated in exactly the same way as dividends received from UK companies that are not REITs. The Company is not required to withhold tax when paying a Non-PID Dividend (whether in cash or in the form of a stock dividend).

##### **4.1 UK taxation of Shareholders who are individuals**

An individual Shareholder who is resident in the UK (for tax purposes) and who receives a Non-PID Dividend from the Company will generally be entitled to a tax credit which such Shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the Non-PID Dividend (the “**Cash Dividend**”) and the tax credit (the “**Gross Dividend**”), which is also equal to one-ninth of the Cash Dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the Gross Dividend, so that the tax credit will satisfy in full such Shareholder’s liability to income tax on the Cash Dividend.

A UK resident individual Shareholder who is liable to income tax at the higher rate will be liable to tax on the Gross Dividend at the current rate of 32.5 per cent. A UK resident individual Shareholder who is liable to tax at the “additional” rate will be liable to tax on the Gross Dividend at the rate of 37.5 per cent. The Gross Dividend will generally be regarded as the top slice of the Shareholder’s income. After taking into account the 10 per cent. tax credit, a higher rate tax payer will have to account for additional tax equal to 22.5 per cent. of the Gross Dividend (which is also equal to 25 per cent. of the net Cash Dividend received). An individual paying “additional” rate income tax will have to account, after taking into account the 10 per cent. tax credit, for additional tax equal to 27.5 per cent. of the Gross Dividend (which is also equal to approximately 30.56 per cent. of the net cash dividend received). It will not be possible for UK resident Shareholders to claim repayment of the tax credit in respect of Non-PID Dividends.

The Chancellor of the Exchequer announced in his Summer Budget on 8 July 2015 that with effect from 6 April 2016, the 10 per cent. dividend tax credit will be abolished and individuals will be given a £5,000 dividend tax allowance. Dividend income received in excess of this allowance will be taxed at 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate tax payers, and 38.1 per cent. for “additional” rate tax payers.

##### **4.5 UK taxation of UK resident corporate Shareholders**

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on Non-PID Dividends paid by the Company, unless the Non-PID Dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder, although it is expected that the Non-PID Dividends paid by the Company would normally be exempt. Shareholders within the charge to UK corporation tax will not be able to claim repayment of tax credits attaching to Non-PID Dividends.

##### **4.6 UK taxation of other UK tax resident Shareholders**

Other UK resident Shareholders who are not liable to UK tax on Non-PID Dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

##### **4.7 Taxation of Shareholders who are not resident in the UK for tax purposes**

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to Non-PID Dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning their tax position on Non-PID Dividends received from the Company.

#### **5. UK taxation of chargeable gains in respect of Shares in the Company**

- 5.1 For the purpose of UK tax on chargeable gains, the amount paid by a Shareholder for Ordinary Shares will constitute the base cost of his holding. If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may arise. This will depend

on the base cost and individual costs of acquisition and disposal, which can be allocated against the proceeds and also Shareholder's circumstances and any reliefs to which they are entitled. In the case of corporate Shareholders, indexation allowance will apply to the amount paid for the Ordinary Shares.

**5.2 *UK taxation of Shareholders who are UK tax resident individuals***

Subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of Shares by individuals, trustees and personal representatives will generally be subject to capital gains tax at the rate of up to 28 per cent. for individuals, trustees and personal representatives.

**5.3 *UK taxation of UK tax resident corporate Shareholders***

Subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of Shares by a Shareholder within the charge to UK corporation tax will generally be subject to corporation tax at the current rate of 20 per cent. (due to reduce to 19 per cent. from 1 April 2017 and to 18 per cent. from 1 April 2020).

**5.4 *UK taxation of Shareholders who are not resident in the UK for tax purposes***

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency with which their Shares are connected or, in the case of a corporate Shareholder, through a permanent establishment in connection with which the Shares are held).

Individual Shareholders who are temporarily not UK resident and who dispose of all or part of their Shares during that period may be liable to UK capital gains tax on chargeable gains realised on their return to the UK, subject to any available exemptions or reliefs.

Shareholders who are resident for tax purposes outside the UK may be subject to foreign taxation on capital gains depending on their circumstances.

**5.5 *UK taxation of Open Offer Shares acquired pursuant to the Open Offer***

As a matter of UK law, the acquisition of Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer may not be regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains. The published practice of HMRC to date has been to treat an acquisition of shares by an existing shareholder up to his pro-rata entitlement pursuant to the terms of an open offer as a reorganisation but it is understood that HMRC may not apply this practice in circumstances where an open offer is not made to all Shareholders. Specific confirmation as to whether the Open Offer will be treated as a reorganisation has not been requested from HMRC.

To the extent that the issue of the Open Offer Shares by the Company will be regarded as a reorganisation of the Company's share capital for the purposes of UK taxation on chargeable gains, a Shareholder will not be treated as acquiring a new asset nor will it be treated as making a disposal of any part of their corresponding holding of Ordinary Shares by reason of taking up all or party of their entitlements to the Open Offer Shares. No liability to UK taxation on chargeable gains should arise in respect of the issue of Open Offer Shares to the extent that a Shareholder takes up their Open Offer Entitlements. To the extent that a Qualifying Shareholder takes up the Open Offer Shares allotted to them under the Open Offer, the Open Offer Shares so allotted, will, for the purposes of UK tax on chargeable gains, be treated as having been acquired at the same time as the Qualifying Shareholder's existing holding was acquired. The amount of subscription monies paid for the Open Offer Shares will be added to the allowable expenditure for the Qualifying Shareholder's existing holding(s). In the case of a corporate Qualifying Shareholder, indexation allowance will apply to the new amount paid for the Open Offer Shares only from the date the monies for the Open Offer Shares are paid or liable to be paid.

If, or to the extent that, the acquisition of Open Offer Shares under the Open Offer is not regarded by HMRC as a reorganisation, the Open Offer Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of UK taxation of chargeable gains, be treated as acquired as part of a separate acquisition of shares when computing any gain or loss on any subsequent disposal. When computing any gain or loss on a disposal of shares, for UK chargeable gains purposes, HMRC's share identification provisions will need to be taken into consideration.



**6. UK stamp duty and UK stamp duty reserve tax (“SDRT”)**

- 6.1 No UK stamp duty or stamp duty reserve tax will generally be payable on the issue, allotment and registration of the Ordinary Shares. UK legislation provides for a 1.5 per cent. stamp duty or SDRT charge where Shares are transferred (in the case of stamp duty) or issued or transferred (in the case of SDRT) (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts. However, following litigation, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares or securities into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC’s view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares or securities into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation. Accordingly, it may be appropriate to seek specific professional advice before incurring a 1.5 per cent. stamp duty or SDRT charge.
- 6.2 Clearance services may opt, under certain conditions, for the normal rates of stamp duty or SDRT (being 0.5 per cent. of the amount or value of the consideration for the transfer) to apply to a transfer of shares into, and to transactions within, the service instead of the higher rate of 1.5 per cent. referred to above.
- 6.3 Transfers on sale of Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer rounded up to the next £5.00. The purchaser is liable for the stamp duty. An exemption from stamp duty will be available on an instrument transferring the Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. An agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.
- 6.4 Agreements to transfer Ordinary Shares within the CREST system will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Ordinary Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration in money or money’s worth.



## PART IX

### THE REIT REGIME

#### 1. The UK REIT Regime

- 1.1 The summary of the UK REIT Regime below is intended to be a general guide only and constitutes a high-level summary of the Company's understanding of certain aspects of current UK law and HMRC practice relating to the UK REIT Regime, each of which is subject to change, possibly with retrospective effect. It is not an exhaustive summary of all applicable legislation in relation to the REIT Regime. The UK REIT Regime was introduced by the UK Finance Act 2006 and subsequently re-written into Part 12 of the CTA 2010.
- 1.2 Investing in property through a UK taxable corporate investment vehicle has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder may effectively bear tax twice on the same income: first, indirectly, when the corporate investment vehicle pays direct tax on its profits, and secondly, directly (subject to any available exemption or with the benefit of a tax credit) when the shareholder receives a dividend. UK non-tax paying entities, such as UK pension funds, bear tax indirectly when investing through a taxable closed-ended corporate vehicle that is not a REIT, which they would not suffer if they were to invest directly in the property assets.
- 1.3 As part of a group UK REIT, UK resident REIT Group members would no longer pay UK direct taxes on income and capital gains from their Qualifying Property Rental Businesses in the UK and elsewhere (and non-UK resident REIT Group members with a UK Qualifying Property Rental Business would no longer pay UK direct taxes on income from their UK Qualifying Property Rental Businesses), provided that certain conditions are satisfied. Instead, distributions in respect of the tax-exempt Qualifying Property Rental Businesses will be treated for UK tax purposes as UK property income in the hands of shareholders. Part VIII of this document contains further detail on the UK tax treatment of shareholders in a REIT.
- 1.4 Gains arising in UK resident companies on the disposal of shares in property owning companies may, however, be subject to UK corporation tax. In addition, REIT Group members will remain subject to overseas direct taxes in respect of any property rental business carried on outside the UK, and UK and overseas direct taxes are still payable in respect of any income and gains from the REIT Group's businesses not included in the Qualifying Property Rental Business (the "**Residual Business**").
- 1.5 Whilst within the REIT Regime, the Qualifying Property Rental Business will be treated as a separate business for corporation tax purposes from the Residual Business.
- 1.6 A dividend paid by the Company relating to profits or gains of the Qualifying Property Rental Business of the members of the Group is referred to as a PID. Other normal dividends paid by the Company (including dividends relating to the Residual Business) are referred to as Non-PID Dividends. Both PIDs and Non-PID Dividends may be satisfied by stock dividends. Part VIII of this document contains further detail on the UK tax treatment of shareholders in a REIT.
- 1.7 In this document, references to a company's accounting period are to its accounting period for UK corporation tax purposes. This period can differ from a company's accounting period for other purposes.

#### 2. Qualification as a REIT

A group becomes a group UK REIT by the principal company serving notice on HMRC before the beginning of the first accounting period for which it wishes the group members to become a REIT. In order to qualify as a REIT, the REIT Group must satisfy certain conditions set out in the CTA 2010. A non-exhaustive summary of the material conditions is set out below. Broadly, the principal company must satisfy the conditions set out in paragraphs 2.1 to 2.4 and 2.6 below and the REIT Group as a whole must satisfy the conditions set out in paragraph 2.5 below.

##### 2.1 *Company conditions*

The principal company must be solely UK resident for tax purposes, admitted to trading on a recognised stock exchange and it must not be an open-ended investment company. The principal company's shares must either be listed on a recognised stock exchange throughout each accounting period or traded on a recognised stock exchange in each accounting period. This listing/traded requirement is relaxed in the REIT Group's first three accounting periods. The

principal company must also not be a “close company” (the “**close company condition**”) subject to a limited exception. In summary, the close company condition amounts to a requirement that the company cannot be under the control of 5 or fewer participators (meaning generally shareholders or loan creditors), or of participators who are directors, subject to certain exceptions. The close company condition is relaxed for the REIT Group’s first three years.

## 2.2 *Share capital restrictions*

The principal company must have only one class of ordinary share in issue. The only other shares it may issue are non-voting restricted preference shares, including shares which would be restricted preference shares but for the fact that they carry a right of conversion into shares or securities in the Company.

## 2.3 *Borrowing restrictions*

The principal company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of its business or on the value of any of its assets (subject to exceptions). In addition, the amount repayable must either not exceed the amount lent or must be reasonably comparable with the amount generally repayable (in respect of an equal amount lent) under the terms of issue of securities listed on a recognised stock exchange.

## 2.4 *Financial Statements*

The principal company must prepare financial statements (the “**Financial Statements**”) in accordance with statutory requirements set out in Sections 532 and 533 of the CTA 2010 and submit these to HMRC. In particular, the Financial Statements must contain the information about the Qualifying Property Rental Business and the Residual Business separately.

## 2.5 *Conditions for the Qualifying Property Rental Business (including the Balance of Business conditions)*

The REIT Group must satisfy, amongst other things, the following conditions in respect of each accounting period during which the REIT Group is to be treated as a REIT:

- (a) the Qualifying Property Rental Business must throughout the accounting period involve at least three properties;
- (b) throughout the accounting period no one property may represent more than 40 per cent. of the total value of the properties involved in the Qualifying Property Rental Business.;
- (c) the profits arising from the Qualifying Property Rental Business must represent at least 75 per cent. of the REIT Group’s total profits for the accounting period (the “**75 per cent. profits condition**”). Profits for this purpose means profits before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items;
- (d) at the beginning of the accounting period the value of the assets in the Qualifying Property Rental Business must represent at least 75 per cent. of the total value of assets held by the REIT Group (the “**75 per cent. assets condition**”). Cash and the value of UK REIT shares are included in the value of the assets relating to the Qualifying Property Rental Business for the purpose of meeting this condition.

## 2.6 *Distribution condition*

The principal company of the REIT will be required (to the extent permitted by law) to distribute to shareholders (by way of cash or stock dividend), on or before the filing date for the principal company’s tax return for the accounting period in question, at least 90 per cent. of the profits (broadly, calculated using normal UK corporation tax rules) of the UK resident members of the REIT Group in respect of their Qualifying Property Rental Business and of the non-UK resident members of the REIT Group insofar as they are derived from their UK Qualifying Property Rental Business arising in each accounting period (the “**90 per cent. distribution condition**”) together with all of the REIT Group profits as are UK REIT investment profits (broadly dividends received from other REITs in which the REIT Group holds shares). For the purpose of satisfying the 90 per cent distribution condition, any dividend withheld in order to comply with the 10 per cent. rule (as described below) will be treated as having been paid.

### **3. Investment in other REITs**

Finance Act 2013 enacted changes to Part 12 of the CTA 2010 in order to facilitate investments by REITs in other REITs. The legislation exempts a distribution of profits or gains of the Qualifying Property Rental Business of one REIT to another REIT. The investing REIT is required to distribute 100 per cent. of the distributions to its shareholders. The investment by one REIT in another REIT will effectively be treated as a Qualifying Property Rental Business asset for the purposes of the 75 per cent. assets condition.

### **4. Effect of becoming a REIT**

#### **4.1 Tax exemption**

- (a) As a REIT, the REIT Group will not pay UK corporation tax on profits and gains from the Qualifying Property Rental Business. Corporation tax will still apply in the normal way in respect of the Residual Business.
- (b) Corporation tax could also be payable were the shares in a member of the REIT Group are sold (as opposed to property involved in the Qualifying Property Rental Business). The REIT Group will also continue to pay all other applicable taxes including VAT, stamp duty land tax, stamp duty, PAYE, rates and national insurance contributions in the normal way.

#### **4.2 Dividends**

- (a) When the principal company of a REIT pays a dividend, that dividend will be a PID to the extent necessary to satisfy the 90 per cent. distribution condition. If the dividend exceeds the amount required to satisfy that test, then depending on all the circumstances the REIT may determine that all or part of the balance is a Non-PID Dividend Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent.). Further details of the United Kingdom tax treatment of certain categories of shareholder while the Group is in the REIT Regime are contained in Part VIII of this document.
- (b) If the REIT Group ceases to be a REIT, dividends paid by the principal company may nevertheless be PIDs to the extent they are paid in respect of profits and gains of the Qualifying Property Rental Business whilst the REIT Group was within the REIT Regime.

#### **4.3 Interest cover ratio**

A tax charge will arise if, in respect of any accounting period, the REIT Group's ratio of income profits (subject to certain adjustments) to financing costs is less than 1.25:1. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 (subject to a cap of 20 per cent. of the income profits) is chargeable to corporation tax.

#### **4.4 The "10 per cent. rule"**

- (a) The principal company of a REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a person beneficially entitled, directly or indirectly, to 10 per cent. or more of the principal company's dividends or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in the principal company. Shareholders should note that this tax charge only applies where a dividend is paid to persons that are companies or are treated as bodies corporate in accordance with the law of an overseas jurisdiction with which the UK has a double taxation agreement, or in accordance with such a double taxation agreement. It does not apply where a nominee has such a 10 per cent. or greater holding unless the persons on whose behalf the nominee holds the shares meets the test in their own right.

#### **4.5 Property development and property trading by a REIT**

- (a) A property in relation to which development has been undertaken by a member of the REIT Group can be within the Qualifying Property Rental Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of: (a) the date on which the relevant company becomes a member of a REIT, and (b) the date of the acquisition of the development property, and the REIT sells the development property within three years of completion of the

development, the property will be treated as never having been part of the Qualifying Property Rental Business for the purposes of calculating any gain arising on disposal of the property. Any gain will be chargeable to corporation tax.

- (b) If a member of the REIT Group disposes of a property (whether or not a development property) in the course of a trade, the property will be treated as never having been within the Qualifying Property Rental Business for the purposes of calculating any profit arising on disposal of the property. Any profit will be chargeable to corporation tax.

#### **4.6 *Movement of assets in and out of Qualifying Property Rental Business***

In general, where an asset owned by a UK resident member of the REIT Group and used for the Qualifying Property Rental Business begins to be used for the Residual Business, there will be a tax exempt market value disposal of the asset. Where an asset owned by a UK resident member of the REIT Group and used for the Residual Business begins to be used for the Qualifying Property Rental Business, this will generally constitute a taxable market value disposal of the asset for UK corporation tax purposes, except for certain capital allowances purposes.

#### **4.7 *Joint ventures***

The REIT Regime also make certain provisions for corporate joint ventures. If one or more members of the REIT Group are beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company (or its subsidiaries) is carrying on a Qualifying Property Rental Business which satisfies the 75 per cent. profits condition and the 75 per cent. assets condition (the “**JV company**”) and certain other conditions are satisfied, the principal company may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Qualifying Property Rental Business for tax purposes (on a proportionate basis). In such circumstances, the income and assets of the JV company will count towards the 90 per cent. distribution condition and the 75 per cent. profits condition, and its assets will count towards the 75 per cent. assets condition (on a proportionate basis).

#### **4.8 *Acquisitions and takeovers***

- (a) If a REIT is taken over by another REIT, the acquired REIT does not necessarily cease to be a REIT and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Qualifying Property Rental Business and capital gains on disposal of properties in the Qualifying Property Rental Business.
- (b) The position is different where a REIT is taken over by an acquiror which is not a REIT. In these circumstances, the acquired REIT is likely in most cases to fail to meet the requirements for being a REIT and will therefore be treated as leaving the REIT Regime at the end of its accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from tax exemptions on the profits of its Qualifying Property Rental Business and capital gains on disposal of property forming part of its Qualifying Property Rental Business. The properties in the Qualifying Property Rental Business are treated as having been sold and reacquired at market value for the purposes of corporation tax on chargeable gains immediately before the end of the preceding accounting period. These disposals should be tax exempt as they are deemed to have been made at a time when the acquired REIT was still in the REIT Regime and future capital gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value. If the acquired REIT ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be recharacterised retrospectively as normal dividends.

#### **4.9 *Certain tax avoidance arrangements***

If HMRC believes that a member of the REIT Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. In addition, if HMRC consider that the circumstances are sufficiently serious or if two or more notices in relation to the obtaining of a tax advantage are issued by HMRC in a 10 year period, they may require the REIT Group to exit the REIT Regime.

## **5. Exit from the REIT Regime**

- 5.1 The principal company of the REIT Group can give notice to HMRC that it wants to leave the REIT Regime at any time. The Board retains the right to decide that the REIT Group should exit the REIT Regime at any time in the future without shareholder consent if it considers this to be in the best interests of the REIT Group.
- 5.2 If the REIT Group (or a member of the REIT Group) voluntarily leaves the REIT Regime within ten years of joining and within two years of leaving disposes of any property that was involved in its Qualifying Property Rental Business, any uplift in the base cost of the property as a result of the deemed disposals on entry into and exit from the REIT Regime (or as a movement from the Qualifying Property Rental Business to the Residual Business) is disregarded in calculating the gain or loss on the disposal.
- 5.3 It is important to note that it cannot be guaranteed that the Company or the REIT Group will comply with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances.
- 5.4 Shareholders should note that it is possible that the REIT Group could lose its status as a REIT as a result of actions by third parties (for example, in the event of a successful takeover by a company that is not a REIT) or other circumstances outside the REIT Group's control.



## **PART X**

### **TERMS AND CONDITIONS OF APPLICATION UNDER THE PLACING AND PLACING PROGRAMME**

#### **1. Introduction**

- 1.1 Each Placee which confirms its agreement to Numis to subscribe for Ordinary Shares under either the Placing or a Subsequent Placing will be bound by these terms and conditions and will be deemed to have accepted them.
- 1.2 The Company and/or Numis may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter (a “**Placing Letter**”).

#### **2. Agreement to Purchase Ordinary Shares**

- 2.1 Conditional on: (i) in respect of the Placing only, Admission occurring and becoming effective by 8.00 a.m. on or prior to 3 December 2015 (or such later time and/or date, as Numis may, in its absolute discretion, specify, but not later than 8.00 a.m. on the Longstop Date); (ii) in respect of a Subsequent Placing only, admission of the Ordinary Shares issued pursuant to the relevant Subsequent Placing occurring and becoming effective by 8.00 a.m. on or prior to the date agreed by the Company, the Investment Manager and Numis in respect of that Subsequent Placing; (iii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before the date of the Placing or the relevant Subsequent Placing (as applicable); and (iv) Numis confirming to the Placees their allocation of Ordinary Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Ordinary Shares allocated to it by Numis at the Issue Price or Placing Programme Price (as applicable). To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.
- 2.2 Applications under the Placing and each Subsequent Placing under the Placing Programme must be for a minimum subscription amount of £50,000.

#### **3. Payment for Ordinary Shares**

Each Placee undertakes to pay the Issue Price or Placing Programme Price (as applicable) for the Ordinary Shares issued to the Placee in the manner and by the time directed by Numis. In the event of any failure by any Placee to pay as so directed and/or by the time required by Numis, the relevant Placee shall be deemed hereby to have appointed Numis or any nominee of Numis as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment shall not have been made as directed, and to indemnify Numis and its respective affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales. A sale of all or any of such Ordinary Shares shall not release the relevant Placee from the obligation to make such payment for relevant Ordinary Shares to the extent that Numis or its nominee has failed to sell such Ordinary Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, exceeds the Issue Price or Placing Programme Price (as applicable) per Ordinary Share.

#### **4. Representations and Warranties**

By agreeing to subscribe for Ordinary Shares, each Placee which enters into a commitment to subscribe for Ordinary Shares will (for itself and for any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be deemed to undertake, represent and warrant to each of the Company, the Investment Manager, the Registrar and Numis that:

- 4.1 in agreeing to subscribe for Ordinary Shares under the Placing or Subsequent Placing, it is relying solely on this document and any supplementary prospectus issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Ordinary Shares, the Placing or the Subsequent Placings. It agrees that none of the Company, the Investment Manager, Numis or the Registrar, nor any of



their respective officers, agents, employees or affiliates, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;

- 4.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares under the Placing or Subsequent Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Investment Manager, Numis or the Registrar or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing and/or Subsequent Placing;
- 4.3 it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Ordinary Shares on the terms and subject to the conditions set out in this Part X and the Articles as in force at the date of Admission or the Subsequent Placing (as applicable);
- 4.4 it has not relied on Numis or any person affiliated with Numis in connection with any investigation of the accuracy of any information contained in this document;
- 4.5 it acknowledges that the content of this document is the responsibility of the Company and its Directors and neither Numis nor any person acting on its behalf nor any of its affiliates are responsible for or shall have any liability for any information, representation or statement contained in this document or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Placing or a Subsequent Placing based on any information, representation or statement contained in this document or otherwise;
- 4.6 it acknowledges that no person is authorised in connection with the Placing or any Subsequent Placing to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by Numis, the Company or the Investment Manager;
- 4.7 it is not applying as, nor is it 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 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- 4.8 it accepts that none of the Ordinary Shares have been or will be registered under the laws of any Excluded Territory. Accordingly, the Ordinary Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Excluded Territory unless an exemption from any registration requirement is available;
- 4.9 if it is within the United Kingdom, it is a person who falls within Articles 49 or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or is a person to whom the Ordinary Shares may otherwise lawfully be offered under such Order, or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Ordinary Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 4.10 if it is a resident in the EEA States (other than the United Kingdom), it is a qualified investor within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;
- 4.11 in the case of any Ordinary Shares acquired by an investor as a financial intermediary within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive; (i) the Ordinary Shares acquired by it in the Placing and/or Subsequent Placings have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant EEA State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Company and Numis has been given to the offer or resale; or (ii) where Ordinary Shares have been acquired by it on behalf of persons in any relevant EEA State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;

- 4.12 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing or any Subsequent Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares pursuant to the Placing or any Subsequent Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Ordinary Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.13 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares and it is not acting on a non-discretionary basis for any such person;
- 4.14 if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for Ordinary Shares under the Placing or relevant Subsequent Placing and will not be any such person on the date any such Placing or Subsequent Placing (as applicable) is accepted;
- 4.15 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the Issue, the Placing Programme or the Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- 4.16 it acknowledges that none of Numis nor any of their respective affiliates nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or any Subsequent Placing or providing any advice in relation to the Placing or any Subsequent Placing and participation in the Placing or relevant Subsequent Placing is on the basis that it is not and will not be a client of Numis and that Numis does not have any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Placing or Subsequent Placing (as applicable) nor, if applicable, in respect of any representations, warranties, undertaking or indemnities contained in the Placing Letter;
- 4.17 that, save in the event of fraud on the part of Numis, none of Numis, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Numis' role as sponsor, broker and financial adviser or otherwise in connection with the Placing or any Subsequent Placing and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
- 4.18 it acknowledges that where it is subscribing for Ordinary Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Ordinary Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing or Subsequent Placing (as applicable) in the form provided by the Company and/or Numis. It agrees that the provision of this paragraph shall survive any resale of the Ordinary Shares by or on behalf of any such account;
- 4.19 it irrevocably appoints any director of the Company and any director of Numis to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Ordinary Shares for which it has given a commitment under the Placing or Subsequent Placing (as applicable), in the event of its own failure to do so;
- 4.20 it accepts that if the Placing or relevant Subsequent Placing does not proceed or the relevant conditions to the Placing Agreement are not satisfied or the Ordinary Shares for which valid application are received and accepted are not admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities for any reason whatsoever then none of Numis or the Company, nor persons controlling, controlled by or

under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

- 4.21 in connection with its participation in the Placing or Subsequent Placing (as applicable) it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering ("**Money Laundering Legislation**") and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to 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 (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 4.22 it acknowledges that due to anti-money laundering requirements, Numis and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Numis and the Company may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify Numis and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;
- 4.23 that they are aware of, have complied with and will at all times comply with their obligations in connection with money laundering under the Proceeds of Crime Act 2002;
- 4.24 it acknowledges and agrees that information provided by it to the Company, Registrar or Investment Manager will be stored on the Registrar's and the Investment Manager's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection Act 1998 (the "**Data Protection Law**") and other relevant data protection legislation which may be applicable, the Registrar and the Investment Manager are required to specify the purposes for which they will hold personal data. The Registrar and the Investment Manager will only use such information for the purposes set out below (collectively, the "**Purposes**"), being to:
- (a) process its personal data (including sensitive personal data) as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
  - (b) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
  - (c) provide personal data to such third parties as the Investment Manager or Registrar may consider necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares or as the Data Protection Law may require, including to third parties outside the United Kingdom or the European Economic Area;
  - (d) without limitation, provide such personal data to the Company, Numis or the Investment Manager and their respective Associates for processing, notwithstanding that any such party may be outside the United Kingdom or the European Economic Area; and
  - (e) process its personal data for the Investment Manager's internal administration;
- 4.25 in providing the Registrar and the Investment Manager with information, it hereby represents and warrants to the Registrar and the Investment Manager that it has obtained the consent of any data subjects to the Registrar and the Investment Manager and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the purpose set out in paragraph 4.24 above). For the purposes of this document, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection Law;

- 4.26 Numis and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them;
- 4.27 the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that Numis and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Ordinary Shares are no longer accurate, it shall promptly notify Numis and the Company;
- 4.28 where it or any person acting on behalf of it is dealing with Numis, any money held in an account with Numis on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Numis to segregate such money, as that money will be held by Numis under a banking relationship and not as trustee;
- 4.29 any of its clients, whether or not identified to Numis, will remain its sole responsibility and will not become clients of Numis for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.30 it accepts that the allocation of Ordinary Shares shall be determined by Numis (after consultation with the Company) and that such persons may scale down any Placing or Subsequent Placing commitments for this purpose on such basis as they may determine;
- 4.31 time shall be of the essence as regards its obligations to settle payment for the Ordinary Shares and to comply with its other obligations under the Placing or Subsequent Placing (as applicable); and
- 4.32 authorises Numis to deduct from the total amount subscribed under the Placing or Subsequent Placing (as applicable) the aggregate commission (if any) (calculated at the rate agreed with the Placee) payable on the number of Ordinary Shares allocated under that Placing or Subsequent Placing.

## **5. United States Purchase and Transfer Restrictions**

- 5.1 By participating in the Placing and/or a Subsequent Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Investment Manager and Numis that:
  - (a) it is not a US Person, is not located within the United States, is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S and is not acquiring the Ordinary Shares for the account or benefit of a US Person;
  - (b) it acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from registration under the Securities Act;
  - (c) it acknowledges that the Company has not registered under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the Investment Company Act;
  - (d) unless the Company expressly consents in writing otherwise, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in section 4975 of the Internal Revenue Code, including an individual retirement account or other arrangement that is subject to section 4975 of the Internal Revenue Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or section 4975 of the Internal Revenue Code. In addition, if an investor is a governmental, church, non-U.S. or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or section 4975

of the Internal Revenue Code, its purchase, holding, and disposition of the Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;

- (e) that if any Ordinary Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

“CUSTODIAN REIT PLC (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, EXERCISED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR AN EXEMPTION THEREFROM AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.”;

- (f) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act and under circumstances which will not require the Company to register under the Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- (g) it is purchasing the Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws;
- (h) it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person’s status under the US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the US securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;
- (i) it acknowledges and understand the Company is required to comply with FATCA and that the Company will follow FATCA’s extensive reporting and withholding requirements. The Placee agrees to furnish any information and documents which the Company may from time to time request, including but not limited to information required under FATCA;
- (j) it is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Manager, Numis or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Issue or its acceptance of participation in the Placing and/or Subsequent Placings (as applicable);



- (k) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Ordinary Shares to or within the United States or to any US Persons, nor will it do any of the foregoing; and
- (l) if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

## **6. Supply and Disclosure of Information**

If Numis, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for Ordinary Shares under the Placing and/or any Subsequent Placing, such Placee must promptly disclose it to them.

## **7. Miscellaneous**

- 7.1 The rights and remedies of Numis, the Registrar, the Investment Manager and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.2 On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing and the Subsequent Placings will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 7.3 Each Placee agrees to be bound by the Articles once the Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the Placing and/or the relevant Subsequent Placing, have been acquired by the Placee. The contract to subscribe for Ordinary Shares under the Placing or Subsequent Placing (as applicable) and the appointments and authorities mentioned in this document will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Numis, the Company, the Investment Manager and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.
- 7.4 In the case of a joint agreement to subscribe for Ordinary Shares under the Placing or a Subsequent Placing, references to a Placee in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 7.5 Numis and the Company expressly reserve the right to modify the Placing and/or any Subsequent Placing (including, without limitation, their timetable and settlement) at any time before allocations are determined. The Placing and each Subsequent Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in paragraph 8.1 of Part VII of this document.



## PART XI

### TERMS AND CONDITIONS OF APPLICATION UNDER THE OPEN OFFER

As explained in the letter from the Chairman of the Company set out in Part I of this document, the Company is proposing to issue up to 38,661,131 Ordinary Shares pursuant to the Open Offer and raise up to approximately £40.3 (before expenses).

This Part XI and, where applicable, the accompanying Application Form, contain the formal terms and conditions of the Open Offer. Your attention is drawn to the letter from the Chairman of the Company in Part I of this document, which sets out the background to and reasons for the Issue and the Placing Programme.

Upon completion of the Issue, the Open Offer Shares will represent approximately 14.6 per cent. of the Company's Enlarged Issued Share Capital and the Existing Ordinary Shares will represent approximately 72.9 per cent. of the Enlarged Issued Share Capital.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 6.00 p.m. on 2 November 2015. The Application Form for Qualifying Non-CREST Shareholders accompanies this document and Basic Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 6 November 2015. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 26 November 2015 with Admission to the main market of the London Stock Exchange and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 3 December 2015.

This document and, for Qualifying Non-CREST Shareholders only, the Application Form, contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 below, which gives details of the procedure for application and payment for the Open Offer Shares. The attention of Overseas Shareholders is drawn to paragraph 5 below.

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, if any, by reference to a record date after the date of their issue.

Applications will be made to the UK Listing Authority for the Open Offer Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to the London Stock Exchange for the Open Offer Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange.

The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, up to 38,661,131 Open Offer Shares *pro rata* to their current holdings and, pursuant to the Excess Application Facility, to apply for Excess Shares at the Issue Price in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of their registered holding(s) of Ordinary Shares prior to 8.00 a.m. on 6 November 2015 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

#### 1. The Open Offer

Subject to the terms and conditions set out below and, where relevant, in the Application Form, the Company invites Qualifying Shareholders to apply for Open Offer Shares at the Issue Price, payable in full in cash on application, free of all expenses, on the basis of the following Basic Entitlement:

##### **1 Open Offer Share                      for every 5 Existing Ordinary Shares**

held by Qualifying Shareholders in their names at the Record Date and so in proportion for any other number of Existing Ordinary Shares then held, rounded down to the nearest whole number of Open Offer Shares.

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

The Issue Price represents a discount of 4.8 per cent. to the closing price of 109.5p per Existing Ordinary Share on 3 November 2015 (being the latest practicable date prior to the publication of this document).

Qualifying Shareholders applying for their full Basic Entitlement may also apply, under the Excess Application Facility, for Excess Shares in excess of their Basic Entitlement at the Issue Price, payable in full in cash on application and free of all expenses. There is no limit on the number of Open Offer Shares that can be applied for by Qualifying Shareholders under the Excess Application Facility, save that the maximum number of Open Offer Shares to be allotted under the Excess Application Facility will be limited to the maximum number of Open Offer Shares to be issued by the Company under the Open Offer less any Open Offer Shares issued under the Open Offer pursuant to Qualifying Shareholders' valid applications for their Basic Entitlement. Qualifying Non-CREST Shareholders who wish to subscribe for more than their Basic Entitlement should complete Boxes 5, 6, 7 and 8 of the Application Form and sign and date in Box 9.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, such applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as Numis may, after consultation with the Company, determine. No assurance can be given that the applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders and entitlements to apply for Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements will be aggregated and made available in 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 in or into a jurisdiction other than the UK is drawn to paragraph 5 below. The Open Offer will not be made into any Excluded Territories. Subject to the provisions of paragraph 5, Qualifying Shareholders with a registered address in an Excluded Territory will not be sent an Application Form.

Qualifying Shareholders who take up their full Open Offer Entitlement will not suffer dilution to their interest in the Company as a consequence of the Open Offer.

Qualifying Shareholders who do not take up their full Open Offer Entitlement will have their proportionate shareholdings in the Company diluted by approximately 16.7 per cent. as a consequence of the Open Offer.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, the Open Offer Entitlements will not be tradable and applications in respect of the Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

Excess CREST Open Offer Entitlements will not be subject to Euroclear's market claims process. CREST Members claiming Excess CREST Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

**Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlements will have no rights under the Open Offer and will not receive any proceeds from it.**

The Existing Ordinary Shares are admitted to trading on the Main Market. Application will be made to the FCA and the London Stock Exchange for the Open Offer Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Admission and that dealings for normal settlement in the Open Offer Shares will commence at 8.00 a.m on 3 December 2015.

The Existing Ordinary Shares are already admitted to CREST. Application will be made for the Open Offer Shares to be admitted to CREST on Admission. The Existing Ordinary Shares and the Open Offer Shares, when issued and fully paid, may be held and transferred by means of CREST.

Application has been made for the Open Offer Entitlements to be admitted to CREST. The Open Offer Entitlements are expected to be admitted to CREST with effect from 8.00 a.m. on 6 November 2015.

The Open Offer Shares will be issued credited as fully paid and rank *pari passu* in all respects with the Existing Ordinary Shares (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant Ordinary Shares). The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Basic Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST.

If you have received an Application Form with this document, please refer to paragraph 3.1 below.

If you hold your Ordinary Shares in CREST and have received a credit of Basic Entitlements and Excess CREST Open Offer Entitlements to your CREST stock account, please refer to paragraph 3.2 of this Part XI and also to the CREST Manual for further information on the CREST procedures referred to below.

## **2. Conditions of the Open Offer**

The Open Offer is conditional upon the Placing Agreement, becoming or being declared unconditional in all respects by 8.00 a.m. on 3 December 2015 (or such later time and/or date, as Numis may, in its absolute discretion, specify, but not later than 8.00 a.m. on the Longstop Date) and the Placing Agreement not being terminated in accordance with its terms prior to Admission. The Placing Agreement is conditional, amongst other things, upon Admission becoming effective on or before 8.00 a.m. on 3 December 2015 (or such later time and/or date as Numis may, in its absolute discretion specify, but not later than 8.00 a.m. on the Longstop Date).

Further details of the Placing Agreement are set out in paragraph 8.1 of Part VII of this document.

Further terms of the Open Offer insofar as they relate to Qualifying Non-CREST Shareholders are set out in the Application Form.

If the Placing Agreement does not become or is not declared unconditional in all respects or is terminated in accordance with its terms prior to Admission, the Open Offer will be revoked and will not proceed. Revocation cannot occur after dealings in Open Offer Shares have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form in the week commencing 7 December 2015. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 3 December 2015.

All monies received by the Receiving Agent in respect of Open Offer Shares will be placed on deposit in a non-interest bearing account by the Receiving Agent.

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

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether at the relevant time, a Qualifying Shareholder has an Application Form in respect of their entitlement under the Open Offer or has Basic Entitlements and Excess CREST Open Offer Entitlements credited to its CREST stock account.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Basic Entitlements and Excess CREST Open Offer Entitlements into, and withdraw them from,

CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2(G) below.

CREST Sponsored Members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Basic Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST Members who wish to apply under the Open Offer in respect of their Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If for any reason it becomes necessary to adjust the expected timetable as set out in this document the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

**Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.**

### **3.1 If you have an Application Form in respect of your Open Offer Entitlement**

#### *(A) General*

Subject as provided in paragraph 5 below in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will have received an Application Form with this document. The Application Form shows the number of Existing Ordinary Shares registered in their name at the close of business on the Record Date. It also shows the Basic Entitlement for which they are entitled to apply under the Open Offer taking into account that they will not be entitled to take up an Open Offer Share in respect of any fraction of an Open Offer Share arising when their entitlement was calculated, such entitlement being rounded down to the nearest whole number of Open Offer Shares, as set out in Box 3. Box 4 shows how much they would need to pay if they wish to take up their Basic Entitlements in full. Qualifying Non-CREST Shareholders may apply for less than their maximum entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided that they have agreed to take up their Basic Entitlement, Qualifying Non-CREST Shareholders may apply for more than their Basic Entitlement should they wish to do so. If the total number of Excess Shares applied for by all Qualifying Shareholders exceeds the total number of Excess Shares available, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as Numis may, after consultation with the Company, determine.

Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders in the Open Offer and fractions of Open Offer Shares will be rounded down to the nearest whole number. Fractional entitlements under the Open Offer will be aggregated and made available in the Excess Application Facility.

The instructions and other terms set out in the Application Form are also part of the terms and conditions of the Open Offer.

#### *(B) Market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” entitlement to participate in the Open Offer by the London Stock Exchange, being 6 November 2015. Application Forms may be split up to 3.00 p.m. on 24 November 2015. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or transferred all or part of its holding of Existing Ordinary Shares prior to 6 November 2015, being the date upon which the Existing Ordinary Shares were marked “ex” entitlement to participate in the Open Offer by the London Stock Exchange, should consult their broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it (together with this document) 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 Excluded Territories.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 3.2(G) below.

*(C) Excess applications*

Qualifying Non-CREST Shareholders applying for their Basic Entitlement may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The total number of Open Offer Shares to be issued by the Company will not be increased in response to any applications under the Excess Application Facility. Applications for Excess Shares will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements.

If applications under the Excess Applications Facility are received for more than the total number of Excess Shares available following take up of Basic Entitlements, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as Numis may, after consultation with the Company, determine.

Qualifying Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Basic Entitlement should follow the instructions in paragraph 3.2(C) below and complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional in all respects and applications for Excess Shares exceed the total number of Excess Shares available following the take up of Basic Entitlements, resulting in a scale back of applications, each Qualifying Non-CREST shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for Excess Shares under the Excess Application Facility has been received, will receive a Sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Non-CREST Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter by cheque, without payment of interest and at the applicant's sole risk.

Fractions of Open Offer Shares will not be issued and fractions of Open Offer Shares will be rounded down to the nearest whole number. Fractional entitlements will be aggregated and made available under the Excess Application Facility.

*(D) Application procedures*

A Qualifying Non-CREST Shareholder wishing to apply for all or some of their Open Offer Entitlements (including any of its entitlement under the Excess Application Facility) should complete and sign the Application Form in accordance with the instructions printed on it and send it, together with the appropriate remittance, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 11.00 a.m. on 26 November 2015, after which time Application Forms will not be valid. A reply paid envelope accompanies this document for use by Qualifying Non-CREST Shareholders in connection with the Open Offer.

If any Application Form is sent by first class post within the United Kingdom, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery.

Multiple applications will not be accepted. 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. If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or bankers' draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of

such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Capita Asset Services, Numis or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

*(E) Payments*

All payments must be in Sterling and cheques or bankers' drafts should be made payable to "Capita Registrars Ltd re: Custodian REIT plc Open Offer A/C" and crossed "A/C payee only". Cheques or bankers' drafts must be drawn on an account where the applicant has sole or joint-title to the funds and on an account at a branch of a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder and the number of an account in the account holder's name at the building society or bank by stamping or endorsing the back of the building society cheque or bankers' draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Please do not send cash.

Cheques or bankers' drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Asset Services to seek special clearance of cheques and bankers' drafts to allow the Company to obtain value for remittances at the earliest opportunity. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 3 December 2015 or such later date and/or time as Numis may, in its absolute discretion, specify, (but not later than 8.00 a.m. on the Longstop Date), the Open Offer will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter.

*(F) Incorrect or incomplete applications*

The Company may, but shall not be obliged to, elect in its absolute discretion to accept Application Forms received after 11.00 a.m. on 26 November 2015. The Company may also (in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it does not strictly comply with the terms and conditions of the Open Offer.

The Company may, but shall not be obliged to, treat an Application Form as valid if the number of Open Offer Shares for which application is made is inconsistent with the remittance that accompanies the Application Form. In such cases the Company shall be entitled, in its absolute discretion, to deem application to have been made for: (i) where an insufficient sum is paid, the greatest whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price; and (ii) where an excess sum is paid, the greatest number of Open Offer Shares inserted in Boxes 5, 6 and 7 of the Application Form.

The Company also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 26 November 2015 from an authorised person (as defined in the FSMA) specifying the number of Open Offer Shares concerned, and undertaking to lodge the relevant Application Form in due course, but in any event, within two Business Days.



(G) *Effect of valid application*

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. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) represent and warrant to the Company and Numis that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agree with the Company and Numis that all applications under the Open Offer, and any contractual or non-contractual obligations resulting therefrom, shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iii) represent and warrant to the Company and Numis that you are the Qualifying Shareholder entitled to the Open Offer Entitlements or have received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (iv) represent and warrant to the Company and Numis that if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (v) confirm to the Company and Numis that you understand and accept that no person has been authorised to give any information or to make any representation concerning the Company or the Open Offer 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 and Numis;
- (vi) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this document and the Application Form, subject to the Articles;
- (vii) represent and warrant to the Company and Numis that you are not a person, nor are you 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 Excluded Territory and you are not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of the 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 Excluded Territory nor acting on behalf of any such person;
- (viii) represent and warrant to the Company and Numis that you are not, and nor are you 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 67 (depository receipts), section 70 (clearance services), section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;
- (ix) confirm to the Company and Numis that in making such application you are not relying on any information or representation in relation to the Company other than that contained in this document and agree 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 other information or representation and further agree that, having had the opportunity to read this document, you will be deemed to have had notice of all the information concerning the Company in this document; and
- (x) confirm to Numis that in making the application you are not relying and have not relied on Numis or any person affiliated with Numis in connection with any investigation of the accuracy of any information contained in this document or your investment decision.

**If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form.**

If you are in doubt as to whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying Non-CREST Shareholders under the Open Offer should be made to Capita Asset Services on 0371 664 0321 or if calling from outside the UK on +44 (0) 208 639 3399. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Capita Asset Services is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

**3.2 If you have your stock account in CREST credited in respect of your Basic Entitlement and Excess CREST Open Offer Entitlements**

*(A) General*

Subject as provided in paragraph 5 below in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to its stock account in CREST of its Open Offer Entitlements equal to the Basic Entitlement and Excess CREST Open Offer Entitlements.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlement and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Basic Entitlement and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST by 3.00 p.m. on 3 December 2015 or the stock accounts of Qualifying CREST Shareholders cannot be credited by 3.00 p.m. on 3 December 2015 or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Open Offer Entitlements which should have been credited to its stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate with the amendments announced via a Regulatory Information Service and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST Members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST Sponsored Member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

*(B) Market claims*

The Basic Entitlement and Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) will thereafter be transferred accordingly.

Excess CREST Open Offer Entitlements will not be subject to Euroclear’s market claims process. CREST Members claiming Excess CREST Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

*(C) Excess applications*

Qualifying CREST Shareholders applying for their Basic Entitlement in full may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The total number of Open Offer Shares to be issued by the Company will not be increased in

response to any applications under the Excess Application Facility. Applications for Excess Shares will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements.

If applications under the Excess Application Facility are received for more than the total number of Excess Shares available following take up of Basic Entitlements, applications shall be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility or allocated in such manner as the Numis may, after consultation with the Company, determine.

Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 5 below in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares pursuant to the Excess Application Facility to be settled through CREST. The credit of such Excess CREST Open Offer Entitlements does not in any way give Qualifying CREST Shareholders a right to the Excess Shares attributable to the Excess CREST Open Offer Entitlements as an Excess CREST Open Offer Entitlement is subject to scaling back in accordance with the terms of this document.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purpose of market claims only). Neither the Basic Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 3.2(F) below and must not return an Application Form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlements and the relevant Basic Entitlements are transferred, the Excess CREST Open Offer Entitlements will not transfer with the Basic Entitlements claim, but will need to be claimed separately by the purchaser who is advised to contact the Receiving Agent to request a credit of the appropriate number of Excess CREST Open Offer Entitlements to their CREST account. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess CREST Open Offer Entitlements.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number. Fractional entitlements will be aggregated and made available in the Excess Application Facility.

The total number of Open Offer Shares to be issued by the Company is fixed and will not be increased in response to applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for the Basic Entitlements. Qualifying Shareholders applying for their full Basic Entitlement will be entitled to apply for Excess Shares in proportion to the number of Existing Ordinary Shares held respectively by such Qualifying Shareholders, rounded down to the nearest whole number of Excess Shares. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

(D) *USE instructions*

CREST Members who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Asset Services under the Participant ID and Member Account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and

- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita Asset Services in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

*(E) Content of USE instructions in respect of Basic Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to Capita Asset Services;
- (ii) the ISIN of the Basic Entitlements. This is GB00BYM2RX35;
- (iii) the Participant ID of the accepting CREST Member;
- (iv) the Member Account ID of the accepting CREST Member from which the Basic Entitlements are to be debited;
- (v) the Participant ID of Capita Asset Services, in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the Member Account ID of Capita Asset Services, in its capacity as a CREST receiving agent. This is 28673CUS;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 26 November 2015; and
- (ix) the relevant action number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 26 November 2015.

In order to assist prompt settlement of the USE instruction, CREST Members (or their CREST Sponsors, where applicable) should add the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 26 November 2015 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 3 December 2015 or such later time and date as Numis may, in its absolute discretion, specify (but not later than 8.00 a.m. on the Longstop Date), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

*(F) Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Shares for which the application is being made (and hence the number of the Excess CREST Open Offer Entitlements being delivered to Capita Asset Services);
- (ii) the ISIN of the Excess CREST Open Offer Entitlements. This is GB00BYM2RY42;
- (iii) the Participant ID of the accepting CREST Member;

- (iv) the Member Account ID of the accepting CREST Member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the Participant ID of Capita Asset Services, in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the Member Account ID of Capita Asset Services, in its capacity as a CREST receiving agent. This is 28673CUS;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Excess Shares referred to in paragraph (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 26 November 2015;
- (ix) the corporate action number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of Excess CREST Open Offer Entitlements under the Open Offer to be valid, the USE instruction must comply with the requirement as to authentication and contents set out above and must settle on or before 11.00 a.m. on 26 November 2015.

In order to assist prompt settlement of the USE instruction, CREST Members (or their CREST Sponsor, where applicable) should add the following non-mandatory fields to the USE instruction:

- (i) a name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 26 November 2015 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 3 December 2015, or such later time and date as Numis may, in its absolute discretion, specify (but not later than 8.00 a.m. on the Longstop Date, the Open Offer will lapse, the Excess CREST Open Offer Entitlements admitted to CREST will be disabled and Capita Asset Services will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

*(G) Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in their Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 3.00 p.m. on 23 November 2015. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Open Offer Entitlements which will be managed by Capita Asset Services.

In particular, having regard to normal processing times in CREST and on the part of Capita Asset Services, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 23 November 2015, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 20 November 2015, in either case so as to



enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and/or following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 26 November 2015.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Asset Services by the relevant CREST Member(s) that it/they is/are not in breach of the provisions of the notes on page 3 of the Application Form, and a declaration to the Company and Capita Asset Services from the relevant CREST Member(s) that it/they is/are not citizen(s) or resident(s) of any Excluded Territory and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

*(H) Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 26 November 2015 will constitute a valid application under the Open Offer.

*(I) CREST procedures and timings*

CREST Members and (where applicable) their CREST Sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that their CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 26 November 2015. In this connection CREST Members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

*(J) Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Asset Services reserves the right:

- (i) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST Member in question (without interest).

*(K) Effect of valid application*

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to the Company and Numis that they have the right, power and authority, and have taken all action necessary, to make the applications under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations under any contracts resulting therefrom and that they are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Asset Services'



payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);

- (iii) requests that the Open Offer Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the Articles;
- (iv) agrees with the Company and Numis that all applications under the Open Offer, and any contractual or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (v) represents and warrants to the Company and Numis that they are not a person, nor are they 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 Excluded Territory and they are not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this 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 Excluded Territory nor acting on behalf of any such person;
- (vi) represents and warrants to the Company and Numis that they are not and nor are they 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 67 (depository receipts), section 70 (clearance services), section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;
- (vii) confirms to the Company and Numis that in making such application they are not relying on any information or representation in relation to the Company other than that contained in this document and 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 other information or representation and further agrees that, having had the opportunity to read this document, they will be deemed to have had notice of all the information concerning the Company contained in this document;
- (viii) represents and warrants to the Company and Numis that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that they have received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (ix) represents and warrants to the Company and Numis that if they have received some or all of their Open Offer Entitlements from a person other than the Company, they are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (x) confirms to the Company and Numis that they understand and agree that no person has been authorised to give any information or to make any representation concerning the Company or the Open Offer 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 and Numis; and
- (xi) confirms to Numis that in making this application they are not relying and have not relied on Numis or any person affiliated with Numis in connection with any investigation on the accuracy of any information contained in this document or their investment decision.

*(L) The Company's discretion as to rejection and validity of applications*

The Company may in its sole discretion, but shall not be obliged to:

- (i) treat as valid (and binding on the CREST Member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part XI;

- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “**first instruction**”) as not constituting a valid application if, at the time at which Capita Asset Services receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Asset Services have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST Member or CREST Sponsored Member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Asset Services in connection with CREST.

### 3.3 *Withdrawal rights*

Qualifying Shareholders wishing to exercise statutory withdrawal rights after publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published, which 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. The notice must be sent to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by mail or by hand (during normal business hours only) or by electronic communication to [withdraw@capita.co.uk](mailto:withdraw@capita.co.uk) so as to be received before the end of the withdrawal period. Notice of withdrawal given by any other means or which is deposited with or received by Capita Asset Services after expiry of such period will not constitute a valid withdrawal provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares applied for in full and the allotment of such Open Offer Shares to such persons becomes unconditional save to the extent required by statute. In such event Shareholders are advised to seek independent legal advice.

## 4. **Money Laundering Regulations**

### 4.1 *Holders of Application Forms*

It is a term of the Open Offer that to ensure compliance with the Money Laundering Regulations 2007, Capita Asset Services may, at its absolute discretion, verify the identity of the person by whom or on whose behalf an Application Form is lodged with payment including, without limitation, any applicant who (i) tenders payment by way of cheque or bankers’ draft drawn on an account in the name of a person or persons other than the applicant, or (ii) appears to Capita Asset Services to be acting on behalf of some other person (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 2007, 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 applicant(s) who, by lodging an Application Form with payment, and in accordance with the other terms as described above, accept(s) the Open Offer in respect of the Open Offer Shares (the “**relevant shares**”) comprised in such Application Form shall thereby be deemed to

agree to provide the Receiving Agent and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If Capita Asset Services, having (where time allows) consulted with the Company and having taken into account its comments and requests, by 11.00 a.m. on 26 November 2015 determines that the verification of identity requirements apply to any applicant or application, and the verification of identity requirements have not been satisfied (which Capita Asset Services shall in its absolute discretion determine), the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the application as invalid or may confirm the allotment of the relevant shares to the applicant but (notwithstanding any other term of the Open Offer) the relevant shares will not be issued to the applicant unless and until the verification of identity requirements have been satisfied in respect of that application (which Capita Asset Services shall in its absolute discretion determine).

If the application is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is dispatched to the applicant, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations 2007. Capita Asset Services is entitled, in its absolute discretion, to determine whether the verification of identity requirements applies to any applicant or application and whether such requirements have been satisfied. Neither the Company nor Capita Asset Services 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 any such discretion or as a result of any sale of relevant shares.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Numis, and Capita Asset Services from the applicant that the Money Laundering Regulations 2007 will not be breached by application of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in the application being treated as invalid or in delays in the dispatch of share certificates or in crediting CREST stock accounts.

The verification of identity requirements will not usually apply:

- (i) 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
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations 2007; or
- (iii) if the applicant (not being an applicant who delivers their application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (approximately £10,700).

In other cases the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of Capita Asset Services to require verification of identity as stated above). Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (A) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or bankers' draft, by the building society or bank endorsing on the back of the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature; or

- (B) 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, India, Japan, Mexico, New Zealand, Norway, Republic of Korea, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation that it has that status with the Application Form and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to Capita Asset Services or the relevant authority. In order to confirm the acceptability of any written assurance referred to above or any other case, the applicant should contact Capita Asset Services by telephone Capita Asset Services on 0371 664 0321 or if calling from outside the UK on +44 (0) 208 639 3399. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes; or
- (C) if an Application Form is/are in respect of relevant shares with an aggregate subscription price of €15,000 (or its equivalent, being approximately £10,700) or more and is/are lodged by hand by the applicant in person, they should ensure that they have with them evidence of identity bearing their photograph (for example, their passport) and separate evidence of their 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 26 November 2015, Capita Asset Services has not received evidence satisfactory to it as aforesaid, Capita Asset Services may, 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).

#### **4.2 *Open Offer Entitlements in CREST***

If you hold your Basic Entitlement and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlement and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then irrespective of the value of the application, Capita Asset Services is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Capita Asset Services before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to Capita Asset Services such information as may be specified by Capita Asset Services as being required for the purposes of the Money Laundering Regulations 2007. Pending the provision of evidence satisfactory to Capita Asset Services as to identity, Capita Asset Services may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. 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.

### **5. *Overseas Shareholders***

This document has been approved by the FCA, being the competent authority in the United Kingdom. The making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be affected by the law or



regulatory requirements of the relevant jurisdiction. This paragraph 5 is intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

#### 5.1 *General*

The distribution of this document and any Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily 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 custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, Numis, or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or Application Form(s)) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in any Excluded Territory and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed. Application Forms will not be sent to, and credits of Basic Entitlements and/or Excess CREST Open Offer Entitlements will not be made to stock accounts in CREST of, persons with registered addresses in any Excluded Territory or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Numis or any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements and Excess CREST Open Offer Entitlements in, into or from any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by their custodian, agent, nominee or trustee, they must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company and Numis determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Basic Entitlements and Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part XI and specifically the contents of this paragraph.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed in, effected or dispatched from any Excluded Territory or that provides an address in an Excluded Territory for the receipt of Open Offer Shares or 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 if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Basic Entitlements and Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST Member whose registered address would be, in any Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 5.2 to 5.3 below. Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Qualifying Shareholders in any Excluded Territory or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territory will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Basic Entitlements or Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in any Excluded Territory 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 other Excluded Territory.

No public offer of Open Offer Shares is being made by virtue of this document or the Application Form into any Excluded Territory. Receipt of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in any Excluded Territory and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

## **5.2 *United States***

The Open Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within, into or from the United States.

Accordingly, the Company is not extending the Firm Placing and the Placing and Open Offer into the United States and neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Shares or any other security in the United States. Neither this document nor the Application Form will be sent to any Shareholder with a registered address in the United States. No Basic Entitlement, Excess CREST Open Offer Entitlement or Open Offer Shares will be credited to a stock account in CREST of any Qualifying Shareholder with a registered address in the United States.

Any person who acquires Open Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the Open Offer Shares, that:

- (i) they are acquiring the Open Offer Shares in an “offshore transaction” as defined in and pursuant to Regulation S or otherwise in a transaction exempt from or not subject to the registration requirements under the Securities Act; and
- (ii) they are not, and that at the time of acquiring the Open Offer Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States.

The Open Offer is being made outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S. Any person in the United States who obtains a copy of this document or an Application Form is required to disregard them.



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, effected or dispatched from, the United States, or that provides an address in the United States for the receipt of Open Offer Shares, or which does not make the warranty set out in the Application Form to the effect that the person accepting the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares in the United States or where the Company or its agents believe acceptance of such Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any Open Offer Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any Open Offer Shares may be transferred. In addition, the Company, and Numis reserve the right to reject any USE instruction sent by or on behalf of any CREST Member with a registered address in the United States in respect of the Open Offer Shares.

Each subscriber or purchaser acknowledges that the Company and Numis will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by its subscription for, or purchase of, the Open Offer Shares, as the case may be, are no longer accurate, it shall promptly notify the Company and Numis. If such subscriber or purchaser is subscribing for, or purchasing, the Open Offer Shares as a fiduciary agent for one or more investor accounts each subscriber or purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Each subscriber or purchaser acknowledges that it will not resell the Open Offer Shares absent registration or an available exemption from registration under the Securities Act.

In addition, until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the Open Offer Shares within the United States by a dealer (whether or not participating in the Open Offer) may violate the registration requirements of the Securities Act.

### **5.3 *Other Excluded Territories***

Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territories will not qualify to participate in the Open Offer and will not be sent this document or an Application Form nor will their stock accounts in CREST be credited with Basic Entitlements or Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into or from any Excluded Territory 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 Excluded Territory except pursuant to an applicable exemption. No offer of Open Offer Shares is being made by virtue of this document or the Application Form into any Excluded Territory.

### **5.4 *Waiver***

The provisions of this paragraph 5 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 and Numis in their absolute discretion.

Subject to this, the provisions of this paragraph 5 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 5 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 5 shall apply to them jointly and to each of them.

## **6. *Taxation***

Information regarding United Kingdom taxation in connection with the Open Offer is set out in Part VIII of this document. If you are in any doubt about your tax position or are subject to a tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

## **7. Listing, settlement, dealings and publication**

Applications will be made to the FCA and the London Stock Exchange for the Open Offer Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Admission will become effective and that dealings for normal settlement in the Open Offer Shares will commence at 8.00 a.m. on 3 December 2015. The Open Offer Shares can be held in either certificated or uncertificated form through CREST. In the case of Shareholders wishing to hold the Open Offer Shares in certificated form, definitive certificates in respect of the Open Offer Shares will be issued free of stamp duty and are expected to be dispatched by post within 14 days of Admission. No temporary documents of title will be issued and, pending such dispatch, transfers will be certified against the share register.

Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 26 November 2015 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 3 December 2015). On this day, Capita Asset Services will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlement to Open Offer Shares with effect from Admission. The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Capita Asset Services in connection with CREST. This right may also be exercised if the correct details (such as Participant ID and Member Account ID details) are not provided as requested in the Application Form.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be dispatched by post in the week commencing 7 December 2015. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to the Application Form.

The completion and results of the Firm Placing and the Placing and Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as possible.

## **9 Times and dates**

The Company shall, in agreement with Numis, and after consultation with its legal advisers, be entitled to amend the dates on which Application Forms are dispatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the FCA, and make an announcement on a Regulatory Information Service, if appropriate, by Shareholders, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **10 Further information**

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

## **11 Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this document, the Application Form and any contractual or non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England and Wales.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form including, without limitation, disputes relating to any contractual or non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## **PART XII**

### **TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION**

#### **(A) Terms and Conditions of Application under the Offer for Subscription other than pursuant to an Offer for Subscription CREST Application**

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

These Terms and Conditions of Application apply to any application made under the Offer for Subscription (save for an Offer for Subscription CREST Application). If you apply for Ordinary Shares in the Offer for Subscription, you will by completion of the Offer for Subscription Application Form be thereby agreeing, warranting, confirming and acknowledging with the Company, the Investment Manager, Numis and the Receiving Agent (together, the “**Company and its agents**”) as follows.

The Company reserves the right, in the absolute discretion of the Directors, to authorise in advance the making of an application under the Offer for Subscription through CREST instead of submitting a paper application and cheque.

##### **2. Offer to acquire Ordinary Shares**

2.1 Applications must be made on the Offer for Subscription Application Form attached at the end of this document or otherwise provided by the Company. All applications in the Offer for Subscription must be for Ordinary Shares with a minimum aggregate subscription price of £1,000 and, if your application is for Ordinary Shares with an aggregate subscription price of more than £1,000, it must be for a sum which is a multiple of £1,000. Investors may make more than one application for Ordinary Shares under the Offer for Subscription.

2.2 By completing and delivering a Offer for Subscription Application Form, you, as the applicant, or, if you sign the Offer for Subscription Application Form on behalf of another person or a corporation, that person or corporation:

- (a) offer to subscribe for the amount of Ordinary Shares that you have specified in your Offer for Subscription Application Form (or such lesser amount for which your application is accepted) at the Issue Price on the terms, and subject to the conditions, set out in this document, including these Terms and Conditions of Application, the guidance notes accompanying your Offer for Subscription Application Form, and the Company’s memorandum of association and the Articles, and agree to be bound by and adhere to the Company’s memorandum of association and the Articles as if you were directly a party to the same;
- (b) agree that, in consideration of the Company agreeing that it will not, prior to the date of Admission, offer any Ordinary Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked until after 3 December 2015 (or such later date as the Company and its agents may agree). You agree that this paragraph constitutes an irrevocable collateral contract between you and the Company and its agents, which will become binding when your Offer for Subscription Application Form is posted or delivered by hand to the Receiving Agent, provided that you shall be entitled to revoke your application in the two working days following any publication by the Company of a supplementary prospectus relating to the Offer for Subscription in accordance with section 87Q(4) of FSMA;
- (c) undertake to pay (by cheque or banker’s draft or such other method of payment as may be agreed with the Company) the Issue Price for the Ordinary Shares (payable in full on application) in respect of which your application is accepted and warrant that the remittance accompanying your Offer for Subscription Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and its agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be

honoured on first presentation) and the Company may (without prejudice to any other rights it may have) terminate the agreement to allocate Ordinary Shares to you, without liability to you, and may allocate them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your risk of any proceeds or remittance which accompanied your Offer for Subscription Application Form and which is received by the Receiving Agent in cleared funds, without interest);

- 2.3 agree that any share certificate to which you may become entitled and moneys returnable may be retained, without interest, by the Receiving Agent:
- (a) pending clearance of your remittance;
  - (b) pending investigation of any suspected breach of the warranties contained in paragraph 6 below or any other suspected breach of these Terms and Conditions of Application; or
  - (c) pending any verification of identity (to the satisfaction of the Company and its agents, including as may concern the manner in which its identification documents are to be certified) which is, or which the Company and its agents consider may be, required for the purposes of compliance with the prevailing anti-money laundering, anti-terrorism and contributing to the financing of criminal activities legislation, regulations and procedures in force from time to time in the United Kingdom (the “**CDD Rules**”);
- 2.4 agree that any error in the register of members of the Company arising as a result of your remittance not being honoured on first presentation or as a result of any other error in connection with your application for Ordinary Shares, or as a result of termination of any agreement to allocate Ordinary Shares pursuant to these Terms and Conditions of Application may be rectified and, in addition and without prejudice to the foregoing, you hereby irrevocably authorise the Company, or any person appointed by it for this purpose, to execute on your behalf any instrument of transfer which may be necessary to effect any re-allocation or sale of Ordinary Shares to any other person arising as a result of the foregoing. The right to rectify the register of members of the Company, and/or the power to re-allocate or sell Ordinary Shares contained in this paragraph, are in addition to any other rights, powers and remedies which would otherwise be available to the Company in the event of a breach by you of these Terms and Conditions of Application;
- 2.5 agree, on the request of the Company or any of its agents, to disclose promptly in writing to any of them such information as the Company or its agents may request in connection with your application and you agree that information relating to applications will be retained by the Receiving Agent in connection with the Offer for Subscription and may be disclosed as contemplated by the CDD Rules;
- 2.6 agree that if evidence of identity satisfactory to the Company and its agents is not provided to the Company or its agents within a reasonable time (in the opinion of the Company) following a request therefore any agreement with you to allocate Ordinary Shares may be terminated and, in such case, the Ordinary Shares which would otherwise have been allocated to you may be re-allocated and your application monies will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn without interest;
- 2.7 warrant and confirm that:
- (a) you are not a person engaged in money laundering;
  - (b) none of the monies or assets transferred or to be transferred to (or for the account of) the Company and its agents for the purposes of the subscription are or will be the proceeds of criminal activities; and
  - (c) you are not a prohibited individual or entity or resident in a prohibited country or territory listed on the United States Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”) website and that you are not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programmes;
- 2.8 undertake to ensure that, in the case of your Offer for Subscription Application Form being signed by someone other than the applicant, the original of the relevant power of attorney or other authority (or a complete copy certified by a solicitor or a bank) is enclosed with your Offer for Subscription Application Form;



- 2.9 undertake to pay interest at the rate prescribed in paragraph 3.3 below if the remittance accompanying your Offer for Subscription Application Form is not honoured on first presentation;
- 2.10 authorise the Receiving Agent on behalf of the Company to send definitive certificates in respect of the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any monies returnable (without interest), by post to your address as set out in your Offer for Subscription Application Form;
- 2.11 confirm that you have read and complied with paragraphs 9.1 and 9.2;
- 2.12 agree that your Offer for Subscription Application Form is addressed to the Company and its agents; and
- 2.13 any application may be rejected in whole or in part at the sole discretion of the Company.

### **3. Acceptance of your offer**

- 3.1 You agree that acceptance of your application, if it is validly received (or treated as valid), processed (and not rejected) and provided that it is not rejected subsequently as a result of a failure by you to comply with these Terms and Conditions of Application, shall be constituted at the election of the Company, after consultation with Numis, either:
  - (a) by notifying the London Stock Exchange of the basis of allocation (in which case the acceptance will be on that basis); or
  - (b) by notifying acceptance to the Receiving Agent.
- 3.2 The Company and its agents reserve the right to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Offer for Subscription Application Form. The Company and its agents reserve the right to waive in whole or in part any of the provisions of these Terms and Conditions of Application, either generally or in respect of one or more applications. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Offer for Subscription Application Form where you have agreed in some other manner satisfactory to the Company and its agents to apply in accordance with these Terms and Conditions of Application.
- 3.3 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicants' cheques. The Company may require you to pay interest or its other resulting costs (or both) if the cheque accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Company to be the interest on the amount of the cheque from the date on which the basis of allocation under the Offer is publicly announced, until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Company plus two per cent. per annum.

### **4. Conditions**

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon the Admission of the Ordinary Shares to be issued under the Offer for Subscription to the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities and such admissions becoming effective by 8.00 a.m. on 3 December 2015 (or such later date as Numis may, in its absolute discretion, specify, being not later than 8.00 a.m on the Longstop Date). The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Offer for Subscription.
- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other rights you may have.



## **5. Return of application monies**

If any application is not accepted, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest in Sterling by returning your cheque, or by crossed cheque in your favour, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

## **6. Warranties**

By completing an Offer for Subscription Application Form, you:

- 6.1 warrant that, if you sign the Offer for Subscription Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or a bank;
- 6.2 acknowledge that, if you are not resident in the United Kingdom, no action has been taken to permit a public offer in your jurisdiction and that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or its agents or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer for Subscription or your application;
- 6.3 confirm that in making an application you are not relying on any information or representations in relation to the Company and the Ordinary Shares other than that contained in this document (as may be supplemented by a supplementary prospectus) on the basis of which alone your application is made, and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representations;
- 6.4 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document (as may be supplemented by a supplementary prospectus) and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or any of its agents;
- 6.5 warrant that you are either a company or other body corporate duly incorporated and validly existing with authority to sign the Offer for Subscription Application Form and to apply for Ordinary Shares or an individual who is not under the age of 18 years old on the date of your application;
- 6.6 agree that all documents and monies sent by post to you, by or on behalf of the Company or any of its agents, will be sent at your risk and, in the case of documents and returned monies to be sent to you, may be sent to you at your address as set out in your Subscription Application Form;
- 6.7 confirm that you have reviewed the restrictions contained in paragraph 9 below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions of such paragraph;
- 6.8 warrant that you are not in the United States, or subscribing for the Ordinary Shares for the account of any person in the United States, and are not a Canadian person, or an individual, corporation or other entity resident in any EEA state (other than the UK), the Republic of South Africa, Japan or Australia; and
- 6.9 warrant that the details relating to you as set out in your Offer for Subscription Application Form are correct.

## **7. Miscellaneous**

- 7.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer for Subscription.
- 7.2 The rights and remedies of the Company and its agents under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.3 You agree that Numis is acting for the Company in connection with the Issue and for no-one else and Numis will not treat you as its client by virtue of such application being accepted or owe you any duties concerning the price of Ordinary Shares or concerning the suitability of Ordinary Shares for you or otherwise in relation to the Issue.
- 7.4 You authorise the Receiving Agent or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed for by you in your name and authorise any representatives of the Receiving Agent to execute and/or complete any document required therefor.
- 7.5 You agree that it is a condition of application that any information supplied by an applicant or on his behalf or derived from the processing thereof may be used by the Company and its agents, and/or disclosed to the Company, its agents or advisers in connection with and for the purposes of the Issue and, for the purposes of the UK Data Protection Act 1998 (or any statutory modification or substitutions), you provide your consent to the use and disclosure of this information.
- 7.6 You agree that a failure to receive, process or accept your application for Ordinary Shares does not give rise to any right of action by any person against the Company, its agents or any other person. You agree that the non-receipt by any person of this document or any other related document shall not invalidate the Issue in whole or in part or give rise to any right of action by any person against the Company its agents or any other person.
- 7.7 You agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with English law and that, for the benefit of the Company and its agent, you submit to the non-exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company, its agents or their agents or advisers to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.
- 7.8 Completed Offer for Subscription Application Forms, together with payment, must be returned so as to be received by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11.00 a.m. on 27 November 2015. An Offer for Subscription Application Form which is sent by post or delivered by hand (as described above) will be treated as having been received only when it is received by the Receiving Agent, but you should allow at least four Business Days for delivery.

## **8. Money Laundering**

- 8.1 You agree that, in order to ensure compliance with the CDD Rules, the Receiving Agent may at its absolute discretion require, and you will provide, evidence which is satisfactory to it to establish your identity or that of any person on whose behalf you are acting and/or your status. Without prejudice to the generality of the foregoing such evidence may be required if you either:
  - (a) tender payment by way of banker's draft or cheque or money order drawn on an account in the name of another person or persons (in which case verification of your identity may be required); or
  - (b) appear to the Receiving Agent to be acting on behalf of some other person (in which case verification of identify of any persons on whose behalf you appear to be acting may be required).

- 8.2 Failure to provide the necessary evidence of identity (in a manner satisfactory to the Company and its agents, including in respect of the manner of its certification) may result in application(s) being rejected or delays in the authorisation of documents.
- 8.3 Without prejudice to the generality of paragraph 8.1 above, verification of the identity of applicants may be required if the total subscription price of the Ordinary Shares applied for, whether in one or more applications, exceeds the Pounds Sterling equivalent of €15,000 (being approximately £10,700). If in such circumstances, you use a building society cheque, banker's draft or money order, you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and add its stamp. If in such circumstances, you use a cheque drawn by a third party, you may be requested to provide a copy of your passport or driving licence certified by a solicitor and/or a recent original bank or building society statement or utility bill in your name and showing your current address (which originals will be returned by post at the applicant's risk).

## **9. Overseas investors**

- 9.1 If you receive a copy of this document or an Offer for Subscription Application Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Offer for Subscription Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Offer for Subscription Application Form could lawfully be used without contravention of any registration or other legal requirements and the Board has, in its absolute discretion, approved your application under the Offer for Subscription. It is your responsibility, if you are outside the United Kingdom and wishing to make an application for Ordinary Shares under the Offer for Subscription, to satisfy yourself that you have fully observed the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Company reserves the right, in its absolute discretion, to reject any application received from outside the United Kingdom.
- 9.2 Without limiting the above, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia or in the United States except in reliance on, or in a transaction not subject to, the registration requirements under the Securities Act or other relevant legislation. If you subscribe for Ordinary Shares in the Offer for Subscription you will, unless the Company agrees otherwise in writing, be deemed to represent and warrant to the Company and its agents that you are not in the United States. No application will be accepted if it bears an address in the United States or otherwise where there is cause to believe you are in the United States.

## **10. Allocations**

The basis of allocation will, subject to the terms of the Placing Agreement, be determined by Numis after consultation with the Company and the Investment Manager. The right is reserved notwithstanding such basis to reject in whole or in part and/or scale down any application.

## **(B) Terms and Conditions of Application under the Offer for Subscription through CREST**

### **1. Introduction**

Offer for Subscription CREST Entitlements are expected to be credited to stock accounts of Offer for Subscription CREST Applicants in CREST as soon as possible after receipt of an Offer for Subscription CREST Application, deemed to be valid in all respect. The latest time and date for payment in full under the Offer for Subscription and settlement of relevant CREST instructions is expected to be 11.00 a.m. on 27 November with Admission and commencement of dealings in the new Ordinary Shares expected to take place at 8.00 a.m. on 3 December 2015.

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

- 2.1 Offer for Subscription CREST Applicants should refer to the CREST Manual for further information on the CREST procedures referred to below.
- 2.2 Each valid Offer for Subscription CREST Applicant will receive a credit to its stock account in CREST of its Offer for Subscription CREST Entitlement equal to the amount contained on the valid Offer for Subscription Application Form received by the Receiving Agent, subject to the maximum number of new Ordinary Shares for which it is entitled to apply to acquire under the Offer for Subscription (being the maximum size of the Offer for Subscription). Applications under the Offer for Subscription will be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Offer for Subscription CREST Applicants will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the Offer for Subscription CREST Applicant (at such person's risk) without interest as soon as practicable by way of CREST payment or cheque if required.
- 2.3 The CREST stock account to be credited will be an account under the participant ID and member account ID contained on the valid Offer for Subscription Application Form received by the Receiving Agent. The CREST stock account will be credited as soon as possible following receipt of the valid Offer for Subscription Application Form.
- 2.4 If, for any reason, the Offer for Subscription CREST Entitlements cannot be admitted to CREST by, or the stock accounts of Offer for Subscription CREST Applicants cannot be credited, such persons will be advised to apply in the Offer for Subscription using the Offer for Subscription Application Form attached to this document and in accordance with the "Terms and Conditions of Application under the Offer for Subscription for all applications other than those pursuant to an Offer for Subscription CREST Application" above.
- 2.5 An Offer for Subscription CREST Entitlement may not be sold or otherwise transferred.
- 2.6 Offer for Subscription CREST Applicants should note that, although the Offer for Subscription CREST Entitlements will be admitted to CREST, they will have limited settlement capabilities. The Offer for Subscription CREST Entitlements will be neither tradable nor listed and applications may only be made by the Offer for Subscription CREST Applicants originally entitled. There will be no market claims in respect of Offer for Subscription CREST Entitlements, nor will it be permitted to withdraw Offer for Subscription CREST Entitlements from CREST.
- 2.7 All enquiries in connection with the procedure for application of Offer for Subscription CREST Entitlements should be made to Capita Asset Services on 0371 664 0321 (or if calling from outside the UK, on +44 (0) 208 639 3399). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Capita Asset Services are open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

### **3. USE instructions**

- 3.1 *Offer for Subscription CREST Applicants who want to apply for new Ordinary Shares must send a USE Instruction to Euroclear which, on its settlement, will have the following effect:*
  - (a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Offer for Subscription CREST Entitlements corresponding to the number of new Ordinary Shares applied for; and

- (b) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of new Ordinary Shares referred to in (a) above).

### 3.2 ***Content of USE instruction in respect of Offer for Subscription CREST Entitlements***

The USE instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of the new Ordinary Shares for which the Offer for Subscription CREST Application is being made (and hence the number of the Offer for Subscription CREST Entitlement(s) being delivered to the Receiving Agent);
- (b) the ISIN of the Offer for Subscription CREST Entitlement. This is GB00BYM2VL90;
- (c) the Participant ID of the accepting CREST Member;
- (d) the Member ID of the accepting CREST Member from which the Offer for Subscription CREST Entitlements are to be debited;
- (e) the Participant ID of the Receiving Agent. This is 7RA33;
- (f) the Member Account ID of the Receiving Agent. This is 28673CUS;
- (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of new Ordinary Shares referred to in (a) above;
- (h) the intended settlement date. This must be before 11.00 a.m. on 27 November 2015; and
- (i) the corporate action number for the Offer for Subscription. This will be available by viewing the relevant corporate action details in CREST.

In order for the Offer for Subscription CREST Application in respect of an Offer for Subscription CREST Entitlement under the Offer for Subscription to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 27 November 2015.

In order to assist prompt settlement of the USE instruction, CREST Members may consider adding the following non-mandatory fields to the USE instruction:

- (a) a contact name and telephone number (in the free format shared note field); and
- (b) a priority of at least 80.

Applicants should note that the last time at which a USE instruction may settle on 27 November 2015 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Offer for Subscription CREST Entitlement facility.

In the event that the Offer for Subscription does not become unconditional by 8.00 a.m. on 3 December 2015 or such later time and date as Numis may, in its absolute discretion, specify (but not later than 8.00 a.m. on the Longstop Date), the Offer for Subscription will lapse, the Offer for Subscription CREST Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by an Offer for Subscription CREST Applicant by way of CREST payment or cheque if required, without interest, as soon as practicable thereafter. Any interest earned on such monies will be retained for the benefit of the Company.

### 3.3 ***Validity of Application***

A USE instruction complying with the requirements set out in this Part XII which settles by no later than 11.00 a.m. 27 November 2015 will constitute a valid and irrevocable Offer for Subscription CREST Application under the Offer for Subscription.

### 3.4 ***CREST procedures and timings***

Selected Offer for Subscription CREST Applicants should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Offer for Subscription. It is the responsibility of the CREST Member concerned to take such action as shall be necessary to ensure that a valid Offer for Subscription CREST Application is made as stated above by 11.00 a.m. on 27 November 2015.



In this connection Offer for Subscription CREST Applicants are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

**3.5 *Incorrect or incomplete Offer for Subscription CREST Applications***

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (a) to reject the Offer for Subscription CREST Application in full and refund the payment to the CREST Member in question (without interest);
- (b) in the case that an insufficient sum is paid, to treat the application as a valid Offer for Subscription CREST 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 CREST Member in question (without interest); and
- (c) in the case that an excess sum is paid, to treat the application as a valid Offer for Subscription CREST Application for all the new Ordinary shares referred to in the USE instruction, refunding any unutilised sum to the CREST Member in question (without interest), save for amounts less than £5 which will be retained for the benefit of the Company.

**3.6 *Effect of valid Offer for Subscription CREST Application***

- (a) The contract created by the acceptance of an Offer for Subscription CREST Application under the Offer for Subscription will be conditional on:
  - (i) Admission becoming effective by not later than 8.00 a.m. on 3 December such later time and date as Numis may, in its absolute discretion, specify (but not later than 8.00 a.m. on the Longstop Date); and
  - (ii) the Placing Agreement becoming or being declared unconditional in all respects by 8.00 a.m. on 3 December 2015.
- (b) The Company reserves the right to reject in whole or part or to scale back or limit any Offer for Subscription CREST Application. The Company may treat Offer for Subscription CREST Applications as valid and binding if made in accordance with the prescribed instructions and the Company may, at its discretion accept an Offer for Subscription CREST Application in respect of which payment is not received by the Company prior to the closing of the Offer for Subscription. If any Offer for Subscription CREST Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Offer for Subscription CREST Applicant's CREST payment except where the amount is less than £5. In the meantime, application monies will be retained by the Receiving Agent in a separate account.
- (c) An Offer for Subscription CREST Applicant who makes or is treated as making a valid Application in accordance with the procedures set out in this Part XII.
  - (i) offers to subscribe for the number of new Ordinary Shares specified in the USE instruction (or such lesser number for which the Offer for Subscription CREST Application is accepted) on the terms of and subject to this document, including these terms and conditions, and subject to this document and Articles;
  - (ii) represents and warrants to the Company and Numis that it has the right, power and authority, and has taken all action necessary, to make the application under the Offer for Subscription and to execute, deliver and exercise its rights, and perform its obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for new Ordinary Shares or acting on behalf of any such person on a non-discretionary basis;
  - (iii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);



- (iv) represents and warrants that it is the Offer for Subscription CREST Applicant originally entitled to the Offer for Subscription CREST Subscription Entitlements;
- (v) agrees that, in consideration of the Company agreeing to process its Offer for Subscription CREST Application, the Offer for Subscription CREST Application cannot be revoked (subject to any legal right to withdraw your Offer for Subscription CREST Application which arises as a result of a publication of a supplementary prospectus) and that this paragraph shall constitute a collateral contract between the Offer for Subscription CREST Applicant and the Company which will become binding upon sending a valid USE instruction;
- (vi) agrees that (A) any monies returnable to the Offer for Subscription CREST Applicant may be retained pending the completion of any verification of identity required by the Money Laundering Regulations 2007 and (B) monies pending allocation will be retained in a separate account and that such monies will not bear interest;
- (vii) undertakes to provide satisfactory evidence of the Offer for Subscription CREST Applicant's identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Receiving Agent) to ensure compliance with the Money Laundering Regulations 2007;
- (viii) agrees that in respect of those new Ordinary Shares for which an Offer for Subscription CREST Application has been received and is not rejected, acceptance of the Offer for Subscription CREST Application shall be constituted, at the election of the Company, either (i) by notification to the UKLA and the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to the Receiving Agent;
- (ix) authorises the Receiving Agent to procure that the Offer for Subscription CREST Applicant's name (together with the name(s) of any other joint Offer for Subscription CREST Applicant(s) or any nominee (e.g. CREST) is/are placed on the register of members of the Company in respect of such new Ordinary Shares referred to in paragraph (v) above;
- (x) agrees with the Company and Numis that all Offer for Subscription CREST Applications, acceptances of Offer for Subscription CREST Applications and contracts resulting therefrom shall be governed by and construed in accordance with English law, and that the Offer for Subscription CREST Applicant submits to the jurisdiction of the English Courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such Offer for Subscription CREST Applications, acceptances of Offer for Subscription CREST Applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (xi) confirms to the Company and Numis that in making the Offer for Subscription CREST Application he is not relying on any information or representation in relation to the Company and the new Ordinary Shares other than that contained in this document and, 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;
- (xii) irrevocably authorises the Company or any person authorised by it to do all things necessary to effect registration of any new Ordinary Shares subscribed by or issue to the Offer for Subscription CREST Applicant into its name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such new Ordinary Shares has been transferred and authorise any representative of the Company to execute any document required therefor;
- (xiii) agrees that, having had the opportunity to read this document, it shall be deemed to have had notice of all information and representations concerning the Company and the new Ordinary Shares contained therein;
- (xiv) confirms that it have reviewed the restrictions and procedures contained in these terms and conditions;

- (xv) agrees that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at the risk of the person(s) entitled thereto;
  - (xvi) represents and warrants that in connection with its Offer for Subscription CREST Application such Offer for Subscription CREST Applicant has observed the laws of all relevant territories, obtained any requisite governmental or other contents, complied with all requisite formalities and paid any issue or transfer or other taxes due in connection with your Offer for Subscription CREST Application in any territory and that it has not taken any action for itself or as nominee, agent or on behalf of any person which will or may result in the Company or any person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or is Application;
  - (xvii) save where the Offer for Subscription CREST Applicant has satisfied the Company that an appropriate exemption applies so as to permit it to subscribe, represents and agrees that it is not (i) a US Person (meaning any person who is a US Person within the meaning of Regulation S and is not acting on behalf of a US Person, that it is not purchasing with a view to re-sale in the US or to or for the account of a US Person and that it is not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA) or an individual retirement account as defined in section 408 of the US Internal Revenue Code or (ii) a resident of any of the Excluded Territories or any other territory or acting on behalf of any person in any territory in which the subscription by the Offer for Subscription CREST Applicant or by it on behalf of any person for new Ordinary Shares under the Offer for Subscription would be unlawful or in breach of any applicable regulations without further action on the part of the Company; and
  - (xviii) agrees, on request by the Company, or the Receiving Agent on behalf of the Company to disclose promptly in writing to the Company or the Receiving Agent any information which the Company, or the Receiving Agent, may reasonably request in connection with the Offer for Subscription CREST Application and authorise the Company or the Receiving Agent on behalf of the Company, to disclose any information relating to the Offer for Subscription CREST Application as the Company or the Receiving Agent considers appropriate.
- (d) No person receiving a copy of this document and/or being credited with Offer for Subscription CREST Entitlement(s) in any territory other than the UK may treat the same as constituting an invitation or an offer to him; nor should he in any event make an Offer for Subscription CREST Application unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Offer for Subscription CREST Application could lawfully be made without contravention of any, or compliance with any unfulfilled registration or other legal or regulatory requirements. It is the responsibility of any person outside the UK wishing to apply for new Ordinary Shares under the Offer for Subscription for himself or on behalf of any person to satisfy himself as to full observance of the laws of any relevant territory in connection with any such application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in any such territory and paying any issue, transfer or other taxes required to be paid in any such territory.
- (e) The new Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons. The Company has not been and will not be registered as an “investment company” under the Investment Company Act, and investors will not be entitled to the benefits of the Investment Company Act. In addition, relevant clearances have not been, and will not be, obtained from any securities commission or authority of any province of any of the Excluded Territories and, accordingly, unless an exemption under any relevant legislation or regulations is applicable, none of the new Ordinary Shares may be offered, sold, renounced, transferred or delivered, directly or indirectly, in any of the Excluded Territories. Unless the Company has expressly agreed otherwise in writing or unless an exemption under relevant legislation or regulation

is applicable (the applicability of which the Offer for Subscription CREST Applicant hereby represents and warrants), the Offer for Subscription CREST Applicant represents and warrants to the Company that it is not a US Person or a resident of any of the Excluded Territories and that it is not subscribing for such new Ordinary Shares for the account of any US Person or resident of any of the Excluded Territories and that it will not offer, sell, renounce, transfer or deliver, directly or indirectly new Ordinary Shares subscribed for by the Offer for Subscription CREST Applicant in the United States or any of the Excluded Territories or to any US Person or resident of any of the Excluded Territories. No Offer for Subscription CREST Application will be accepted if it bears an address in the United States or any of the Excluded Territories unless an appropriate exemption is available as referred to above.

- (f) Such personal data held is used by the Registrar to maintain the Company's register of Shareholders and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned in paragraph (i) below when (1) effecting the payment of dividends and redemption proceeds to Shareholders and the payment of commissions to third parties and (2) filing returns of Shareholders and their respective transactions in shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.
- (g) The countries referred to in paragraph (f) above include, but need not be limited to, those in the European Economic Area and any of their respective dependent territories overseas, Argentina, Australia, Brazil, Canada, Hong Kong, Hungary, Japan, New Zealand, Singapore, South Africa, Switzerland and the United States of America.
- (h) By becoming registered as a holder of new Ordinary Shares in the Company, a person becomes a data subject and is deemed to have consented to the processing by the Company, the Registrar and/or the Receiving Agent of any personal data relating to them in the manner described above.
- (i) The basis of allocation will be determined by the Directors after consultation with the Investment Manager and Numis at their absolute discretion. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Offer for Subscription CREST Application or any part thereof. The right is reserved to treat as valid any Offer for Subscription CREST Application not in all respects completed in accordance with the instructions in this Part XII.
- (j) If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to an RIS giving details of the revised dates. In particular, the Directors have the discretion to extend the last time and/or date for Offer for Subscription CREST Applications, and any such extension will not affect Offer for Subscription CREST Applications already made, which will continue to be irrevocable.

### 3.7 *Company's discretion as to the rejection and validity of Offer for Subscription CREST Applications*

The Company may in its sole discretion:

- (a) treat as valid (and binding on the Offer for Subscription CREST Application concerned) an Offer for Subscription CREST Application which does not comply in all respects with the requirements as to validity set out or referred to in this Part XII;
- (b) accept an alternative properly authenticated dematerialised instruction from an Offer for Subscription CREST Applicant as constituting a valid Offer for Subscription CREST Application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (c) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "**first instruction**") as not constituting a valid Offer for Subscription CREST Application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (d) accept an alternative instruction or notification from an Offer for Subscription CREST Applicant, or extend the time for settlement to a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any Offer for Subscription CREST Applicant, the Offer for Subscription CREST Applicant is unable validly to apply for new Ordinary Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

### **3.8 *Lapse of the Offer for Subscription***

In the event that the Offer for Subscription does not become unconditional by 8.00 a.m. on 3 December 2015 (being no later than or such later time and date as Numis may, in its absolute discretion specify (but not later than 8.00 a.m. on the Longstop Date)), the Offer for Subscription will lapse, the Offer for Subscription CREST Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by an Offer for Subscription CREST Applicant by way of a CREST payment, without interest, as soon as practicable thereafter. Any interest earned on such monies, will be retained for the benefit of the Company.

## **4. Anti-money laundering regulation**

The Receiving Agent may be obliged to establish the identity of the Offer for Subscription CREST Applicant or the person or persons on whose behalf a Offer for Subscription CREST Applicant makes an application. Selected Offer for Subscription CREST Applicants must therefore contact the Registrar before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction (which on its settlement constitutes a valid Offer for Subscription CREST Application as described above) constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations 2007. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the new Ordinary Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the Offer for Subscription CREST Application for the new Ordinary Shares represented by the USE Instruction will be not be valid. 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.

## **5. Overseas applicants**

Overseas applicants should note that Offer for Subscription CREST Entitlements will not be credited to stock accounts in CREST of persons with registered addresses in the United States or an Excluded Territory or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

## **6. General**

Offer for Subscription CREST Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 27 November 2015. If the conditions to the Offer for Subscription described above are satisfied, the new Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid Offer for Subscription CREST Application for New Shares by utilising the CREST application procedures and whose Offer for Subscription CREST Applications have been accepted by the Company. The stock accounts to be credited will be accounts under the same Participant ID and Member Account ID, in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Offer for Subscription CREST Applicants a Subscription Form instead of crediting the relevant stock account with Offer for Subscription CREST Entitlements, and to allot and/or issue any new Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

The Company shall, in agreement with Numis, be entitled to amend the dates that Offer for Subscription CREST Entitlements are credited to stock accounts in CREST, without prejudice to their discretion to amend the timetable for the Offer for Subscription as described elsewhere in this document with an announcement on an RIS.



## **NOTES ON HOW TO COMPLETE THE OFFER FOR SUBSCRIPTION APPLICATION FORM**

**Applications should be returned so as to be received by 11.00 a.m. on 27 November 2015. All Applicants should read notes 1-5. Note 6 should be read by Joint Applicants.**

### **1. Application**

Fill in (in figures) the aggregate subscription price for which your application is made. Your application must be for Ordinary Shares with a minimum aggregate subscription price of £1,000 or, if for more than £1,000, in multiples of £1,000.

### **2. Personal Details**

Fill in (in BLOCK CAPITALS) the full name, address and daytime telephone number of the applicant. If this application is being made jointly with other persons, please read Note 6 before completing Box 2.

### **3. Signature**

The applicant named in Box 2 must date and sign in Box 3.

The Offer for Subscription Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated.

### **4. Cheque/Banker's Draft Details**

Attach a cheque or banker's draft for the exact amount shown in Box 1 to your completed Offer for Subscription Application Form. Your cheque or banker's draft must be made payable to "Capita Registrars Limited re: Custodian REIT Plc – OFS Acc" and crossed "a/c Payee".

Your payment must relate solely to this application. No receipt will be issued.

Payments must be made by cheque or banker's draft in Pounds Sterling drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "Capita Registrars Limited re: Custodian REIT Plc – OFS Acc" and crossed "a/c Payee". Third party cheques will 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/bankers' draft to such effect.

The account name should be the same as that shown on the application.

Applications with a value of the Pounds Sterling equivalent of €15,000 (approximately £10,700) or greater, which are to be settled by way of a third party payment, e.g. banker's draft, building society cheque or a cheque drawn by someone other than the applicant, will be subject to the United Kingdom's verification of identity requirements which are contained in the Money Laundering Regulations 2007. In order to ensure compliance with the CDD Rules, the Company (or any of its agents) may require at its absolute discretion such evidence in respect of any application which is satisfactory to it to establish your identity or that of any person on whose behalf you are acting and/or your status.

For UK applicants, this may involve verification of names and addresses (only) through a reputable agency. For non-UK applicants, verification of identity may be sought from your bankers or from another reputable institution or professional adviser in the applicant's country of residence.

If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event (unless the Offer for Subscription is extended) by 11.00 a.m. on 27 November 2015, your application may not be accepted.

Certificates, cheques and other correspondence will be sent to the address in Box 2.



## **5. Shares in Uncertificated Form (CREST)**

If you wish your Ordinary Shares to be issued in uncertificated form you should complete the Offer for Subscription Application Form as above and must also complete Box 5. The details provided in Box 5 should be in the same name as the holder who completes Box 2.

If you wish to make payment by the CREST system, please indicate by ticking the relevant box in Box 5.

## **6. Joint Applicants**

If you make a joint application, you will not be able to transfer your Ordinary Shares into an ISA. If you are interested in transferring your Ordinary Shares into an ISA, you should apply in your name only.

If you do wish to apply jointly, you may do so with up to three other persons. Boxes 2 and 3 must be completed by one applicant. All other persons, who wish to join in the application must complete and sign Box 6.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection.

Certificates, cheques and other correspondence will be sent to the address in Box 2.

## **7. Verification of Identity**

Section 7 of the Offer for Subscription Application Form applies if the aggregate value of the Ordinary Shares which you are applying for, whether in one or more applications, exceeds the Pounds Sterling equivalent of €15,000 (approximately £10,700) or the Company (or any of its agents), at its absolute discretion, deems it necessary to apply in order to ensure compliance with the CDD Rules. If section 7 applies to your application, you must ensure that section 7.1, 7.2 or 7.3 (as appropriate) is completed.

### **7.1 Professional Adviser or Intermediary**

You should complete section 7.1 of the Offer for Subscription Application Form if you are a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised independent financial adviser acting on behalf of a client.

### **7.2 Reliable Introducer**

If you are not a professional adviser or intermediary and the value of your application(s) exceed(s)

the Pounds Sterling equivalent of €15,000 (approximately £10,700) or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules, you will be required to provide the verification of identity documents listed in section 7.3 of the Offer for Subscription Application Form **unless** you can have the declaration set out in section 7.2 of the Offer for Subscription Application Form given and signed by a firm acceptable to the Receiving Agent and the Company. Section 7.2 of the Offer for Subscription Application Form details those firms acceptable to the Receiving Agent and the Company for signing the declaration. In order to ensure their Offer for Subscription Application Forms are processed timely and efficiently, all applicants who are not professional advisers or intermediaries and to whose applications section 7 of the Offer for Subscription Application Form applies are strongly advised to have the declaration set out in section 7.2 of the Offer for Subscription Application Form completed and signed by a suitable firm where possible.

### **7.3 Applicant Identity Information**

Section 7.3 of the Offer for Subscription Application Form need only be completed where the aggregate value of the Ordinary Shares which you are applying for, whether in one or more applications, exceeds the Pounds Sterling equivalent of €15,000 (approximately £10,700) or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules and neither sections 7.1 nor 7.2 of the Offer for Subscription Application Form can be completed.

Notwithstanding that the declaration set out in section 7.2 of the Offer for Subscription Application Form has been completed and signed, the Receiving Agent and the Company reserve the right to request of you the identity documents listed in section 7.3 of the Offer for Subscription Application Form and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, your application might be rejected or revoked.

Where certified copies of documents are requested in section 7.3 of the Offer for Subscription Application Form, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

*Instructions for Delivery of Completed Application Forms*

Completed Offer for Subscription Application Forms should be returned, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received by no later than 11.00 a.m. on 27 November 2015, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least four working days for delivery. Application Forms received after this date may be returned.

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## OFFER FOR SUBSCRIPTION APPLICATION FORM

### CUSTODIAN REIT PLC

Please send the completed form by post to or delivered by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received no later than 11.00 a.m. on 27 November 2015.

**Important – Before completing this form, you should read the accompanying notes.**

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 3 (SEE NOTES 1-6 OF THE NOTES ON HOW TO COMPLETE THIS OFFER FOR SUBSCRIPTION APPLICATION FORM).

If you have a query concerning completion of this Offer for Subscription Application Form please call Capita Asset Services on 0371 664 0321.

#### 1. Application

I/We offer to subscribe for:

£
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of new Ordinary Shares (minimum £1,000 and thereafter in multiples of £1,000) fully paid, at 104.2 pence per new Ordinary Share on the terms, and subject to the conditions set out in the Prospectus dated 4 November 2015 (including the Terms and Conditions of Application contained therein), the guidance notes accompanying this Offer for Subscription Application Form, and the memorandum of association and the Articles respectively, and attach a cheque or banker's draft for the amount payable.

#### 2. Personal Details (PLEASE USE BLOCK CAPITALS)

I/We offer to subscribe for:

Mr, Mrs, Miss or Title:	Forenames (in full):
Surname/Company name:	
Address (in full):	
Postcode:	Daytime telephone no.:

#### 3. SIGNATURE

I/We hereby confirm that I/we have read the Prospectus and make this application on and subject to the Terms and Conditions of Application set out in the Prospectus.

Signature	Dated 2015
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**A body corporate should execute this under its common seal or otherwise in accordance with applicable statutory requirements**

#### 4. Cheque/Banker's Draft Details

Attach your cheque or banker's draft for the exact amount shown in Box 1 made payable to "Capita Registrars Limited re Custodian REIT Plc – OFS Acc" and crossed "a/c Payee".

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### 5. Shares in Uncertificated Form (CREST)

Complete this section only if you require your Ordinary Shares to be credited to your CREST account.

CREST Participant ID: (no more than five characters)						CREST Member Account ID: (no more than eight characters)								
CREST Participant's Name:														

Please tick the following box if you wish to make payment by the CREST system pursuant to Terms and Conditions of Application under the Offer for Subscription through CREST.

☐

BOX 6 MUST ONLY BE COMPLETED BY JOINT APPLICANTS (SEE NOTE 6).

### 6. Joint Applicants (PLEASE USE BLOCK CAPITALS)

Mr, Mrs, Miss or Title	Forenames (in full)	Surname	Signature

**A body corporate should execute this under its common seal or otherwise in accordance with applicable statutory requirements**

Intermediary name, if applicable	Intermediary stamp, if applicable
Contact tel. no:	FSA No:

7. **Verification of Identity** (if the value of the Ordinary Shares which you are applying for, whether in one or more applications, exceeds the Pounds Sterling equivalent of €15,000 (being approximately £10,700) or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules, you must ensure that section 7.1, 7.2 or 7.3 (as appropriate) is completed.
- 7.1 **Professional Advisers and Intermediaries** (*This section 7.1 should be completed if an application for Ordinary Shares is being made on behalf of a client by a stockbroker, bank manager, solicitor, accountant or other independent financial adviser under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised independent financial adviser*).

Name of professional adviser or intermediary, in full:	
Address, in full:	
	Post code:
Contact name:	Telephone number:

***Declaration by the professional adviser or intermediary***

To: Custodian REIT Plc

We are a financial adviser authorised under the Financial Services and Markets Act 2000 applying for Ordinary Shares on behalf of one or more clients (“**relevant clients**”). As such, we hereby undertake to:

1. complete anti-money laundering verification of all relevant clients and to inform you forthwith of any unsatisfactory conclusion in respect of any such client;
2. keep records to verify the name, identity, place of birth, residential address, occupation and signature of each relevant client; and
3. supply promptly copies of any such records to you as you may require.

We are governed in the conduct of our investment business and in respect of conducting anti-money laundering verification by the following regulatory or professional body (and our reference or other official number allocated to us by that body is included in the box below).

Full name and country of operation of regulatory or professional body:	Reference or other official number:
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If you require further information about our procedures or any of our relevant clients, please contact the person named as the contact in the first box in this section 7.1.

- 7.2 **Reliable Introducer** (*If you are not a professional adviser or intermediary to whom section 7.1 applies, completion and signing of declaration in this section 7.2 by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 7.3 of this form*)

*(The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “**firm**”) which is itself subject in its own country to operation of “know your customer” and anti-money laundering regulations which are, in the opinion of the Company in its absolute discretion, no less stringent than those which prevail in the United Kingdom).*





***Declaration by the firm***

To: Custodian REIT Plc

With reference to the applicant(s) detailed in section(s) 2 and, in the case of joint applicants, 6 above, all persons signing sections 3 and 6 above and the payor identified in section 4 above if not also an applicant holder (collectively the “**relevant persons**”), we hereby declare that:

1. we operate in \_\_\_\_\_ and our firm is subject to anti-money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in the United Kingdom;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the relevant persons is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
4. we confirm the accuracy of the names and residential/business address(es) of the applicant(s) named in section(s) 2 and, in the case of joint applicants, 6 above and, if details of a CREST account are included in section 5 above, that the owner thereof is the applicant named in section 2 above;
5. having regard to all local anti-money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares to which this application relates; and
6. where the payor and applicant(s) are different persons we are satisfied as to the relationship; between them and the reason for the payor being different to the applicant(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of the firm of its officials.

Date:	2015	Official stamp, if any:
Signature:		
Full name:		
Title/position:		

having authority to bind the firm, the details of which are set out below:

Name of firm, in full:	
Address, in full:	
	Post code:
Contact name:	Telephone number:
Full name of firm's regulatory authority:	
Website address or telephone number of regulatory authority:	Firm's registered, licence or other official number:

- 7.3 **Applicant Identity Information** *(Only complete this section 7.3 if your application has a value greater than the Pounds Sterling equivalent of €15,000 (being approximately £10,700) and neither of section 7.1 nor section 7.2 can be completed) (or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules).*

*In accordance with internationally recognised standards for the prevention of money laundering, the relevant documents and information listed below must be provided (please note that the Receiving Agent and the Company reserve the right to ask for additional documents and information).*



		Tick here for documents provided				Payor
		Applicant				
		1	2	3	4	
<b>A. For each applicant who is an individual enclose:</b>						
(i)	a certified clear photocopy of one of the following identification documents which bears both a photograph and the signature of the person: (a) current passport; (b) Government or Armed Forces identity card; or (c) driving licence; <b>and</b>					
(ii)	certified copies of at least <b>two</b> of the following documents which purport to confirm that the address(es) given in section 2 and, in the case of joint applicants, section 6 is the applicant's residential address: (a) a recent gas, electricity, water or telephone (not mobile) bill; (b) a recent bank statement; (c) a council tax bill; or (d) similar bill issued by a recognised authority; <b>and</b>					
(iii)	if none of the above documents show their date and place of birth, enclose a note of such information; <b>and</b>					
(iv)	details of the name and address of their personal bankers from which the Receiving Agent or the Company may request a reference, if necessary.					
<b>B. For each holder being a company (a "holder company") enclose:</b>						
(i)	a certified copy of the certificate of incorporation of the holder company; <b>and</b>					
(ii)	the name and address of the holder company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iii)	a statement as to the nature of the holder company's business. signed by a director; <b>and</b>					
(iv)	a list of the names and residential addresses of each director of the holder company; <b>and</b>					
(v)	for each director provide documents and information similar to that mentioned in A above; <b>and</b>					
(vi)	a copy of the authorised signatory list for the holder company; <b>and</b>					
(vii)	a list of the names and residential/registered addresses of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also enclose the documents and information referred to in C below and, if another company is named (a " <b>beneficiary company</b> "), also complete 0 below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.					
<b>C. For each individual named in 8(vii) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(i) to (iv)</b>						
<b>D. For each beneficiary company named in 8(vii) as a beneficial owner of a holder company enclose:</b>						
(i)	a certificated copy of the certificate of incorporation of that beneficiary company; <b>and</b>					
(ii)	a statement as to the nature of that beneficiary company's business signed by a director; <b>and</b>					
(iii)	the name and address of the beneficiary company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iv)	enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.					
<b>E. If the payor is not an applicant and is not a bank providing its own cheque or banker's draft on the reverse of which is shown details of the account being debited with such payment (see note 4 on how to complete this form) enclose:</b>						
(i)	if the payor is a person, for that person the documents mentioned in A(i) to (iv); <b>or</b>					
(ii)	if the payor is a company, for that person the documents mentioned in B(i) to (vii); <b>and</b>					
(iii)	an explanation of the relationship between the payor and the applicant(s).					

