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This document comprises a prospectus in relation to Picton Property Income Limited and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority. This document has been approved by and filed with the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules.

If you have sold or otherwise transferred all your Ordinary Shares please send this document and the accompanying Application Form 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 transmission to the purchaser or transferee.

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## **PICKTON PROPERTY INCOME LIMITED**

*(an authorised closed-ended investment scheme incorporated as a non-cellular company limited by shares under the laws of Guernsey with registered number 43673)*

### **Initial Placing and Offer for Subscription of New Ordinary Shares of up to £35 million at an Issue Price of 59 pence per New Ordinary Share**

#### **Placing Programme of New Ordinary Shares**

Joint Sponsor and Joint Bookrunner  
**J.P. Morgan Cazenove**

Joint Sponsor and Joint Bookrunner  
**Oriel Securities Limited**

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The Existing Ordinary Shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange's main market for listed securities. Applications will be made to the UK Listing Authority for all the New Ordinary Shares to be issued pursuant to the Initial Offers to be admitted to the Official List. Application will also be made for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective, and that dealings in such New Ordinary Shares will commence on 23 May 2014.

Applications will be made to the UK Listing Authority for all the New Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the Official List. Applications will also be made for such New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the New Ordinary Shares will commence, during the period from 23 May 2014 to 30 April 2015.

J.P. Morgan Cazenove, which is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority, is acting exclusively for the Company and no one else in relation to the Capital Raise and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Capital Raise and will not be responsible to anyone other than the Company for providing the protections afforded to customers of J.P. Morgan Cazenove or for affording advice in relation to the Capital Raise. J.P. Morgan Cazenove is not making any representation or warranty, express or implied, as to the contents of this document.

Oriel Securities Limited, which is authorised and regulated by the Financial Conduct Authority, is acting exclusively for the Company and no one else in relation to the Capital Raise and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Capital Raise and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Oriel Securities Limited or for affording advice in relation to the Capital Raise. Oriel Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

No action has been taken to permit the distribution of this document and the accompanying documents in any jurisdiction other than the United Kingdom. Accordingly, this document may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Further information regarding overseas investors is set out on page 25 of this document.

**The whole of this document should be read. The attention of potential investors is drawn in particular to pages 17 to 23 of this document, which set out the principal risk factors associated with an investment in New Ordinary Shares and the Group.**

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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 security and the Company. 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 in the summary because of the type of securities and the Company, 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		
A1	Introduction and Warnings	This summary should be read as an introduction to this document. Any decision to invest in the New Ordinary Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who have tabled this summary, including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A2	Consent by the Issuer to the use of the prospectus for resale of securities by financial intermediaries	Not applicable; the Company has not given its consent to the use of this document for the resale or final placement of securities by financial intermediaries.
SECTION B – THE COMPANY		
B1	Legal & commercial name	The Company is called Picton Property Income Limited.
B2	Domicile/Legal form/ Legislation/Country of incorporation	The Company is incorporated as a non-cellular company limited by shares in Guernsey and operates under the Companies (Guernsey) Law, 2008, as amended. The Company is domiciled in Guernsey.
B3	Nature of issuer/Current operations/Principal activities	The Company is a closed-ended investment company indirectly investing in property in the UK.
B4a	Known trends	Not applicable. No trading operations or industrial activity.
B5	Group Structure	The Company's property assets are held indirectly through wholly-owned subsidiary undertakings.

B6	Notifiable interests/Voting rights	<p>As at the close of business on the Latest Practicable Date, in so far as is known to the Company, the following persons were directly or indirectly interested in 3 per cent. or more of the Company's issued share capital:</p> <table> <tr> <th data-bbox="576 264 1043 394">Shareholder</th><th data-bbox="1075 264 1238 394">Number of Ordinary Shares</th><th data-bbox="1270 264 1433 394">Percentage of Issued Share Capital</th></tr> <tr> <td data-bbox="576 416 1043 450">Ferlim Nominees Limited</td><td data-bbox="1098 416 1238 443">45,607,540</td><td data-bbox="1362 416 1433 443">12.01</td></tr> <tr> <td data-bbox="576 450 1043 510">The Bank of New York (Nominees) Limited</td><td data-bbox="1098 483 1238 510">29,559,110</td><td data-bbox="1378 483 1433 510">7.78</td></tr> <tr> <td data-bbox="576 510 1043 539">Transact Nominees Limited</td><td data-bbox="1098 510 1238 537">19,608,361</td><td data-bbox="1378 510 1433 537">5.16</td></tr> <tr> <td data-bbox="576 539 1043 568">Nortrust Nominees Limited</td><td data-bbox="1098 539 1238 566">17,262,335</td><td data-bbox="1378 539 1433 566">4.54</td></tr> <tr> <td data-bbox="576 568 1043 598">Rathbone Nominees Limited</td><td data-bbox="1098 568 1238 595">16,136,791</td><td data-bbox="1378 568 1433 595">4.25</td></tr> <tr> <td data-bbox="576 598 1043 658">Alliance Trust Savings Nominees Limited</td><td data-bbox="1098 631 1238 658">15,028,304</td><td data-bbox="1378 631 1433 658">3.96</td></tr> </table> <p>Those persons referred to above do not have voting rights in respect of the Company's share capital which differ from those of any other Shareholder. The Company is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Company.</p> <p>Neither the Company nor any of the Directors are aware of any arrangements, the operation of which may at a subsequent date result in a change of control over the Company.</p>	Shareholder	Number of Ordinary Shares	Percentage of Issued Share Capital	Ferlim Nominees Limited	45,607,540	12.01	The Bank of New York (Nominees) Limited	29,559,110	7.78	Transact Nominees Limited	19,608,361	5.16	Nortrust Nominees Limited	17,262,335	4.54	Rathbone Nominees Limited	16,136,791	4.25	Alliance Trust Savings Nominees Limited	15,028,304	3.96
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B7	Financial information	<p>Selected historical financial information of the Company for the financial periods ended 31 December 2010, 31 March 2012 and 31 March 2013 and for the periods between 1 April 2012 and 30 September 2012 and between 1 April 2013 and 30 September 2013 is set out below.</p> <p>The information has been extracted without material adjustment from the audited report and accounts of the Company for the financial periods ended 31 December 2010, 31 March 2012 and 31 March 2013 and the unaudited half-year reports of the Company for the six months ended 30 September 2012 and 30 September 2013, which are incorporated into this Prospectus by reference. Investors should read the whole of such statements and not rely solely on the selected summarised information set out in this Prospectus.</p>																					

<b>Income Statements</b>					
	<b>12 months to 31 Dec 2010 £000</b>	<b>15 months to 31 Mar 2012 £000</b>	<b>6 months to 30 Sep 2012 £000</b>	<b>12 months to 31 Mar 2013 £000</b>	<b>6 months to 30 Sep 2013 £000</b>
Revenue from properties	41,197	48,631	18,689	38,812	18,309
Property expenses	(10,396)	(12,450)	(4,064)	(8,989)	(4,747)
<b>Net property income</b>	<b>30,801</b>	<b>36,181</b>	<b>14,625</b>	<b>29,823</b>	<b>13,562</b>
Management expenses	(2,882)	(3,838)	(687)	(1,682)	(1,015)
Other operating expenses	(2,340)	(2,754)	(866)	(1,592)	(530)
Internalisation costs	—	(1,063)	—	—	—
Costs of subsidiary acquisition	(2,509)	—	—	—	—
<b>Operating profit before movement on investments</b>	<b>23,070</b>	<b>28,526</b>	<b>13,072</b>	<b>26,549</b>	<b>12,017</b>
Gain/(loss) on disposal of investment properties	1,530	(637)	0	(4)	(4)
Revaluation movements	18,952	(13,339)	(17,509)	(30,937)	3,413
<b>Operating profit/(loss)</b>	<b>43,552</b>	<b>14,550</b>	<b>(4,437)</b>	<b>(4,392)</b>	<b>15,426</b>
Net interest payable	(11,001)	(14,569)	(6,020)	(11,560)	(5,488)
Change in fair value of interest rate swaps	(839)	6,228	—	—	—
Realised gains on disposal of derivative financial instruments/loan notes	209	—	1,617	1,617	—
<b>Profit/(loss) before tax</b>	<b>31,921</b>	<b>6,209</b>	<b>(8,840)</b>	<b>(14,335)</b>	<b>9,938</b>
Tax	(340)	280	(123)	(272)	(194)
<b>Profit/(loss) after tax</b>	<b>31,581</b>	<b>6,489</b>	<b>(8,963)</b>	<b>(14,607)</b>	<b>9,744</b>
<b>Income profit after tax:</b>					
	<b>12 months to 31 Dec 2010 £000</b>	<b>15 months to 31 Mar 2012 £000</b>	<b>6 months to 30 Sep 2012 £000</b>	<b>12 months to 31 Mar 2013 £000</b>	<b>6 months to 30 Sep 2013 £000</b>
Profit/(loss) after tax	31,581	6,489	(8,963)	(14,607)	9,744
Revaluation movements (Gain)/loss on disposal of investment properties	(18,952)	13,339	17,509	30,937	(3,413)
Change in fair value of interest rate swaps	(1,530)	637	—	4	4
Change in fair value of interest rate swaps	839	(6,228)	—	—	—
Realised gains on disposal of derivative financial instruments	(209)	—	(1,617)	(1,617)	—
Costs of subsidiary acquisition	2,509	—	—	—	—
<b>Income profit after tax</b>	<b>14,238</b>	<b>14,237</b>	<b>6,929</b>	<b>14,717</b>	<b>6,335</b>

		<p><b>Balance Sheets</b></p> <table><tr><th></th><th>31 Dec 2010 £000</th><th>31 Mar 2012 £000</th><th>30 Sep 2012 £000</th><th>31 Mar 2013 £000</th><th>30 Sep 2013 £000</th></tr><tr><td>Investment properties</td><td>424,260</td><td>411,744</td><td>394,891</td><td>382,729</td><td>396,708</td></tr><tr><td>Tangible assets</td><td>—</td><td>119</td><td>112</td><td>170</td><td>162</td></tr><tr><td>Cash and cash equivalents</td><td>34,839</td><td>31,115</td><td>31,960</td><td>22,906</td><td>19,210</td></tr><tr><td>Loans and borrowings</td><td>(232,858)</td><td>(231,360)</td><td>(242,108)</td><td>(233,400)</td><td>(233,743)</td></tr><tr><td>Derivative financial instruments</td><td>(11,332)</td><td>(5,104)</td><td>—</td><td>—</td><td>—</td></tr><tr><td>Other assets and liabilities</td><td>(8,022)</td><td>(10,404)</td><td>(4,615)</td><td>(2,989)</td><td>(2,033)</td></tr><tr><td><b>Net assets</b></td><td><b>206,887</b></td><td><b>196,110</b></td><td><b>180,240</b></td><td><b>169,416</b></td><td><b>180,304</b></td></tr><tr><td>Net asset value per share (pence)</td><td>60</td><td>57</td><td>52</td><td>49</td><td>50</td></tr><tr><td>EPRA net asset value per share (pence)</td><td>63</td><td>58</td><td>52</td><td>49</td><td>50</td></tr></table> <p>The Group's operating profit, before movements on investments, for the financial periods ended 31 December 2010, 31 March 2012 (a 15 month period) and 31 March 2013 was £23.070 million, £28.526 million and £26.549 million respectively. The relative increase over this period is, in part, because of a reduction in management expenses, following internalisation of the Group's investment management team at the start of 2012. For the six month periods ended 30 September 2012 and 30 September 2013 the Group's operating profit, before investment movements, was £13.072 million and £12.017 million respectively. This decrease was principally due to an increase in the Group's vacancy rate over that period.</p> <p>The Group's profit/(loss) after tax has fluctuated between a loss of £14.607 million for the year ended 31 March 2013 to a profit of £31.581 million for the year ended 31 December 2010. This variance is mainly due to the inclusion of changes in fair value of the Group's investment properties in the Income Statement, which have been in line with movements in the wider UK commercial property market. The profit in the year ended 31 December 2010 was also impacted by gains arising from the acquisition of Rugby Estates Investment Trust plc in that year.</p> <p>The Group's income profit after tax, excluding revaluation movements and other capital items, has remained at a more consistent level, being £14.238 million, £14.237 million and £14.717 million for the financial periods ended 31 December 2010, 31 March 2012 and 31 March 2013 respectively. The income profit for the six month periods ended 30 September 2012 and 30 September 2013 was £6.929 million and £6.335 million respectively.</p> <p>The Group's net assets have fallen from £206.887 million at 31 December 2010 to £180.304 million at 30 September 2013, principally due to the revaluation of the Group's investment property portfolio as stated above.</p> <p>Save for the placing of 22.2 million Ordinary Shares on 27 November 2013 and the increase in property values from £401.14 million as at 30 September 2013 to £423.02 million as at 31 March 2014, there has been no significant change in the financial condition or the operating results of the Group since 30 September 2013, being the end of the last financial period for which unaudited interim financial information has been published.</p>		31 Dec 2010 £000	31 Mar 2012 £000	30 Sep 2012 £000	31 Mar 2013 £000	30 Sep 2013 £000	Investment properties	424,260	411,744	394,891	382,729	396,708	Tangible assets	—	119	112	170	162	Cash and cash equivalents	34,839	31,115	31,960	22,906	19,210	Loans and borrowings	(232,858)	(231,360)	(242,108)	(233,400)	(233,743)	Derivative financial instruments	(11,332)	(5,104)	—	—	—	Other assets and liabilities	(8,022)	(10,404)	(4,615)	(2,989)	(2,033)	<b>Net assets</b>	<b>206,887</b>	<b>196,110</b>	<b>180,240</b>	<b>169,416</b>	<b>180,304</b>	Net asset value per share (pence)	60	57	52	49	50	EPRA net asset value per share (pence)	63	58	52	49	50
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B8	Pro Forma Information	Not applicable. No <i>pro forma</i> financial information has been included in this document.																																																												

B9	Profit estimate	Not applicable. No profit forecast or estimate made.
B10	Audit report qualifications	Not applicable. The audit reports on the historical financial information of the Company contained within this document are not qualified.
B11	Working capital sufficiency	The Company is of the opinion that the working capital available to the Company and its subsidiaries is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.
B34	Investment policy	<p>The Company's investment objective is to provide its Shareholders with an attractive level of income together with the potential for capital growth from directly or indirectly investing in a diversified portfolio of UK, Isle of Man and Channel Islands property.</p> <p><i>The Company's Investment Policy</i></p> <p>Subject to certain investment restrictions summarised below, the Company's investment policy is to invest in five commercial property sectors: office, retail, retail warehousing, industrial and leisure but may also include a limited number of properties where the primary use is residential. The Company may invest in real estate derivative instruments or the debt securities of other real estate issuers. The Company may also invest in other property funds.</p> <p>In addition, the Company, through its subsidiaries may provide investment management and advisory services to third party clients in relation to investment in UK, Isle of Man and Channel Islands property. The Group may invest into property funds or alongside other third party clients managed or advised under such arrangements.</p> <p>The Company's key investment restrictions can be summarised as follows:</p> <ul style="list-style-type: none"> <li>● no single property (including all adjacent or contiguous properties) shall, at the time of acquisition, constitute more than 15 per cent. of the Gross Assets, consolidated where applicable;</li> <li>● income receivable from any single tenant, or tenants within the same group, in any one financial year shall not exceed 20 per cent. of the total rental income of the Group in that financial year;</li> <li>● at least 90 per cent. by value of properties held by the Group shall be in the form of freehold or long leasehold properties or the equivalent;</li> <li>● the Group shall not invest more than 10 per cent. of its Gross Assets in residential property. For this purpose, the Group views student and key worker accommodation as commercial property where there is a single overriding lease to a single covenant or a guarantee for a period in excess of one year;</li> <li>● the Group shall not invest more than 10 per cent. of its Gross Assets in real estate derivative instruments or the debt securities of other real estate issuers (excluding debt securities issued by the Company's own subsidiaries);</li> <li>● the Group shall not invest more than 20 per cent. of its Gross Assets in other property investment funds, save for funds wholly owned within the Group. This restriction shall not apply to special purpose vehicles and joint ventures;</li> <li>● distributable income will be principally derived from investment. Neither the Company nor any member of the Group will undertake a trading activity which is significant in the context of the Group as a whole;</li> </ul>



B35	Borrowing/leverage limits	The Group has the ability to borrow up to 65 per cent. of its Gross Assets (calculated on the date of drawdown).
B36	Regulatory status	<p>The Company is an authorised closed-ended collective investment scheme regulated by the Guernsey Financial Services Commission (the <b>Commission</b>) under the Authorised Closed-Ended Investment Schemes Rules 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). Authorised schemes are regulated by the Commission insofar as they are required to comply with the requirements of the Rules, including requirements to notify the Commission of certain events and the disclosure requirements thereunder. Notification of the Initial Offers and the Placing Programme has been made to the Commission.</p> <p>Following the AIFM Directive coming into force on 22 July 2013, the Company is categorised as an internally managed non-EU AIF. As such, neither the Company nor the Investment Adviser is required to be authorised as an alternative investment fund manager under the AIFM Directive.</p>
B37	Investor profile	Typical investors in the Company are expected to be institutional and sophisticated investors and private clients of wealth management firms. The New Ordinary Shares are only suitable for investors who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company, for whom an investment in New Ordinary Shares is part of a diversified investment programme and who fully understand and are willing to assume the risks involved in such an investment programme.
B38	Investments	Not applicable. The Group has not invested more than 20 per cent. of its Gross Assets in a single asset or collective investment undertaking.
B39	Investments	Not applicable. The Group has not invested more than 40 per cent. of its Gross Assets in a single asset or collective investment undertaking.
B40 B41	Service providers	<p><b>Administrator and Company Secretary</b></p> <p>The Company's administrator and company secretary is Northern Trust International Fund Administration Services (Guernsey) Limited (the <b>Administrator</b>).</p> <p>The fee payable for providing these services is an annual fee of £150,000. The Company shall also reimburse the Administrator in respect of all out-of-pocket expenses and disbursements properly incurred by the Administrator on behalf of the Company.</p> <p><b>Registrar</b></p> <p>The Company has appointed Computershare Investor Services (Guernsey) Limited (the <b>Registrar</b>) as registrar in relation to the transfer and settlement of the Shares held in certificated and uncertificated form and other associated services.</p> <p>The Registrar is entitled to be paid a minimum annual fee of £6,180 for registers with less than 500 shareholders, or £7,725 for registers with more than 500 shareholders payable quarterly in arrears and exclusive of any applicable taxes. The Registrar shall also be reimbursed any out-of-pocket expenses properly incurred in connection with the services and is entitled to charge the Company additional fees for any additional services.</p>



		<p><b>Receiving Agent and UK Transfer Agent</b></p> <p>The Company retains Computershare Investor Services PLC as Receiving Agent in relation to the Capital Raise.</p> <p><b>Property Manager</b></p> <p>CBRE Limited provides property management services to those subsidiary undertakings of the Company holding properties pursuant to property management agreements between such subsidiary undertakings and CBRE Limited. Such property management services include regular inspections of the properties, arranging for the demand and collection of rent, administering service charge funds and ensuring that the landlord’s lease obligations to the tenants are fulfilled. Each agreement continues until terminated and may be terminated on 3 months’ notice by either party.</p> <p>The fees payable for the provision of the services are specified in each agreement on a property-by-property basis.</p>																																												
B42	NAV	The Company publishes its NAV on a quarterly basis through a RIS. This quarterly NAV is unaudited and is calculated under IFRS.																																												
B43	Umbrella collective investment undertaking	Not applicable. The Company is not an umbrella collective investment undertaking.																																												
B45	Portfolio	<p>The Group’s property portfolio consists of 57 properties with an aggregate value as at 31 March 2014, the date of the most recent valuation, of £423.02 million.</p> <p>A summary of the largest properties in the Group’s portfolio (as at the Latest Practicable Date) representing, in aggregate, 50 per cent. of the portfolio by capital value, and ranked in order of capital value, is set out below:</p> <table><tr><th>Location</th><th>Property</th><th>Sector</th><th>Net Passing Rent per annum (£)</th></tr><tr><td>Radlett</td><td>Parkbury Industrial Estate</td><td>Industrial</td><td>2,506,373</td></tr><tr><td>Harlow</td><td>Units A-G, River Way Industrial Estate</td><td>Industrial</td><td>2,420,182</td></tr><tr><td>London</td><td>Stanford House, 12/14, Long Acre, WC2</td><td>Retail</td><td>1,291,288</td></tr><tr><td>London</td><td>Angel Gate Office Village, EC1V</td><td>Offices</td><td>953,056</td></tr><tr><td>London</td><td>50 Farringdon Road, EC1</td><td>Offices</td><td>1,029,036</td></tr><tr><td>London</td><td>Boundary House, 7-17, Jewry Street, EC3</td><td>Offices</td><td>709,806</td></tr><tr><td>Swansea</td><td>Phase II, Parc Tawe</td><td>Retail warehouse</td><td>1,273,401</td></tr><tr><td>London</td><td>1 Chancery Lane, EC4</td><td>Offices</td><td>688,123</td></tr><tr><td>Colchester</td><td>Colchester Business Park</td><td>Offices</td><td>1,124,951</td></tr><tr><td>Grantham</td><td>GBS Unit, Trent Road</td><td>Industrial</td><td>1,000,000</td></tr></table> <p>All of the information included above, which is unaudited, has been extracted from, or is based upon, the independent valuation of the Group’s property portfolio as at 31 March 2014, save for the Grantham property, which was acquired by the Group on 4 April 2014 for £11.48 million.</p>	Location	Property	Sector	Net Passing Rent per annum (£)	Radlett	Parkbury Industrial Estate	Industrial	2,506,373	Harlow	Units A-G, River Way Industrial Estate	Industrial	2,420,182	London	Stanford House, 12/14, Long Acre, WC2	Retail	1,291,288	London	Angel Gate Office Village, EC1V	Offices	953,056	London	50 Farringdon Road, EC1	Offices	1,029,036	London	Boundary House, 7-17, Jewry Street, EC3	Offices	709,806	Swansea	Phase II, Parc Tawe	Retail warehouse	1,273,401	London	1 Chancery Lane, EC4	Offices	688,123	Colchester	Colchester Business Park	Offices	1,124,951	Grantham	GBS Unit, Trent Road	Industrial	1,000,000
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		<p>The regional and sectoral weightings of the Group’s property portfolio as a percentage of capital value can be summarised as follows:</p> <table><tr><td></td><td><u>Industrial (%)</u></td><td><u>Offices (%)</u></td><td><u>Retail (%)</u></td><td><u>Leisure (%)</u></td><td><u>Total (%)</u></td></tr><tr><td>Central &amp; Greater London</td><td>4.2</td><td>18.1</td><td>7.0</td><td>0.0</td><td>29.4</td></tr><tr><td>South East</td><td>24.5</td><td>8.6</td><td>0.6</td><td>1.4</td><td>35.1</td></tr><tr><td>Rest of UK</td><td>11.8</td><td>5.2</td><td>16.6</td><td>1.8</td><td>35.5</td></tr><tr><td><b>TOTAL</b></td><td><u><b>40.5</b></u></td><td><u><b>32.0</b></u></td><td><u><b>24.0</b></u></td><td><u><b>3.2</b></u></td><td><u><b>100</b></u></td></tr></table>		<u>Industrial (%)</u>	<u>Offices (%)</u>	<u>Retail (%)</u>	<u>Leisure (%)</u>	<u>Total (%)</u>	Central & Greater London	4.2	18.1	7.0	0.0	29.4	South East	24.5	8.6	0.6	1.4	35.1	Rest of UK	11.8	5.2	16.6	1.8	35.5	<b>TOTAL</b>	<u><b>40.5</b></u>	<u><b>32.0</b></u>	<u><b>24.0</b></u>	<u><b>3.2</b></u>	<u><b>100</b></u>
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B46	NAV per Ordinary Share	The Company’s most recent published (unaudited) NAV was as at 31 March 2014 and was £214.1 million, reflecting approximately 56.4 pence per Ordinary Share.																														
<b>SECTION C – SECURITIES</b>																																
C1	Offer details/Admission	<p><b>The Initial Offers</b></p> <p>The Company intends to issue New Ordinary Shares of no par value in the capital of the Company. The ISIN of the New Ordinary Shares is GB00BOLCW208 and the SEDOL is BOLCW20.</p> <p><b>The Placing Programme</b></p> <p>The Company intends to issue New Ordinary Shares of no par value pursuant to the Placing Programme.</p>																														
C2	Currency of the Capital Raise	The currency denomination of the Capital Raise is Sterling.																														
C3	Issued Shares	As at the close of business on the Latest Practicable Date, the Company had 379,869,729 Ordinary Shares of no par value in issue.																														
C4	Rights attaching to securities	<p><b>The Ordinary Shares</b></p> <p>The Ordinary Shares carry rights to receive notice of and vote at general meetings of the Company. Holders of Ordinary Shares are entitled to participate in a winding-up of the Company in relation to the Ordinary Share surplus and are entitled to receive such dividends as the Directors may resolve to pay to such holders out of the Company’s assets attributable to the Ordinary Shares (as determined by the Directors). The Ordinary Shares carry no right of redemption.</p> <p><b>The New Ordinary Shares</b></p> <p>The New Ordinary Shares will rank <i>pari passu</i> with the Existing Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid by or on the Ordinary Shares by reference to a record date prior to the issue of the relevant New Ordinary Shares). Investors subscribing for New Ordinary Shares under the Capital Raise will not be entitled to receive any dividend for the period from 1 January 2014 to 31 March 2014.</p>																														

C5	Restrictions on transferability	Not applicable. There are no restrictions on the free transferability of the Ordinary Shares.
C6	Applications for admission	<p>Applications will be made to the UK Listing Authority for the New Ordinary Shares to be issued pursuant to the Capital Raise to be admitted to the premium segment of the Official List and to the London Stock Exchange for such New Ordinary Shares to be admitted to trading on its Main Market (<b>Initial Admission</b>). It is expected that Initial Admission will occur, and that dealings in the New Ordinary Shares issued pursuant to the Initial Offers will commence at 8.00 a.m. on 23 May 2014.</p> <p>Applications will be made for all the New Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the Official List of the UK Listing Authority (premium segment) and to trading on the London Stock Exchange's main market for listed securities (each a <b>Subsequent Admission</b>). It is expected that the Subsequent Admissions will occur, and that dealings in the New Ordinary Shares will commence, during the period from 23 May 2014 to 30 April 2015.</p>
C7	Dividend policy	Dividends on the Ordinary Shares are expected to be paid in respect of each financial year in quarterly installments in February, May, August and November. All dividends will be paid as interim dividends.
<b>SECTION D – RISKS</b>		
D1	Key information on the key risks specific to the issuer or its industry	<p><b><i>The valuation of the Group's properties may not reflect their actual sale price</i></b></p> <p>Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. There is no assurance that the valuations of the properties will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.</p> <p><b><i>Changes in general economic conditions, fluctuations in the value and rental income of properties</i></b></p> <p>Rental income and the market value of the Group's properties may be adversely affected by a number of the following factors: the overall economic conditions, local real estate conditions, the Group's ability to develop and redevelop its properties in order to maximise returns on investment, the financial condition of the Group's tenants, high or increasing vacancy rates, changes in laws and governmental regulations, potential environmental or other legal liabilities, availability of financing and changes in interest rates.</p> <p><b><i>Rental income and defaults</i></b></p> <p>In the event of a default by a tenant or during any other void period, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let.</p> <p><b><i>Dependency on tenants, ability to continue to lease properties on economically favourable terms and tenant default</i></b></p> <p>The Group's performance depends on its ability to lease space in its properties on economically favourable terms. Results of operations may be adversely affected if a significant number of tenants are or a major tenant is unable to meet their obligations under their leases or if there is a decrease in demand for vacant properties so that the Group is unable to find new tenants at economically favourable rental prices.</p>

		<p><b><i>Lack of funding for future tenant improvements</i></b></p> <p>While the Group intends to manage its cash position or financing availability to pay for any improvements or other benefits required for reletting and to meet the loss of revenue that may result, the Group cannot be certain that it will have adequate sources of funding available to it for such purposes in the future.</p> <p><b><i>Inability to sell a property</i></b></p> <p>The Company cannot predict whether the Group will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. Nor can the Group predict the length of time needed to find a willing purchaser and to complete the sale of a property.</p>
D3	Key information on the key risks specific to the securities	<p><b><i>Effect of gearing</i></b></p> <p>Prospective investors should be aware that, whilst the use of borrowings should enhance the NAV where the value of the Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Group's property portfolio falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such a fall on the net revenue of the Group and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders.</p> <p><b><i>Market value of New Ordinary Shares</i></b></p> <p>The market value of, and the income derived from, the New Ordinary Shares can fluctuate. Investors may not get back the full value of their investment. The market value of the New Ordinary Shares, as well as being affected by their NAV, also takes into account their dividend yield and prevailing interest rates. As such, the market value of New Ordinary Share may vary considerably from its underlying NAV.</p> <p><b><i>Liquidity</i></b></p> <p>There can be no guarantee that a liquid market in the New Ordinary Shares will exist. Accordingly, Shareholders may be unable to realise their Ordinary Shares at the quoted market price (or at the prevailing NAV per Ordinary Share), or at all.</p> <p><b><i>Net Assets attributable to Ordinary Shares</i></b></p> <p>The Company's capital structure is such that the net assets attributable to the Ordinary Shares depend on the underlying performance of the Company's assets and the amount of its borrowings. The Ordinary Shares are geared by loan facilities. A positive NAV per Ordinary Share is dependent upon the Company's assets being sufficient to meet prior entitlements.</p> <p>The Ordinary Shares rank for repayment of capital after any bank or debt finance in the event of a winding up of the Group.</p> <p>Dividends on the Ordinary Shares depend on rental and other income returns on the Group's property portfolio, which may reduce. The income derived from Ordinary Shares (if any) can go down as well as up.</p>

		<p><b>NAV per Ordinary Share</b></p> <p>The NAV per Ordinary Share is calculated as set out on page 52 of this document. The Group's published NAV per Ordinary Share is adjusted from the NAV per Ordinary Share under the International Accounting Standards. It also does not necessarily reflect the realisable value per Ordinary Share of the Group's assets.</p>
<b>SECTION E – THE OFFER</b>		
E1	Net proceeds and expenses	<p>The maximum aggregate number of New Ordinary Shares that may be issued under the Capital Raise is 170 million.</p> <p>The Net Proceeds of the Capital Raise are dependent on the number of New Ordinary Shares issued pursuant to the Capital Raise.</p> <p>The maximum aggregate number of New Ordinary Shares that may be issued under the Initial Offers is 59,322,034. Assuming the Initial Offers are fully subscribed, the Company would raise £35 million of Gross Proceeds from the Initial Offers. After deducting expenses (including any commission) of approximately £1.2 million, the net proceeds of the Initial Offers, would be approximately £33.8 million.</p> <p>The net proceeds of the Placing Programme are dependent on both: (i) the aggregate number of New Ordinary Shares made available pursuant to the Placing Programme; and (iii) the applicable Subsequent Placing Price(s).</p> <p>Assuming: (i) the Initial Offers are fully subscribed; (ii) the Company issues or sells the maximum number of New Ordinary Shares available for issue or sale under the Placing Programme; and (iii) a Subsequent Placing Price of 59 pence, the Company would raise £65.3 million of Gross Proceeds from the Placing Programme. After deducting expenses (including any commission) of approximately £0.9 million, the net proceeds of the Placing Programme would be approximately £64.4 million.</p>
E2	Reasons for the Offer and Use of Proceeds	<p><b>Benefits of the Capital Raise</b></p> <p>The Directors believe that the Capital Raise will have the following benefits:</p> <ul style="list-style-type: none"> <li>● providing additional capital will enable the Company to benefit from current investment opportunities in the market and within the Group's existing investment portfolio;</li> <li>● the expected accretive yield on new investments should lead to growth in net income which in turn is likely to lead to an enhancement in NAV growth or the potential for an increase in the underlying dividend paid by the Group;</li> <li>● enhancing the NAV per Ordinary Share of Existing Ordinary Shares through new share issues at a premium to NAV per Ordinary Share;</li> <li>● providing a larger equity base over which the fixed costs of the Company may be spread, thereby reducing the Company's on-going expense ratio and increasing returns to Shareholders;</li> <li>● a reduction in the Group's gearing ratio and stronger balance sheet, which would enable the Group to access more favourable debt funding in the future, and in particular ahead of the 2016 ZDP refinancing;</li> <li>● providing the ability to increase the asset base outside the existing security pools to increase the flexibility around future investment</li> </ul>

		<p>and debt financing and, in particular, the ability to access further secured debt financing;</p> <ul style="list-style-type: none"> <li>● employing a placing programme will minimise cash drag and to match the capital requirements of the Company as investment opportunities arise over the next 12 months;</li> <li>● the Capital Raise allows new investors to invest in the Company and is thereby expected to enhance liquidity in the Ordinary Shares;</li> <li>● increases the market capitalisation of the Company, potentially increasing the scope for further institutional investment in the Company and improving the secondary market liquidity of the Ordinary Shares.</li> </ul> <p><b>Use of Proceeds</b></p> <p>The Board intends to use the Net Proceeds to finance further property acquisitions in accordance with the Group's investment policy, finance capital projects within its existing portfolio and for general corporate purposes. Of the £33.8 million net proceeds from the Initial Offers, approximately 75 per cent. is expected to be put towards property acquisitions with the remainder to be utilised within the existing portfolio.</p> <p>The Group intends to use the Net Proceeds in excess of the amounts referred to above to finance further property acquisitions in accordance with its investment policy. The Group's geographic and asset diversity enables it to consider a wide choice of investment opportunities across the property market and as such the Board believes it should have good access to deal flow.</p> <p>Within this framework, acquisitions will be made on an opportunistic basis, acquiring assets with strong property fundamentals and which will meet the Group's investment objective in the short to medium term. The Group's investment of the net proceeds should be income accretive for shareholders and is expected to improve the income profile within the property portfolio as well as providing further asset and income diversification. Additionally, it is expected that the investment of the net proceeds will continue to increase the average lot size within its portfolio, whilst providing further opportunities to enhance both the income and/or capital position through active portfolio management.</p> <p>The Group has identified approximately £5 million of capital projects within the existing portfolio, including further office led refurbishments in Croydon, Angel Gate, Fleet, Glasgow and Chester which are aimed at enhancing the quality of assets, with a view to improving letting prospects and achieving enhanced rental levels on lettings.</p> <p>In addition, the Group is also considering other opportunities within the portfolio, where there may be further potential to create additional value including where "special purchaser" status may allow the Group to benefit from off-market opportunities and the creation of valuation synergies. In addition to the money spent on capital projects, the Group also intends to use approximately £4 million of the Net Proceeds for general corporate purposes.</p>
E3	Terms and conditions	<p><b>Offer for Subscription</b></p> <p>An application for New Ordinary Shares pursuant to the Offer for Subscription must be made on the Application Form. By signing the Application Form, an investor offers to subscribe for such number of New Ordinary Shares at the Issue Price as may be purchased for the subscription amount specified in the Application Form.</p>



		<p>The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription are conditional on: (i) Initial Admission occurring at 8.00 a.m. on 23 May 2014 (or such later time or date, not being later than 30 June 2014, as the Company, J.P. Morgan and Oriel Securities may agree); and (ii) the Resolution in connection with the Capital Raise being passed at the EGM.</p> <p><b>Initial Placing and Placing Programme</b></p> <p>Under the Placing Agreement, each of J.P. Morgan and Oriel Securities has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the New Ordinary Shares to be made available in the Initial Placing and pursuant to the Placing Programme.</p> <p>The obligations of J.P. Morgan and Oriel Securities under the Placing Agreement to use reasonable endeavours to procure places for New Ordinary Shares under the Initial Placing and each Subsequent Placing are conditional on: (a) in the case of the Initial Placing, Initial Admission occurring at 8.00 a.m. on 23 May 2014, (or such other time or date, not being later than 30 June 2014 as the Company, J.P. Morgan and Oriel Securities may agree); (b) in the case of each Subsequent Placing, the Subsequent Admission occurring on such time and date as the Company, J.P. Morgan and Oriel Securities may agree prior to the closing of that Subsequent Placing, not being later than 30 April 2015; (c) the Resolution in connection with the Capital Raise being passed at the EGM; and (d) the Placing Agreement becoming otherwise unconditional in respect of the Initial Placing or the Subsequent Placing, and not being terminated in accordance with its terms before the Initial Admission or Subsequent Admission (as applicable) becomes effective.</p>
E4	Material interests	Other than as disclosed in Element B.6, there are no material interests to the Capital Raise.
E5	Sellers	The New Ordinary Shares are being offered by the Company. There are no lock-up agreements.
E6	Dilution	<p>The percentage holding of an Existing Shareholder will be diluted to the extent that they do not participate in the Capital Raise <i>pro rata</i> to their current shareholding, for example by not participating in the Initial Placing and the Offer for Subscription and each Subsequent Placing under the Placing Programme in each case <i>pro rata</i> to their then current shareholding.</p> <p>If 170 million New Ordinary Shares are issued pursuant to the Capital Raise (being the maximum number of New Ordinary Shares the Directors will be authorised to issue under the Capital Raise) an Existing Shareholder holding Existing Ordinary Shares representing 10 per cent. of the Company's issued share capital and not subscribing for any New Ordinary Shares under the Capital Raise would, ignoring any dilution as a result of the Capital Raise, hold 6.9 per cent. of the Company following the Capital Raise.</p>
E7	Expenses	<p><b>The Initial Offers</b></p> <p>Assuming that the Initial Offers are subscribed up to the maximum of 59,322,034, the Gross Proceeds would be £35 million and the Net Proceeds, after deducting expenses (including any commission) of approximately £1.2 million, would be approximately £33.8 million. The</p>



		<p>expenses of the Initial Offers will be borne by the Company. No additional expenses will be charged to Placees under the Initial Placing or to applicants under the Offer for Subscription.</p> <p><b>The Placing Programme</b></p> <p>Assuming: (i) the Initial Offers are fully subscribed; (ii) the Company issues or sells the maximum number of New Ordinary Shares available for issue or sale under the Placing Programme and (iii) a Subsequent Placing Price of 59 pence, the Company would raise £65.3 million of Gross Proceeds from the Placing Programme. After deducting expenses (including any commission) of approximately £0.9 million, the net proceeds of the Placing Programme would be approximately £64.4 million. No additional expenses will be charged to the Placees under the Placing Programme.</p>
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## RISK FACTORS

You should consider carefully the risks set out below and the other information contained in this document with respect to the Group, the Company and the New Ordinary Shares. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Company and the Group, which, in turn, could have a material adverse effect on the amount which investors will receive in respect of the New Ordinary Shares. In addition, each of the risks highlighted below could adversely affect the trading price of the New Ordinary Shares and, as a result, investors could lose some or all of their investment.

You should note that the risks described below are not the only risks the Company and the Group face. Described below are only those risks relating to the Company and the Group that are considered to be material. There may be additional risks that the Company and the Group currently consider not to be material or of which the Company or the Group is not currently aware, and any of these risks could have the effects set out above.

An investment in the New Ordinary Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount of their investment) that may result from such an investment. An investment in the New Ordinary Shares should constitute part of a diversified investment portfolio.

You should read this document in its entirety, together with the documents incorporated by reference herein. Investing in the New Ordinary Shares involves certain risks. You should consider the following:

### 1 RISKS RELATING TO THE GROUP AND THE NEW ORDINARY SHARES

#### ***Dependence on investment management team and Board***

The Company's ability to achieve its investment objectives is partially dependent on the performance of the Group's investment management team (details of which are set out in Part 2 of this document) in the acquisition and disposal of properties, the management of such properties and the determination of any financing arrangements. The Company's Board monitors the performance of the investment management team, but the management team's performance cannot be guaranteed.

Furthermore there is no certainty that key members of the investment management team (Michael Morris, Andrew Dewhirst, Jay Cable and Fraser D'Arcy) will continue to be employed by the Group and the Group may have difficulty recruiting suitable replacements.

#### ***Effect of gearing***

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

#### ***Loan Facilities***

The Group in part funds its strategy of investment in its property portfolio by way of its two Loan Facilities. These Loan Facilities contain certain financial covenants, including the gearing ratio and LTV ratio, that would be adversely affected by loss of net rental income and reductions in value of properties. A significant reduction in net rental income or the value of the Group's investment properties could then result in a breach of the related financial covenants in the Group's Loan Facilities.

If the Group was to breach any of the financial covenants in the Loan Facilities or if either of the Group's bank lenders determines that there has been a material adverse change in the financial position or business of the Group, an event of default could be declared under the provisions of the Group's Loan Facilities.

This could in turn result in the acceleration of the Group's obligations to repay those borrowings. In order to avoid or remedy such a default, the Group could be forced to sell investment properties in potentially unfavourable market conditions.

In addition, the Group has granted security over a significant proportion of its properties pursuant to its banking facilities. If the Group fails to make payments, fails to perform or comply with other covenants where such failure has or could reasonably be expected to have a material adverse effect on the Group's ability to meet a payment obligation, the lenders may enforce their security. Any such enforcement action could have a material adverse effect on the Group's business, financial condition, results of operations, reputation and/or future prospects.

Compliance with financial covenants is closely monitored by the Board as part of the Company's financial planning. The Group is currently in compliance with all of its financial covenants and retains significant headroom should there be an overall decline in the capital values of the Group's portfolio properties.

Further details about the Group's banking facilities are set out in paragraph 9.1 of Part 7 (General Information) of this document.

***Access to debt financing in the future will depend on suitable market conditions***

The Group is dependent upon access to debt funding to maintain and grow its property portfolio. The Group's existing loan facilities and ZDP Shares are due for renewal on 15 October 2016, 20 July 2022, 24 July 2027 and 24 July 2032. Unfavourable credit market conditions prevailing at those times and at the point of subsequent renewals could inhibit the Group's ability to rollover or refinance its banking facilities or mean that the Group can only obtain new sources of finance at a higher cost or on more restrictive terms.

***Market value of New Ordinary Shares***

The market value of, and the income derived from, the New Ordinary Shares can fluctuate. Investors may not get back the full value of their investment. The market value of the New Ordinary Shares, as well as being affected by their NAV, also takes into account their dividend yield and prevailing interest rates. As such, the market value of a New Ordinary Share may vary considerably from its underlying NAV and the Issue Price.

***Dividends***

Dividend growth on the New Ordinary Shares will depend principally on growth in income received from the underlying assets and from assets acquired with the proceeds of the Capital Raise.

There is no guarantee that any dividends will be paid. In the absence of rental and capital growth the dividend policy of the Company might lead to erosion of capital.

If, under Guernsey law there was to be a change to the basis on which dividends could be paid by Guernsey companies, or if there were changes to accounting standards or the interpretation of accounting standards, this could have a negative effect on the Company's ability to pay dividends.

***The issue of New Ordinary Shares pursuant to the Capital Raise will dilute the holdings of Existing Shareholders.***

The issue of New Ordinary Shares pursuant to the Capital Raise will dilute the voting rights of the current holders of Existing Ordinary Shares (as a proportion of all voting rights). Furthermore, the possibility of the issue of New Ordinary Shares, pursuant to the Placing Programme may cause the market price of Existing Ordinary Shares to decline although New Ordinary Shares will only be issued pursuant to the Placing Programme at prices greater than the prevailing Net Asset Value per Ordinary Share and therefore will be accretive to the Net Asset Value per Ordinary Share.

***Net Assets attributable to Ordinary Shares***

The Company's capital structure is such that the net assets attributable to the Ordinary Shares depend on the underlying performance of the Company's assets and the amount of its borrowings. The Ordinary Shares are geared by loan facilities. A positive NAV per Ordinary Share is dependent upon the Company's assets being sufficient to meet prior entitlements.

The Ordinary Shares rank for repayment of capital after any bank or debt finance in the event of a winding up of the Group.

Dividends on the Ordinary Shares depend on rental and other income returns on the Group's property portfolio, which may reduce. The income derived from Ordinary Shares (if any) can go down as well as up.

### ***NAV per Ordinary Share***

The NAV per Ordinary Share is calculated as set out on page 52 of this document. The Group's published NAV per Ordinary Share is adjusted from the NAV per Ordinary Share under the International Accounting Standards. It also does not necessarily reflect the realisable value per Ordinary Share of the Group's assets.

### ***Future shares or share buy backs could dilute the interests of the Shareholders and lower the price of the Ordinary Shares***

The Company may issue additional shares in future public offerings or private placements which may dilute existing investors' interests in the Company. In addition, the issue of additional shares by the Company or the possibility of such issue, may cause the market price of the Ordinary Shares to decline. Furthermore, such additional shares may be of a class ranking in priority to the Ordinary Shares in respect of distribution or other rights which may change the risk reward characteristics and reduce the value of the Ordinary Shares.

### ***Overseas Shareholders may be subject to exchange rate risks***

The Ordinary Shares are priced in Sterling, and will be quoted and traded in Sterling. In addition, any dividends the Company may pay will be declared and paid in Sterling. Accordingly, holders of Ordinary Shares resident outside the UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against Sterling, which may reduce the value of the New Ordinary Shares, as well as that of any dividends paid.

## **2 RISKS RELATING TO THE GROUP'S PROPERTIES**

### ***The valuation of the Group's properties may not reflect their actual sale price***

Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. As a result, valuations are subject to uncertainty. The reports in Part 4 (Valuation Report) of this document are made on the basis of certain assumptions which may not prove to reflect the true position. There is no assurance that the valuations of the properties will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.

### ***Changes in general economic conditions, fluctuations in the value and rental income of properties***

Returns from an investment in certain of the Group's properties depend largely upon the amount of rental income generated from the properties and the expenses incurred in the operations, including the management and maintenance of the properties as well as changes in the market value of the properties.

Rental income and the market value of the Group's properties may be adversely affected by a number of the following factors:

- the overall conditions in the national and local economies in which the Group operates, such as growth or contraction in gross domestic product, employment trends, consumer sentiment and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for and supply of commercial space;
- the Group's ability to develop and redevelop its properties in order to maximise returns on investment from both increased rental income and capital appreciation of the asset;
- the perception of prospective tenants of the attractiveness, convenience and safety of the properties;
- the financial condition of the Group's tenants;
- high or increasing vacancy rates;
- external factors including major world events such as war or "acts of God" such as floods and earthquakes;
- changes in laws and governmental regulations;
- potential environmental or other legal liabilities;
- unforeseen capital expenditures;
- availability of financing; and

- changes in interest rates.

#### ***Rental income and defaults***

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

Certain of the Group's properties may have some level of vacancy. Certain of the Group's properties may be suited to the particular needs of a specific tenant. The Group may have difficulty in obtaining a new tenant for any vacant space it has in its properties. If the vacancy continues for a longer period of time, the Group may suffer reduced revenues resulting in less cash available from ordinary operations. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

#### ***Dependency on tenants, ability to continue to lease properties on economically favourable terms and tenant default***

The Group's performance depends on its ability to lease space in its properties on economically favourable terms of the Group. Results of operations may be adversely affected if a significant number of tenants are, or a major tenant is, unable to meet their obligations under their leases or if there is a decrease in demand for vacant properties so that the Group is unable to find new tenants at economically favourable rental prices.

Certain of the Group's properties are occupied by a single tenant. Therefore, the success of those properties will depend on the financial stability of that tenant or of that tenant remaining a tenant. Lease payment defaults by tenants or the termination of a lease with a major tenant will cause the Group to suffer reduced revenue. A default by a tenant on its lease payments could force the Group to meet that tenant's costs relating to this property. In the event of a tenant default, the Group may experience delays in enforcing its rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting its investment and re-letting its property. If a lease is terminated, the Group may be unable to lease the property for the rent previously received for a long period or at all or to sell the property without incurring a loss.

#### ***Lack of funding for future property improvements***

When a tenant at one of the properties does not renew its lease or otherwise vacates its space in one of the properties, it is likely that, in order to attract one or more new tenants, the Group will be required to expend funds to make improvements in the vacated space or to provide financial inducements to the new tenants such as rent free periods. While the Group intends to manage its cash position or financing availability to pay for any improvements or other benefits required for reletting and to meet the loss of revenue that may result, the Group cannot be certain that it will have adequate sources of funding available to it for such purposes in the future.

#### ***Uninsured losses***

The Group will attempt to ensure that all of its properties are adequately insured to cover casualty losses. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events may be uninsurable or, in the Group's judgement, not insurable on a financially reasonable basis, or may not be insured at the replacement cost or may be subject to larger expenses. Changes in the cost or availability of insurance could expose the Group to uninsured casualty losses. In the event that any of the properties incurs a loss that is not fully covered by insurance, the value of the Group's assets will be reduced by any such uninsured loss. In addition, the Group may have no source of funding to repair or reconstruct the damaged property, and it cannot be certain that any such sources of funding will be available to it for such purposes in the future.

#### ***Discovery of previously undetected environmentally hazardous conditions***

Under various UK government environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also

may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, by private parties. The cost of defending environmental claims or of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the Group's business, assets or results of operations.

#### ***Inability to sell a property***

The property market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including investor/buyer supply and demand, that are beyond the Group's control. The Company cannot predict whether the Group will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. Nor can the Group predict the length of time needed to find a willing purchaser and to complete the sale of a property.

The Group may be required to expend funds to correct defects or to make improvements before a property can be sold. There can be no certainty that the Group will have funds available to correct such defects or to make such improvements.

#### ***Economic risk***

Any future property market recession could materially adversely affect the value of the Group's properties. Returns from an investment in property depend largely upon the amount of rental income generated from the property and the costs and expenses incurred in the maintenance and management of the property, as well as upon changes in its market value.

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates.

Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of such 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 Group's property portfolio.

#### ***Development of properties***

The Group may undertake limited development (including redevelopment) of properties or invest in properties that require refurbishment prior to renting. The principal risks of development or refurbishment are: (i) delays in timely completion of the project; (ii) cost overruns; (iii) poor quality workmanship; and (iv) inability to rent or inability to rent at a rental level sufficient to generate profits. The cost of any such delays or overruns or disputes and/or rectifying poor quality workmanship or inability to rent could adversely affect the Group's business, assets or results of operations and thereby its ability to pay a dividend in line with its dividend policy.

#### ***Competition with other participants in the real estate industry***

The Group faces competition from other United Kingdom and international property groups and other commercial organisations active in the property markets. The Group also faces the threat of new competitors emerging. Competition in the property market may lead to an oversupply of commercial premises through overdevelopment, to prices for existing properties or land for development being inflated through competing bids by potential purchasers or to the maximum rents to be achieved from existing properties being adversely impacted by an oversupply of commercial space. Accordingly, the existence of such competition may have a material adverse impact on the Group's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties or develop land at satisfactory cost.

### **3 RISKS RELATING TO REGULATION AND TAXATION**

#### ***Regulatory issues, changes in law and accounting standards***

The Group is subject to the usual business risk that there may be changes in laws that reduce its income or increase its costs. For example, there could be changes in retail tenancy laws that limit the Group's recovery of certain property operating expenses, changes or increases in real estate



taxes that cannot be recovered from the Group's tenants or changes in environmental laws that require significant capital expenditure.

The Group is subject to the usual business risk that there may be changes in laws and accounting standards as well as changes in the interpretation of such laws and accounting standards that may change the basis that the Group is required to use to prepare its financial statements, which may adversely affect the Group's reported earnings and reported financial performance.

#### ***Alternative Investment Fund Managers Directive***

The AIFM Directive seeks to regulate alternative investment fund managers and imposes obligations on managers who manage alternative investment funds in the EU or who market shares in such funds to EU investors. In order to obtain authorisation under the AIFM Directive, an AIFM would need 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 categorised as an internally managed non-EU AIFM for the purposes of the AIFM Directive and as such neither it nor the Investment Manager is required to seek authorisation under the AIFM Directive. However, following national transposition of the AIFM Directive in a given EU member state, the marketing of shares in AIFs that are established outside the EU (such as the Company) to investors in that EU member state will be prohibited unless certain conditions are met. Certain of these conditions are outside the Company's control as they are dependent on the regulators of the relevant third country (in this case Guernsey) and the relevant EU member state entering into regulatory co-operation agreements with one another.

The Company cannot guarantee that such conditions will be satisfied. In cases where the conditions are not satisfied, the ability of the Company to market its shares or raise further equity capital in the EU may be limited or removed. Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that limit the Company's ability to market future issues of its shares may materially adversely affect the Company's ability to carry out its investment policy successfully and to achieve its 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.

#### ***NMPI Regulations***

On 1 January 2014 the Unregulated Collective Investment Schemes and Close Substitutes Investment 2013 (the **NMPI Regulations**) came into force in the UK. The NMPI Regulations extend the application of the existing UK regime restricting the promotion of unregulated collective investment schemes to other "non-mainstream pooled investments", particularly to retail investors. Although previous consultations on the subject by the FCA had suggested entities like the Company would be excluded from the scope of the NMPI Regulations, the wording of the published NMPI Regulations does not make this clear. The Company currently conducts its affairs, and intends to continue to conduct its affairs, in such a manner that it would qualify for approval by HMRC as an investment trust if it were resident in the UK. As such the Company will be outside of the scope of the NMPI Regulations and will continue to be outside of the scope of the NMPI Regulations for such time as it continues to satisfy the conditions to qualify as an investment trust. If the Company is unable to meet those conditions in the future for any reason, consideration would be given to applying to the FCA for a waiver of the application of the NMPI Regulations in respect of the Company's shares.

If the Company ceases to conduct its affairs as to satisfy the non-UK investment trust exemption to the NMPI Regulations and the FCA does not otherwise grant a waiver, the ability of the Company to raise further capital from retail investors may be affected. In this regard, it should be noted that, whilst the publication and distribution of a prospectus (including this Prospectus) is exempt from the NMPI Regulations, other communications by "approved persons" could be restricted (subject to any exemptions or waivers).

#### ***Change in accounting standards, tax law and practice***

The anticipated taxation impact of the proposed structure of the Group and its underlying investments is based on prevailing taxation law and accounting practice and standards. Any change in the tax status of any member of the Group or any of its underlying investments or in tax



legislation or practice (including in relation to taxation rates and allowances) or in accounting standards could adversely affect the investment return of the Group.

### ***Taxation risks***

Representations in this document concerning the taxation of Shareholders and the Company are based on law and practice as at the date of this document. These are, in principle, subject to change and prospective investors should be aware that such changes may affect the Company's ability to generate returns for Shareholders and/or the taxation of such returns to Shareholders. If you are in any doubt as to your tax position you should consult an appropriate independent professional adviser.

Any change in the Company's tax status, or in taxation legislation or the taxation regime, or in the interpretation or application of taxation legislation applicable to the Company or the companies or assets comprised in the Company's investment portfolio, could affect the value of the investments held by the Company, the Company's ability to achieve its stated investment objective, the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders.

A number of countries have introduced beneficial tax and subsidy regimes to support the generation of renewable energy. In at least one instance this regime has been subject to retrospective change by the jurisdiction concerned. There is no guarantee such changes will not be introduced in the UK. Any such change could have a material adverse effect on the Group.

### ***Offshore funds***

Part 8 of the Taxation (International and Other Provisions) Act 2010 contains provision for the UK taxation of investors in offshore funds. Whilst the Company has been advised that it should not be treated as an offshore fund, it does not make any commitment to investors that it will not be treated as one. Investors should note the statements made in this document in respect of discount management and should not expect to realise their investment at a value calculated by reference to NAV per Ordinary Share.

### ***United States (U.S.) tax withholding and reporting under the Foreign Account Tax Compliance Act (FATCA)***

Under the FATCA provisions of the U.S. Hiring Incentives to Restore Employment (HIRE) Act, where the Company invests directly or indirectly in U.S. assets, payments to the Company of U.S.-source income after 31 December 2013, gross proceeds of sales of U.S. property by the Company after 31 December 2016 and certain other payments received by the Company after 31 December 2016 will be subject to 30 per cent. U.S. withholding tax unless the Company complies with FATCA. FATCA compliance can be achieved by entering into an agreement with the US Secretary of the Treasury under which the Company agrees to certain U.S. tax reporting and withholding requirements as regards holdings of and payments to certain investors in the Company or, if the Company is eligible, by becoming a "deemed compliant fund". Guernsey has entered into an intergovernmental agreement with the US regarding the implementation of FATCA and under which certain disclosure requirements will be imposed in respect of certain investors in the Company who are residents or citizens of the US. See "*FATCA*" and "*US-Guernsey Intergovernmental Agreement*" on page 98 below for further information. Any amounts of U.S. tax withheld may not be refundable by the Internal Revenue Service (**IRS**). Potential investors should consult their advisors regarding the application of the withholding rules and the information that may be required to be provided and disclosed to the Company and in certain circumstances to the IRS as will be set out in the final FATCA regulations. The application of the withholding rules and the information that may be required to be reported and disclosed are uncertain and subject to change.

Shareholders may be required to provide certain information to the Company in order to enable the Company to comply with its FATCA obligations in accordance with the Articles. If a Shareholder fails to provide the required information within the prescribed period, the Board may treat that Shareholder as a Non-Qualified Holder (as defined in the Articles) and require the relevant Shareholder to sell its Ordinary Shares in the Company.

## IMPORTANT INFORMATION

Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsors by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regime would be illegal, void or unenforceable, neither of the Sponsors or their respective affiliates accepts any responsibility whatsoever, and makes no representation or warranty, express or implied, for the contents of this document, including its accuracy, completeness or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the Ordinary Shares, or the Capital Raise and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Each of the Sponsors and their respective affiliates accordingly disclaims all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

In connection with the Capital Raise, each of the Sponsors and any of their respective affiliates, acting as an investor for its or their own account(s), may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares and other securities of the Company or related investments in connection with the Capital Raise or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, each of the Sponsors and any of their respective affiliates acting as an investor for its or their own account(s). Neither of the Sponsors intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. In addition, in connection with the Capital Raise, the Sponsors Adviser may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where Ordinary Shares are used as collateral, that could result in the Sponsors acquiring shareholdings in the Company.

The Sponsors and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company for which they would have received customary fees. The Sponsors and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

### Forward-Looking Statements

This document includes statements that are, or may be deemed to be “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s financial condition and prospects.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors discussed in the sections entitled “Risk Factors” on pages 17 to 23 of this document and in Part 2 (Information about the Group) of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Listing Rules and Disclosure and Transparency Rules, the Company does not undertake any obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this document. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 11 of Part 7 (General Information) of this document.

## **Times and Dates**

References to times and dates in this document are, unless otherwise stated, to London times and dates.

## **Selling and transfer restrictions**

The distribution of this document and the accompanying documents in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. This document and the accompanying documents do not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for New Ordinary Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. In particular, no New Ordinary Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended) (the **Securities Act**), or under the securities laws of any state or other political sub-division of the United States or under the applicable securities laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Accordingly, subject to certain exceptions, no New Ordinary Shares may, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or for the benefit of any US Person (within the meaning of Regulation S made under the Securities Act) and this document will not be posted to any person in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa.

No person has been authorised to give any information or to make any representations other than those 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. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Group since the date hereof.

## ISSUE STATISTICS

Number of Ordinary Shares in issue at the date of this document	379,869,729
Maximum number of New Ordinary Shares to be issued under the Capital Raise	170 million
Estimated maximum Net Proceeds <sup>1</sup>	£98.2 million
ISIN of the New Ordinary Shares	GB00BOLCW208
SEDOL of the New Ordinary Shares	BOLCW20

## INITIAL OFFERS STATISTICS

Issue Price per New Ordinary Share	59 pence
Target number of New Ordinary Shares to be issued	59,322,034
Estimated target Net Proceeds	£33.8 million

## PLACING PROGRAMME STATISTICS

Target number of New Ordinary Shares to be issued pursuant to the Placing Programme <sup>2</sup>	110,677,966
Subsequent Placing Price per New Ordinary Share issued pursuant to the Placing Programme	Not less than the Net Asset Value per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue

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- 1 The size of the Capital Raise is up to 170 million New Ordinary Shares with the actual size of the Capital Raise being subject to investor demand. The number of New Ordinary Shares to be issued pursuant to the Capital Raise, and therefore the Gross Proceeds and the Net Proceeds, is not known as at the date of this Prospectus but will be notified by the Company via an RIS announcement prior to Admission. If the Capital Raise does not proceed, application monies will be returned without interest at the risk of the applicant.
- 2 Assuming that 59,322,034 New Ordinary Shares are issued pursuant to the Initial Offers.

## EXPECTED TIMETABLE

### **The Initial Placing and Offer for Subscription**

Initial Placing and Offer for Subscription open	1 May 2014
Latest time and date for receipt of completed Application Forms and payment in full under the Offer for Subscription	12.00 noon on 15 May 2014
Latest time and date for receipt of placing commitments under the Initial Placing	3.00 p.m. on 19 May 2014

### **The Placing Programme**

Placing Programme opens	1 May 2014
Earliest date for New Ordinary Shares to be issued pursuant to the Placing Programme	23 May 2014
Publication of Subsequent Placing Price in respect of each Subsequent Placing pursuant to the Placing Programme	as soon as practicable following closing of each Subsequent Placing pursuant to the Placing Programme
Admission and crediting of CREST accounts in respect of each Subsequent Placing pursuant to the Placing Programme	as soon as practicable after the New Ordinary Shares are issued
Share certificates in respect of New Ordinary Shares issued pursuant to the Placing Programme despatched (if applicable)	approximately one week following the Admission of any New Ordinary Shares
Placing Programme closes and last date for issue or sale of New Ordinary Shares under to the Placing Programme	30 April 2015

### **Other key dates**

Record date for the May 2014 interim dividend	16 May 2014
Latest time and date for receipt of Forms of Proxy in relation to the Extraordinary General Meeting	10.00 a.m. on 15 May 2014
Extraordinary General Meeting	10.00 a.m. on 19 May 2014
Results of the Initial Placing and Offer for Subscription announced	20 May 2014
Admission and crediting of CREST stock accounts in respect of the Initial Offers	23 May 2014
Issue of Share Certificates for New Ordinary Shares issued pursuant to the Initial Offers	Approximately one week following Initial Admission

\* or such earlier date on which the authority to issue New Ordinary Shares is fully utilised.

The times and dates set out in the expected timetable and mentioned throughout this document may be adjusted by the Company in which event details of the new times and dates will be notified, as required, to the UK Listing Authority and the London Stock Exchange and, where appropriate, Shareholders and an announcement will be made through an RIS. All reference to times and dates are to London times unless otherwise stated.

## DIRECTORS, MANAGER AND ADVISERS

### Directors of the Company

Nicholas Thompson  
Trevor Ash  
Vic Holmes  
Roger Lewis  
Robert Sinclair

all of

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### Joint Sponsor and Bookrunner

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### Administrator and Company Secretary

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### Registrar

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*As to English property law*

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Bookrunners**

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**Auditors**

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**Receiving Agent**

Computershare Investor Services PLC  
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Bristol BS99 6AH



## PART 1

### THE CAPITAL RAISE

#### Introduction

Picton Property Income Limited is an internally managed investment group with an income focused approach to the UK commercial property market. The Group owns a balanced portfolio of 57 properties which are geographically diversified across the UK with a bias towards London and the South East markets. Investment is primarily focused in the principal commercial property sectors of industrial, office and retail.

The Group has a property portfolio of over £423 million and Net Assets of over £214.1 million (as at 31 March 2014). The Group's Portfolio currently has over 370 occupiers and their rental income provides cash-flow for the Group and its covered dividend to shareholders.

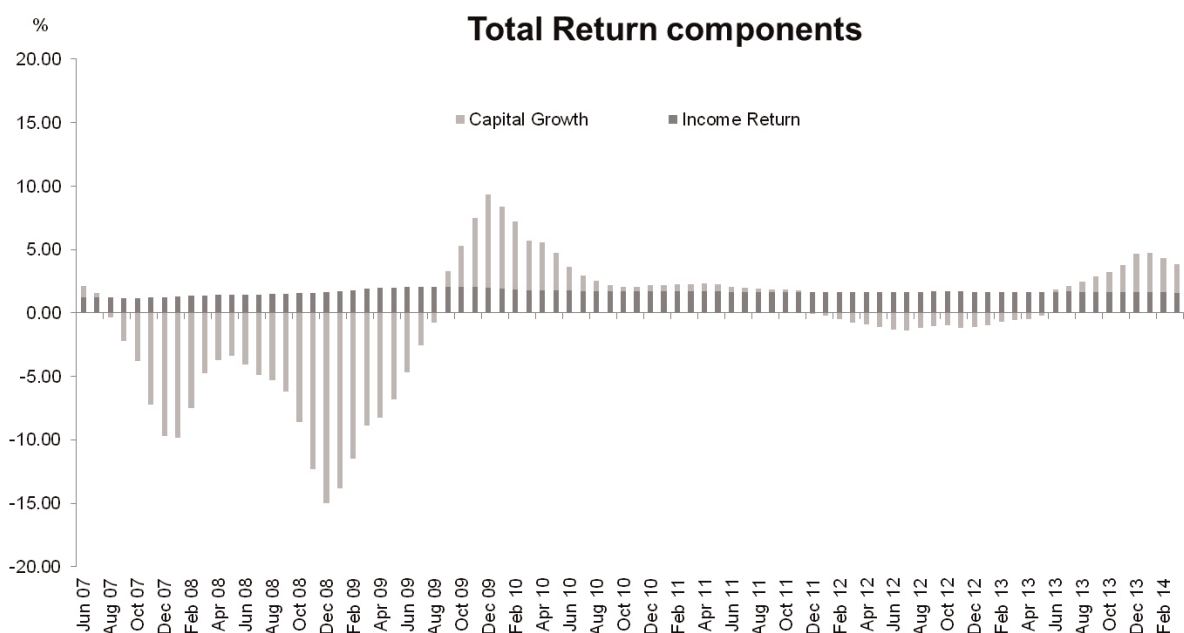
#### Market Overview

Since the middle of 2013 there have been growing signs of a recovery in the UK economy. These improving economic conditions have also been reflected in the UK commercial property market, where improving market sentiment is now being seen in the regional markets outside of central London, driven both by improving occupational markets and increased investment activity.

The Board believes the current market offers an attractive investment opportunity based on the following factors:

#### *Stabilisation of Values*

Following the financial crisis in 2008, and a long period of flat and declining values in the general property market, the cycle appears to have turned. According to the IPD Monthly Index, the total return across the property market in 2013 was 10.9 per cent. and capital growth was 3.8 per cent., with a significant improvement in performance in the second half of the year. This compares with capital growth of -4.2 per cent. in 2012 and 1.2 per cent. in 2011.

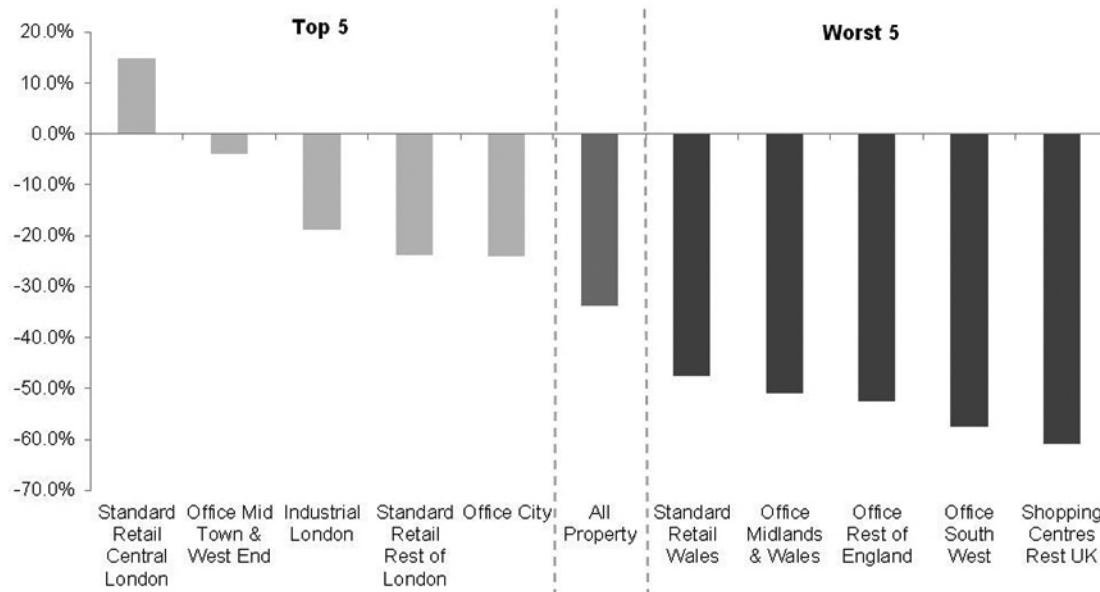


Source: IPD Monthly Index

In the first 3 months of 2014 capital growth in the IPD's All Property Index of 2.3 per cent. was recorded. At a headline level, IPD's All Property Index has now recorded positive capital growth for 11 consecutive months. Out of the 37 IPD segments, 35 segments showed positive capital growth in the latest quarter to March 2014 compared to 36 in the quarter to December 2014, 27 to September 2013 and only 17 in the quarter to June 2013.

Despite this recent upturn, average capital values remain 33 per cent. below the levels reached in mid-2007 and individual property valuations in some markets, in particular outside of central London, are still at levels that are less than the replacement cost of the asset.

## Capital Value Movements between June 2007 and February 2014



Source: IPD Monthly Index

### *Reducing Occupational Supply and Improving Rental Markets*

A lack of development finance, non-viability of development and uncertain market conditions have resulted in limited construction of new commercial floor space since the financial crisis. The Board believes that, as occupier demand for a limited number of properties increases, competition for useable space will intensify and occupancy rates rise.

Total availability for all types of property, measured by occupancy rates decreased over the last 12 months, with the IPD Monthly Index reporting occupancy of 90.3 per cent. for March 2014 (March 2013: 88.7 per cent.).

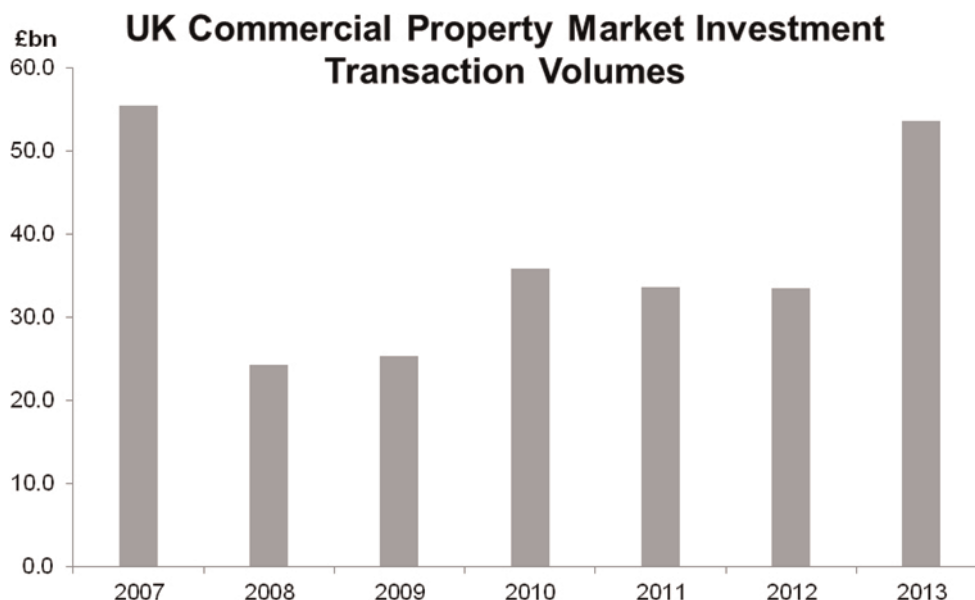
The improving demand in the occupational market has translated into improving rental growth. Rental growth in 2013 was 0.6 per cent. compared to -0.4 per cent. in 2012 and 0 per cent. in 2011. The IPD Index showed that over a three month period rental growth grew by 0.4 per cent. in March 2014. The last time rents grew by this amount was in April 2008.

Out of the 37 IPD Segments, 19 recorded positive rental growth in March 2014, compared to 21 in December 2013, 15 in September 2013 and 14 in June 2013.

Within the Group's portfolio, there has been positive rental growth in the London markets over a number of months. The Group has also seen rental growth in the wider industrial sector, whilst the scale of rental declines in the regional office and retail markets has reduced compared with preceding quarters.

### *Improving Transactional Liquidity*

After some years of falling values, the UK is now experiencing increasing investment market activity outside London and values have stabilised and, in some sectors, started to increase rapidly, and since December 2013 the IPD Monthly Index has recorded some of the strongest capital growth movements since May 2010. The improving markets have led to transactions being completed by vendors who had previously been unwilling to sell assets at a loss. This has had the benefit of transaction volumes increasing significantly and additional liquidity returning to the market.



Source: Property Data

The Board believes that the divergence in valuations across the market creates investment opportunities whilst the general improvement in market conditions, which has so far been driven by high quality prime assets, is increasingly spreading to secondary properties as evidenced by rising rents, yield compression and increased valuations in these markets.

Improving liquidity in the underlying markets, has also been manifest in the increasing volume of 'investments offered' to the Company, with the volume up 20 per cent. in the 6 months to 31 March 2014, compared with the preceding 6 months to 30 September 2013.

The ability to secure the best transactions, the Board believes, is driven by a number of factors including market coverage, the ability to react quickly to opportunities when they become available and finally to be able to complete transactions in relatively quick timetables without a reliance on third party funding.

### **Key strengths of Picton**

With improving conditions within both the wider UK economy and the property market itself, the Directors believe that the Group is well placed to benefit from the improvement in the market due to:

#### *Portfolio diversity*

The Group's portfolio provides a balanced exposure to the UK commercial property market, with assets across the industrial, office and retail sectors and a diversified geographical spread across the UK.

In particular, relative to the IPD Quarterly Index Picton has a structurally overweight position in the industrial and logistics sector and an underweight position against the retail sector. Similarly the portfolio is constructed with an allocation of 29.4 per cent. to the Central and Greater London markets, 35.1 per cent. in the South East and 35.5 per cent. in the rest of the UK.

Picton's direct portfolio consists of 57 properties with over 370 occupiers. The spread of geography, sector, asset and occupier risk ensures that Picton benefits from income diversity whilst still retaining the ability to benefit from an improving property market and individual asset opportunities.

#### *Portfolio Opportunities*

The Group's current portfolio has an occupancy rate of 91 per cent., which has been improving for four consecutive quarters. The Investment Manager has identified capital projects within the portfolio where it believes it can further improve occupancy leading to an improvement in income and a reduction in associated void costs.

During the last 12 months the Investment Manager has undertaken a number of leasing and restructuring transactions that have either enhanced income longevity or had a positive impact on

NAV. These transactions have been primarily in the London markets, but the Investment Manager expects future opportunities to be more geographically diversified within the portfolio.

Set against a backdrop of improving occupier markets, and reducing occupational supply the Investment Manager believes with appropriate investment the opportunities arising from the Group's portfolio, including around the current lease expiry profile, could now be realised.

#### *Attractive Debt Funding*

The Group refinanced the majority of its borrowings in 2012 and put in place attractive long term fixed rate debt funding with an average interest rate of 4.5 per cent. and an average maturity of 13.4 years. These debt facilities have a range of maturity profiles with different lenders.

This financing package is 99 per cent. fixed and as such unlikely to be impacted by an increase in interest rates in the medium term. In addition, the refinancing of the ZDP Shares in 2016, is expected to reduce the overall cost of debt.

#### *Transactional expertise*

Having concluded its refinancing, the Group has begun to recycle capital and since March 2013 has successfully made eight disposals and four acquisitions. The Group has started to reshape its portfolio, with an average lot size on disposals of around £5.7 million versus an average lot size on acquisition of around £15.7 million.

Having a dedicated Investment Director working alongside the asset management team in identifying opportunities for acquisitions has allowed the Group increased access to deal flow which has been used to undertake additional trading activity through both "on" and "off" market transactions.

Following the placing of shares in November 2013, which raised aggregate gross proceeds of £11.9 million, the Company has made acquisitions of property worth over £51 million:

- The Group has acquired, through a NAV-accretive off-market swap transaction, a 24 unit scheme located within the M25, known as Parkbury Industrial Estate, Radlett, Hertfordshire in exchange for its larger holding in Magna Park Lutterworth.
- The Lutterworth asset was sold at a premium to the December 2013 valuation and the decision to sell the asset reflected the specific occupier risk recognising the income was secured for a minimum of 2.5 years and the level of passing rent relative to rental value.
- The Parkbury asset, which is now the Group's largest asset was acquired for £40.5 million at a net initial yield of 6.3 per cent. The effect of this asset management activity has been to significantly smooth the lease expiry profile within the portfolio, extend income longevity and provide the potential for further income growth, through fixed rental uplifts and asset management opportunities.
- On 4 April the Group acquired a well secured single let distribution warehouse, in Grantham, Lincolnshire for £11.5 million. The acquisition was in line with the Company's investment strategy, offering an attractive net initial yield of 8.2 per cent., and a capital value of £34 per sq ft, which is significantly below the cost of construction.

The proceeds of the November Tap Issue along with the proceeds generated from NAV accretive disposals have now been fully utilised.

#### *Income focused approach*

Income is a key component of total return within the UK commercial property market and over the long term has represented nearly 70 per cent. of the total return from the asset class. The Group's portfolio has been constructed with an income bias and the underlying portfolio initial yield (based on contractual rental income) is 7.0 per cent., whilst the reversionary yield is 7.5 per cent.

The yield profile of the underlying assets has allowed Picton to remain an income focused property company with a dividend yield based on the share price as at 31 March 2014 of 5.3 per cent. and a dividend cover for the preceding four quarters in excess of 120 per cent, which is one of the highest levels of dividend cover in the listed income focused UK property market.

#### *Internalised structure*

The Group has an internal management team with extensive industry experience, hands-on asset management expertise and which is focused solely on the Group's property portfolio.

This structure has the advantage that investors do not incur management fees based on a percentage of asset value, and will therefore benefit from the resultant economies of scale as Picton grows.

Picton's Investment Management employees have direct alignment with shareholders through a long term incentive plan linked to shareholder total return, and most employees also hold shares in the Company.

#### *Track Record*

Picton has delivered an underlying NAV total return of 21.6 per cent. and total return to shareholders of 50.2 per cent. over the last 12 months to 31 March 2014.

The Company has continued to demonstrate a shareholder-value focussed approach in recent years. In 2010, it undertook the corporate purchase of Rugby REIT on an accretive basis, which at that time was aimed at principally improving the exposure to the London and South East markets.

In 2012, it became internally-managed generating significant corporate savings for the business. The Company also undertook a major and successful refinancing project, the structure of which has since been replicated by other vehicles.

During 2013, the Company has clearly demonstrated its ability to implement successfully asset management initiatives, including, some of the largest lettings in the Northampton and Colchester office markets. In addition, it has, amongst other things, obtained residential planning consent for the upper parts of its Covent Garden asset, undertaken numerous leasing transactions across the portfolio and in the last 12 months improved occupancy from 88 per cent. to 91 per cent.

#### **Reasons for the Capital Raise**

With improved liquidity within the property market the Group has started to reshape its portfolio through the sale of a number of smaller or low yielding assets and investment into new opportunities that have enhanced the portfolio, providing additional prospects for further value creation. In addition, the Board has identified further projects within the existing portfolio which would benefit from additional capital investment, where existing space can be enhanced and occupier demand satisfied.

The Company is also seeing good investment opportunities, having access to both on and off market potential transactions. It has proven itself able to execute transactions swiftly and efficiently and believes that it could deploy the proceeds of a capital raise effectively and in relatively short order, such as recent purchases have demonstrated.

The Directors consider that the Company should now raise funds in order to put itself in a position to take advantage of investment opportunities that the Directors expect to arise during the coming year. However, the Directors do not believe that it would be in the best interests of Shareholders to seek to raise all of the funds now as this would expose the holders of the Existing Ordinary Shares to a portfolio containing a substantial amount of un-invested cash, which could potentially have an adverse effect on the Company's performance and dividend cover.

Consequently, the Directors have sought to structure the Capital Raise to provide the Group with as much flexibility as possible, enabling the Group to raise funds quickly, in a cost efficient manner and as investment opportunities are identified, while at the same time minimising cash drag. It is also the Director's belief that the Capital Raise will ensure that the Group's transactional reputation is enhanced in the market by providing the Group with an enhanced ability to undertake transactions which are not conditional on securing financing. This is likely to lead to better achieved prices and more attractive acquisition opportunities being offered to the Group.

#### **Benefits of the Capital Raise**

The Directors believe that the Capital Raise will confer the following benefits for Shareholders and the Company:

- providing additional capital will enable the Company to take advantage of current investment opportunities in the market and make further investment in the Group's existing investment portfolio;
- the expected accretive yield on new investments should lead to growth in net income which in turn is likely to lead to an enhancement in NAV growth or the potential for an increase in the underlying dividend paid by the Group;

- by employing a placing programme this will minimise cash drag and assist in matching the capital requirements of the Company to the investment opportunities which arise over the next 12 months;
- enhancing the NAV per Ordinary Share of Existing Ordinary Shares through new share issues at a premium to NAV per Ordinary Share;
- providing a larger equity base over which the fixed costs of the Company may be spread, thereby reducing the Company's on-going expense ratio and increasing returns to Shareholders;
- a reduction in the Group's gearing ratio and stronger balance sheet, which would enable the Group to access more favourable debt funding in the future, and in particular ahead of the 2016 ZDP refinancing;
- providing the ability to increase the asset base outside the existing security pools to increase the flexibility around future investment and debt financing and, in particular, the ability to access further secured debt financing;
- the Capital Raise allows new investors to invest in the Company and is thereby expected to enhance liquidity in the Ordinary Shares;
- increases the market capitalisation of the Company, potentially increasing the scope for further institutional investment in the Company and improving the secondary market liquidity of the Ordinary Shares.

### **Use of proceeds**

The Board intends to use the Net Proceeds to finance further property acquisitions in accordance with the Group's investment policy, finance capital projects within its existing portfolio and for general corporate purposes. Of the £33.8 million net proceeds from the Initial Offers, approximately 75 per cent. is expected to be put towards property acquisitions with the remainder to be utilised within the existing portfolio.

The Group intends to use the Net Proceeds in excess of the amounts referred to above to finance further property acquisitions in accordance with its investment policy. The Group's geographic and asset diversity enables it to consider a wide choice of investment opportunities across the property market and as such the Board believes it should have good access to deal flow.

Within this framework, acquisitions will be made on an opportunistic basis, acquiring assets with strong property fundamentals and which will meet the Group's investment objective in the short to medium term. The Group's investment of the net proceeds should be income accretive for shareholders and is expected to improve the income profile within the property portfolio as well as providing further asset and income diversification. Additionally, it is expected that the investment of the net proceeds will continue to increase the average lot size within its portfolio, whilst providing further opportunities to enhance both the income and/or capital position through active portfolio management.

The Group has identified approximately £5 million of capital projects within the existing portfolio, including further office led refurbishments in Croydon, Angel Gate, Fleet, Glasgow and Chester which are aimed at enhancing the quality of assets, with a view to improving letting prospects and achieving enhanced rental levels on lettings.

In addition, the Group is also considering other opportunities within the portfolio, where there may be further potential to create additional value including where "special purchaser" status may allow the Group to benefit from off-market opportunities and the creation of valuation synergies. In addition to the money spent on capital projects, the Group also intends to use approximately £4 million of the Net Proceeds for general corporate purposes.

### **The structuring of the Capital Raise**

The Company intends to issue up to 170 million New Ordinary Shares pursuant to the Capital Raise, with up to 59,322,034 New Ordinary Shares available under the Initial Placing and Offer for Subscription.

Following the Initial Offers, the Directors intend to implement the Placing Programme. Pursuant to the Placing Programme, the Directors are authorised to issue up to 170 million New Ordinary Shares, less any such shares issued pursuant to the Initial Offers.



The Net Proceeds of the Capital Raise are dependent on the number of New Ordinary Shares issued pursuant to the Capital Raise.

Assuming the Capital Raise is fully subscribed and that any New Ordinary Shares issued pursuant to the Placing Programme are issued at an Issue Price of 59 pence per New Ordinary Share, the Company would raise £100.3 million of Gross Proceeds from the Capital Raise. After deducting expenses (including any commission) of approximately £2.1 million, the Net Proceeds of the Capital Raise, would be approximately £98.2 million.

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares issued pursuant to the Initial Offers will commence at 8.00 a.m. on 23 May 2014.

The Company's share capital as at the date of this document is denominated in Sterling and consists of Ordinary Shares of no par value. The New Ordinary Shares issued pursuant to the Capital Raise will rank *pari passu* with the Ordinary Shares then in issue (save that New Ordinary Shares will not rank 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 such New Ordinary Shares, including the 1 January to 31 March 2014 interim dividend for which the Record Date is 16 May 2014).

The percentage holding of an Existing Shareholder will be diluted to the extent that they do not participate in the Capital Raise *pro rata* to their current shareholding, for example by not participating in the Initial Placing and the Offer for Subscription and each Subsequent Placing under the Placing Programme in each case *pro rata* to their then current shareholding.

If 170 million New Ordinary Shares are issued pursuant to the Capital Raise (being the maximum number of New Ordinary Shares the Directors will be authorised to issue under the Capital Raise) an Existing Shareholder holding Existing Ordinary Shares representing 10 per cent. of the Company's issued share capital and not subscribing for any New Ordinary Shares under the Capital Raise would, ignoring any dilution as a result of the Capital Raise, hold 6.9 per cent. of the Company following the Capital Raise.

**Your attention is drawn to Appendix 1, 2 and 3 of this Prospectus which set out the terms of the Initial Placing, Offer for Subscription and Placing Programme, respectively. Overseas shareholders are referred to page 25 of this Prospectus.**

#### **Intentions of Directors**

The Directors will all vote in favour of the Resolutions and have indicated an intention to apply for the following numbers of New Ordinary Shares:

	<b>Number of New Ordinary Shares to be applied for</b>
Nicholas Thompson <sup>1</sup>	20,000
Trevor Ash	75,000
Vic Holmes	—
Roger Lewis	60,000
Robert Sinclair	—

<sup>1</sup> In addition, Mrs. Elizabeth Thompson, wife of Nicholas Thompson, has indicated an intention to apply for 20,000 New Ordinary Shares.

#### **Admission and Dealings**

On 28 February 2014 the Company cancelled the secondary listing of its Ordinary Shares on the Channel Islands Stock Exchange. Consequently no application will be made for the New Ordinary Shares to be admitted to the official list of the Channel Islands Stock Exchange or to trading on the Channels Islands Stock Exchange.

Applications will be made to the UK Listing Authority for all the New Ordinary Shares to be issued pursuant to the Initial Offers to be admitted to the Official List. Application will also be made for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective, and that dealings in such New Ordinary Shares will commence on 8.00 a.m. on 23 May 2014.



Applications will be made to the UK Listing Authority and the London Stock Exchange for all the New Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that such admission will become effective, and that dealings in the New Ordinary Shares will commence, during the period from 23 May 2014 to 30 April 2015.

### **Costs of the Capital Raise**

Assuming the Capital Raise is fully subscribed at an Issue Price of 59 pence, the total aggregate costs incidental to the Capital Raise which have been or will be borne by the Company, are estimated to be approximately £2.1 million. Of these costs, approximately £1.2 million are related to the Initial Offers. However, New Ordinary Shares will be issued at an Issue Price relative to the NAV per Ordinary Share such that, disregarding the costs incurred under the Initial Offers, no placing under the Placing Programme will dilute the NAV per Ordinary Share after taking into account the other costs of the Capital Raise borne by the Company.

No costs, expenses or taxes will be charged specifically to investors. The costs and expenses will be deducted from the gross proceeds of the Capital Raise and will therefore be indirectly charged to investors.

### **Conditions of the Capital Raise**

The Offer for Subscription is conditional on:

- a) Initial Admission occurring at 8.00 a.m. on 23 May 2014 (or such later time or date, not being later than 30 June 2014, as the Company, J.P. Morgan and Oriel Securities may agree); and
- b) the Resolution in connection with the Capital Raise being passed at the EGM.

If either of these conditions are not met, the Offer for Subscription will not proceed.

The Initial Placing and each Subsequent Placing under the Placing Programme is conditional on:

- a) in the case of the Initial Placing, Initial Admission occurring at 8.00 a.m. on 23 May 2014, (or such other time or date, not being later than 30 June 2014 as the Company, J.P. Morgan and Oriel Securities may agree);
- b) in the case of each Subsequent Placing, the Subsequent Admission occurring on such time and date as the Company, J.P. Morgan and Oriel Securities may agree prior to the closing of that Subsequent Placing, not being later than 30 April 2015;
- c) the Resolution in connection with the Capital Raise being passed at the EGM; and
- d) the Placing Agreement becoming otherwise unconditional in respect of the Initial Placing or the Subsequent Placing, and not being terminated in accordance with its terms before the Initial Admission or Subsequent Admission (as applicable) becomes effective.

If any of these conditions are not met, the Initial Placing or that Subsequent Placing will not proceed.

There is no minimum amount required to be raised under the Initial Offers in order for the Initial Offers to proceed.

### **Risk Factors and Further Information**

Your attention is drawn to the Risk Factors set out on pages 17 to 23 of this Prospectus and to the additional information set out in Part 7 (General Information) of this Prospectus and in the terms and conditions set out in Appendices to this Prospectus.

## **PART 2**

### **INFORMATION ABOUT THE GROUP**

#### **1 The Group**

The Company is a closed-ended investment company limited by shares which is domiciled and incorporated in Guernsey and has its securities admitted to trading on the London Stock Exchange's main market for listed securities. The Company is the holding company of an internally managed investment group with an income focused approach to the UK commercial property market. The Group has a portfolio of 57 assets located across the United Kingdom valued at £423 million and an unaudited net asset value of over £214.1 million (both as at 31 March 2014).

#### **2 Investment Objective and Investment Policy**

##### **2.1 Investment Objective**

The Group's investment objective is to provide its shareholders with an attractive level of income together with the potential for capital growth from directly or indirectly investing in a diversified portfolio of UK, Isle of Man and Channel Islands property.

##### **2.2 Investment Policy**

Subject to the investment restrictions described in paragraph 2.3 below, the Company's investment policy is to invest in five commercial property sectors: office, retail, retail warehousing, industrial and leisure but may also include a limited number of properties where the primary use is residential. The Company may invest in real estate derivative instruments or the debt securities of other real estate issuers. The Company may also invest in other property funds.

In addition, the Company, through its subsidiaries may provide investment management and advisory services to third party clients in relation to investment in UK, Isle of Man and Channel Islands property. The Group may invest into property funds or alongside other third party clients managed or advised under such arrangements.

##### **2.3 Investment Restrictions**

The Company's investment restrictions as at the date of this document are as follows:

- (a) the Company must manage its investments in a manner which is consistent with its published investment policy;
- (b) distributable income will be principally derived from investment. Neither the Company nor any member of the Group will undertake a trading activity which is significant in the context of the Group as a whole;
- (c) not more than 20 per cent. of the Gross Assets of the Company (consolidated where appropriate) will be lent to or invested in the securities of any one company or group (excluding loans to or shares in the Company's own subsidiaries) at the time when the investment or loan is made. For this purpose any existing holding in the company concerned will be aggregated with the proposed new investment;
- (d) dividends will not be paid unless they are covered by income received from underlying investments and for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;
- (e) the distribution as dividend of surpluses arising from the realisation of investments will be prohibited;
- (f) the Group shall not invest more than 10 per cent. of its Gross Assets in real estate derivative instruments or the debt securities of other real estate issuers (excluding debt securities issued by the Company's own subsidiaries);
- (g) the Company will not be a dealer in investments;
- (h) no single property (including all adjacent or contiguous properties) shall, at the time of acquisition, constitute more than 15 per cent. of the Gross Assets of the Group, consolidated where applicable;
- (i) income receivable from any single tenant, or tenants within the same group, in any one financial year shall not exceed 20 per cent. of the total rental income of the Group in that financial year;

- (j) at least 90 per cent. by value of properties held by the Group shall be in the form of freehold or long leasehold properties or the equivalent;
- (k) the proportion of the Group's property portfolio which is unoccupied or not producing income or which is in the course of substantial development, redevelopment or refurbishment shall not exceed 25 per cent. of the value of the portfolio;
- (l) the Company shall not retain more than 15 per cent. of its net profits, before gains and losses on the disposal of properties and other investments;
- (m) the Group shall not invest more than 10 per cent. of its Gross Assets in residential property. For this purpose, the Group views student and key worker accommodation as commercial property where there is a single overriding lease to a single covenant or a guarantee for a period in excess of one year;
- (n) the Group shall not invest more than 20 per cent. of its Gross Assets in other property investment funds, save for funds wholly owned within the Group. This restriction shall not apply to special purpose vehicles and joint ventures;
- (o) the Group shall not invest more than 15 per cent. of its Gross Assets in other ING Group managed funds;
- (p) any purchase or sale of assets from or to any member of the ING Group or any entity managed by any member of the ING Group with consideration in excess of £50,000 will require prior Board approval; and
- (q) the Group's borrowings shall be restricted so that the aggregate principal borrowings outstanding at the time of drawdown shall not at any time exceed 65 per cent. of its Gross Assets.

The investment restrictions set out in paragraphs 2.3(o) and (p) above date from the period when the Group's investment manager was ING Real Estate Investment Management (UK) Limited and the Company's Board intends to propose a resolution at the Company's annual general meeting in 2014 seeking the approval of Shareholders to deleting those investment restrictions. For the purposes of those investment restrictions, "ING Group" means ING Groep N.V. and all companies in its group.

In addition to those restrictions set out in paragraph 2.3 above, in accordance with the requirements of the UK Listing Authority which apply to closed ended investment funds, the Company:

- (i) will not invest more than 10 per cent. in aggregate of the value of the Gross Assets (calculated at the time of the relevant investment) in other investment companies or investment trusts which are listed on the Official List (except to the extent that those investment companies or investment trusts have published investment policies to invest no more than 15 per cent. of their total assets in other investment companies or investment trusts which are listed on the Official List);
- (ii) will not conduct any trading activity which is significant in the context of the Company and any subsidiary undertaking as a whole; and
- (iii) will, at all times, invest and manage its assets, in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policies.

In accordance with the requirements of the UK Listing Authority, the Company will not make any material change to its published investment policy without the approval of its Shareholders by ordinary resolution passed at a general meeting of the Company. Such an alteration will be announced by the Company through a RIS.

In the event of any breach of the Company's investment policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a RIS.

### **3 Current trading and outlook**

By way of background, since mid-2007 the commercial property market has experienced a significant pricing correction due to a number of factors including the wider crisis in the financial markets and recessionary conditions within the UK.

According to the IPD Monthly Index, total returns in the quarter to March 2014 were positive at 3.9 per cent., but at a reduced level compared with the strong performance in December 2013 (4.7 per cent.). The income return in the quarter to March 2014 was 1.6 per cent. and capital growth was 2.3 per cent.

Across the principal IPD sectors, office values rose by 3.7 per cent. (December 2013: 4.9 per cent.), industrial by 3.2 per cent. (December 2013: 4.1 per cent.) and retail by 1.0 per cent. (December 2013: 1.6 per cent.). Over the quarter, 35 of the 37 IPD segments recorded positive capital growth movements compared to 36 in December, and only 4 in March 2013. In terms of rental growth 19 segments recorded positive rental growth compared to 21 in December and 10 in March.

The occupancy rate in the March 2014 IPD Monthly Index was 90 per cent. (December 2013: 91 per cent.).

In terms of the Group, it has continued to benefit from its policy of investment into specific asset initiatives which has led to growth in the value of the portfolio and of rising occupancy over four consecutive quarters respectively. At its most recent quarterly update as at 31 March 2014 the Company reported:

#### Financial

- Net Assets increased to £214.1 million (31 December 2013: £204.3 million).
- NAV/EPRA NAV per share rose 4.8 per cent. to 56.4 pence (31 December 2013: 53.8 pence).
- Like-for-like increase in property portfolio valuation of 1.8 per cent. (31 December 2013: 3.3 per cent.).
- Gains of £2.7 million arising from trading activity over the quarter.
- Average debt maturity of 13.4 years, with a weighted average interest rate maintained at 4.5 per cent, per annum.
- Dividend of 0.75 pence declared (31 December 2013: 0.75 pence). The May 2014 interim dividend will be paid to Shareholders on the Company's share register at the close of business on 16 May 2014. It should be noted that subscribers for New Ordinary Shares under the Initial Offers will not be registered holders of Ordinary Shares as at 16 May 2014 and therefore will not be eligible to receive this dividend.
- Post-tax dividend cover over the quarter of 129 per cent. (31 December 2013: 122 per cent.).

The unaudited NAV is as follows:

	<b>31 March 2014 £m</b>
Investment properties	417.6
Other assets	14.2
Cash	32.4
Other liabilities	(16)
Borrowings: loan facilities	(207.7)
Loan stock	(2.0)
ZDPs	(24.4)
Net Assets	214.1
Net Asset Value per share	56.4p

#### Portfolio update

Reshaping of the Group's portfolio has continued and as at the 31 March 2014 quarter end the portfolio comprised 57 assets, with over 370 occupiers. Activity over the quarter was primarily focused in the office and industrial sectors, which consequently were subject to the largest positive valuation movements. In addition, trading activity added £2.7 million to the NAV through three asset disposals and one acquisition. Trading activity has increased geographical exposure to the South East markets, whilst also improving the income profile and increasing the average lot size within the portfolio.

The most notable transaction was the asset swap in which the Group acquired a multi-let South East industrial estate, inside the M25, which is now the largest asset in the Group's portfolio, in exchange for one of the Group's two holdings at Magna Park, Lutterworth. This is further detailed below.

Terms were agreed on an acquisition in Grantham, Lincolnshire for £11.48 million, which was completed, using existing cash resources, following the 31 March 2014 quarter end and announced on 4 April 2014.

Occupancy across the portfolio remains stable at 91 per cent. (December 2013: 91 per cent.).

Key highlights over the quarter are:

#### **Offices**

- The sale the long leasehold of 28 Austin Friars, EC3 for £4.2 million, 6.3 per cent. above the December 2013 valuation. The sale follows the completion of asset management initiatives since the acquisition of the property by the Group in 2010. The Group has retained two floors for occupation by Picton Capital.
- In an active management transaction at Boundary House, EC3, income was extended in respect of two leases and a further lease was surrendered. Subsequently, terms have been agreed for a new lease on this space (which completed following the quarter end) at a rent over 50 per cent. higher than previously passing and showing significant rental growth over the quarter.
- Completion of an agreement to sell part (1.6 acres) of the Westlea Campus, Swindon to Aldi for £1.65 million for a new food store, subject to planning and 20 per cent. above its apportioned December 2013 valuation. A joint planning application was submitted following the quarter end which followed extensive consultation with Aldi. It is currently intended that the remainder of this six acre site will be brought forward for sale once outline residential planning has been secured.
- Terms were agreed to sell a small office building in Dartford for £0.4 million, 6.3 per cent. above the December 2013 valuation, and followed receipt of planning permission in 2013 to change the use from office to residential. Completion occurred following the quarter end, in line with the March 2014 valuation.
- Terms agreed on six vacant units which are under offer to let, with a combined annual rent of £348,000 per annum, which are expected to complete following the period end.

#### **Industrial**

- Sold 5320 Magna Park for £34 million, 8.5 per cent. above the December 2013 valuation. This was the single largest income risk in the portfolio with the occupier accounting for 9 per cent. of the Group's rent roll, with a break option in 2016. This could have resulted in a significant loss of income, given that the passing rent was over 25 per cent. above prevailing market rental levels and as such this position was de-risked through exit.
- Acquired Parkbury, Radlett for £40.48 million. This modern 24 unit scheme is well located within the M25 and provides a diversified income stream and lease expiry profile. The property has two vacant units, which are subject to rental guarantee and further income which is subject to fixed uplifts. Terms have already been agreed in respect of one vacant unit, which is under offer at a rent in line with ERV on purchase.
- Removed the largest income risk due in 2014, securing DHL for a further five years from December 2014 at 3220 Magna Park at a rent of £885,000 per annum, in line with the December ERV.
- Let the final unit at Datapoint, E16 for £60,000 per annum, 2.7 per cent. above the December 2013 ERV, with no incentives, for a five year term.
- Terms agreed on four vacant units which are under offer to let, with a combined annual rent of £245,000 per annum, which are expected to complete following the period end.

#### **Retail**

- Sold 2/2a George Street in Richmond, which is let to Links of London for 10 years, for £1.8 million, 5.9 per cent. above the December 2013 valuation.

- Terms agreed on three vacant units which are under offer to let, with a combined annual rent of £100,000 per annum which are expected to compete following the period end.

#### Leisure

- Whilst this is the smallest component of the portfolio, this was the only sector to experience a negative valuation movement.

As at 31 March 2014, the portfolio had a net initial yield of 6.6 per cent. (allowing for void costs) or 6.9 per cent. (based on contractual net income) and a net reversionary yield of 7.6 per cent. The weighted average unexpired term (to first termination) was improved at 6.7 years.

## 4 Description of the Group's existing property portfolio

The Group's property portfolio consists of 57 properties with an aggregate value of £423 million as at 31 March 2014, the date of the most recent valuation. As at the Latest Practicable Date, there has been no material change to the value of the property portfolio price 31 March 2014. An analysis and overview of the Group's property portfolio as at the Latest Practicable Date is set out below.

### 4.1 Summary table of the largest properties

A summary of the largest properties in the Group's portfolio representing, in aggregate, 50 per cent. of the portfolio by capital value at the Latest Practicable Date, and ranked in order of capital value, is set out below:

Location	Property	Sector	Passing Rent per annum
Radlett	Parkbury Industrial Estate	Industrial	£2,506,373
Harlow	Units A-G, River Way Industrial Estate	Industrial	£2,420,182
London	Stanford House, 12/14, Long Acre, WC2	Retail	£1,291,288
London	Angel Gate Office Village, EC1V	Offices	£953,056
London	50 Farringdon Road, EC1	Offices	£1,029,036
London	Boundary House, 7-17, Jewry Street, EC3	Offices	£709,806
Swansea	Phase II, Parc Tawe	Retail warehouse	£1,273,401
London	1 Chancery Lane, EC4	Offices	£688,123
Colchester	Colchester Business Park	Offices	£1,124,951
Grantham	GBS Unit, Trent Road	Industrial	£1,000,000

All of the information included above, which is unaudited, has been extracted from, or is based upon, the report set out in Part 4 (Valuation Report) of this document, save for the Grantham property, which was acquired by the Group on 4 April 2014 for £11.48 million.



## 4.2 Summary of tenure

Type of tenure	No. of property holdings	Per cent. of Total Market Value of Property Portfolio
Freehold	41	69.2
Leasehold – Peppercorn rent (effective freehold)	12	21.7
Leasehold with geared ground rent	4	5.7
Mixed (part freehold/part leasehold)	2	3.4
<b>Total</b>	<b>59</b>	<b>100</b>

Note: This Group has two separate holdings in two of its properties, which is why the Group has 57 properties within its portfolio but has 59 separate property holdings.

## 4.3 Lease length

The length of the leases as of the Latest Practicable Date (to first termination) can be summarised as follows:

	Current net annual rent property portfolio Length of leases (per cent.)
0-5 years	58.8
5-10 years	27.8
10-15 years	4.5
15-25 years	6.3
25+ years	2.6
<b>TOTAL</b>	<b>100</b>

The average lease length is 6.7 years (weighted by current net rental income). This has been calculated on the earlier of the expiry date of the lease and the first tenant break option. The equivalent figure for the IPD Quarterly Benchmark was 10.2 years as at 31 December 2013.

## 4.4 Lease terms

The leases are on terms which could reasonably be expected for properties of the type comprised in the Group's property portfolio.

## 4.5 Voids

At the Latest Practicable Date 8.5 per cent. of the Group's property portfolio by current estimated rental value was vacant.



#### 4.6 Covenant strengths

As stated in the most recently published IPD IRIS December 2013 Report, the covenant strength of the tenants of the properties in the Group's property portfolio on the basis of their parent company strengths can be summarised as follows:

<b>Covenant strength*</b>	<b>Current net annual rent property portfolio (per cent.)</b>	<b>IPD Quarterly Benchmark (per cent.)</b>
Negligible and Government risk	49.92	51.90
Low risk	16.76	20.79
Low-medium risk	8.11	7.49
Medium-high risk	4.05	2.74
High risk	8.32	4.84
Maximum	9.40	8.52
Ineligible/not matched	0.76	1.21
Unscored	2.68	2.52
<b>TOTAL</b>	<b>100</b>	<b>100</b>

\* IPD IRIS gives a benchmark ranking of the covenant strength of portfolios. These scores incorporate a range of variables including size and age of the business, industry sector, geographical region and adverse organisational information such as bankruptcies and negative payment information.

Source: IPD IRIS

#### 4.7 Property condition

Independent building surveys, environmental surveys and, where considered appropriate, mechanical and electrical surveys were undertaken for each property at the time of purchase or existing reports were reviewed by the Group. It is considered that the condition of the Group's property portfolio is acceptable having regard to the properties' value, age, use, type and lease terms.

#### 4.8 Regional and sectoral weightings

The regional and sectoral weightings of the Group's property portfolio as a percentage of capital value can be summarised as follows:

	<b>Industrial (%)</b>	<b>Offices (%)</b>	<b>Retail (%)</b>	<b>Leisure (%)</b>	<b>Total (%)</b>
Central & Greater London	4.2	18.1	7.0	0.0	29.4
South East	24.5	8.6	0.6	1.4	35.1
Rest of UK	11.8	5.2	16.6	1.8	35.5
<b>TOTAL</b>	<b>40.5</b>	<b>32.0</b>	<b>24.0</b>	<b>3.2</b>	<b>100</b>

#### 4.9 Ten largest tenants (ranked by percentage of total rental income)

<b>Tenant</b>	<b>Total Rental Income (per cent.)</b>
Snorkel Europe Ltd	3.2
The Random House Group Limited	3.2
Cadence Design Systems Limited	3.1
DHL Supply Chain Limited	2.7
Trainline.com Limited	2.7
Edward Stanford Limited <sup>1</sup>	2.7
Ricoh UK Limited	2.1
Viglen Limited <sup>2</sup>	2.0
Amcor Packaging UK Limited	1.9
Exel Europe Limited	1.7
ASDA Stores Ltd	1.6
<b>TOTAL</b>	<b>24.2</b>

1 2013 rent review outstanding

2 Reflects 2015 fixed rent uplift

## 5 Profile of typical investor

Typical investors in the Company are expected to be institutional and sophisticated investors and private clients of wealth management firms. The New Ordinary Shares are only suitable for investors who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company, for whom an investment in New Ordinary Shares is part of a diversified investment programme and who fully understand and are willing to assume the risks involved in such an investment programme.

## 6 Directors and Investment Management Team

### 6.1 Directors

The Directors, all of whom are non-executive, are responsible for the determination of the Group's investment objective and policy and have overall responsibility for the Group's activities including the review of investment activity and performance.

**Nicholas Thompson (Chairman)** – age 65, was formerly Director and Head of Fund and Investment Management at Prudential Property Investment Management and has served on the Board as Chairman since 2005. He is currently Chairman of IPD's UK & Ireland Consultative Group, a director of the Lend Lease Retail Partnership and an independent director of the Association of Real Estate Funds. He is a Fellow of the Royal Institution of Chartered Surveyors and a member of the Property Forum of the Association of Investment Companies.

**Trevor Ash (Chairman of the Management Engagement Committee)** – age 67, was formerly Managing Director of Rothschild Asset Management (CI) Limited (until 1999) and a non-executive director of Rothschild Asset Management Limited. He has served on the Board since 2005. He retired as a director of NM Rothschild & Sons (CI) Limited in 2007. He is a director of a number of funds managed by Merrill Lynch, JPMorgan and Rothschild Group. He is also a director of Investors in Global Real Estate Limited, and is a Fellow of the Chartered Institute for Securities & Investment.

**Vic Holmes (Chairman of the Remuneration Committee)** (Appointed 1 January 2013) – age 57, was Chief Executive of Northern Trust's businesses in the Channel Islands until he retired from full time employment in November 2011. He joined the Board on 1 January 2013. He serves as a director for a number of companies involved in the funds sector, for groups such as Permira, Ashmore, Foreign and Colonial, and Cazenove. He is also a director of Thames River Multi Hedge PCC Limited (a London Listed Company) and was elected as Chairman of the Guernsey Investment Funds Association in April 2013. He is a Fellow of the Chartered Association of Certified Accountants.

**Roger Lewis (Chairman of the Property Valuation Committee)** – age 66, has extensive experience in the property sector, most recently as a director of Berkeley Group Holdings Plc for over 15 years, the last eight of which was as Chairman, a position from which he retired at the end of July 2007. He subsequently acted as a consultant to the Berkeley Group and is currently a non-executive director of three Jersey based subsidiaries of the Berkeley Group, as well as being a director of the States of Jersey Development Company Limited. Prior to this, he was UK Group Chief Executive Officer of Crest Nicholson Group PLC from 1983 to 1991. He is also currently a director of Grand Harbour Marina Plc (Malta), of Camper and Nicholsons Marina Investments Limited and of Cambium Global Timberland Limited. He was appointed to the Board in 2010.

**Robert Sinclair (Chairman of the Audit Committee)** – age 64, is Managing Director of the Guernsey based Artemis Group and a director of a number of investment fund management companies and investment funds associated with clients of that Group. He has served on the Board since 2005. Robert is Chairman of Schroder Oriental Income Fund Limited, Chairman of Sirius Real Estate Limited, a director of Secure Property Development & Investment Limited and a director of Chariot Oil & Gas Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Accountants of Scotland.

## 6.2 Investment Management team

Picton Capital Limited, the Group's wholly-owned FCA regulated subsidiary is the Group's investment manager. Picton Capital has a team of 11 employees, including 5 real estate and 3 finance professionals. Picton Capital's key employees are:

### **Michael Morris, Chief Executive**

Michael is Chief Executive of Picton Capital and is responsible for devising and overseeing the implementation of all aspects of the Company's investment strategy. Formerly he was Director and Fund Manager at ING Real Estate Investment Management (UK) Limited, and he has worked with the Group since it launched in 2005. He has over 19 years of real estate experience and is a Member of the Investment Property Forum. Michael sits on the Property Panel of the Association of Investment Companies and the CPD steering committee of the Investment Property Forum. He has obtained the Investment Management Certificate and the IPF Diploma in Property Investment.

### **Andrew Dewhirst, Finance Director**

Andrew joined Picton Capital as Finance Director in March 2011. Previously he was Director of Client Accounting at ING Real Estate Investment Management (UK) Limited, a role he had held since January 2006. At ING he was responsible for the accounting and administration of all the UK real estate vehicles and separate client accounts. Prior to joining ING Andrew was Director of Securities and Property Accounting at Hermes Pensions Management Limited. He has over 25 years' experience in the real estate and financial services sector. Andrew is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Investment Property Forum.

### **Jay Cable, Director**

Jay is Head of Asset Management at Picton Capital. In this role he is responsible for overseeing all asset management activities in respect of the Group's property portfolio. Formerly he was Director at ING Real Estate Investment Management (UK) Limited, and has worked with the Group since it launched in 2005. Jay plays an active role in devising and implementing the Company's strategy and is a member of Picton Capital's Investment Committee. He has over 13 years of real estate experience and is a Member of the Royal Institution of Chartered Surveyors and of the Investment Property Forum.

### **Fraser D'Arcy, Investment Director**

Fraser joined Picton Capital Limited as Investment Director in January 2013. He is primarily responsible for transactional activity within the portfolio to manage effective recycling of capital. Previously he was an Investment Surveyor at Threadneedle Property Investments Limited from 2006, where he was responsible for acquisitions and disposals in all sectors across the UK market. Prior to this he was an Associate Director at Insight Investment,

having started his career at Scottish Widows Investment Partnership as an Investment Manager. He has 14 years of investment experience in UK real estate and has obtained the Investment Management Certificate. Fraser is a Member of the Royal Institution of Chartered Surveyors and of the Investment Property Forum.

## **7 Investment process**

Picton Capital seeks to identify investment or divestment opportunities that match the Group's investment objective and strategy. Once a potential asset has been identified a preliminary report is made to the Picton Capital Investment Committee. This report summarises the key characteristics of the investment and how the property would fit within the Group's portfolio or why it should be sold.

The Picton Capital Investment Committee reviews the suitability of the proposed investment or disposal against the Group's strategy. Such review includes, *inter alia*, the size of investment, income profile, location and sector when compared with the existing and proposed portfolios including the targeted investment or disposal.

As part of this process and before making any binding commitment in respect of a potential transaction, a formal recommendation will be made to the Company's Board setting out the details of the proposed transaction, the outcome of both property and legal due diligence and that Picton Capital considers that the proposed transaction continues to fulfil the Group's stated investment criteria and that the price is reflective of its underlying characteristics.

If approved by the Company's Board, the transaction may proceed to exchange and subsequent completion.

## **8 Corporate Governance**

As at the date of this document, the Group complies with the provisions of the Corporate Governance Code, save as described below:

- (a) a separate Nominations Committee has not been established. These duties are performed by the Board given that it is a fully non-executive board. Board members are nominated by a quorum of the Board, being a minimum of two Directors;
- (b) a senior independent director has not been appointed, given that all of the Directors are considered to be independent; and
- (c) the Board has considered the need for an internal audit function but has decided, given the scale of the Group's operations, a separate internal audit function is unnecessary and that additional procedures carried out by the external auditor in conjunction with the audit of the Group's accounts will provide the Board with sufficient assurance regarding the internal control systems in place. The Board continues to place reliance on the Registrar's internal control systems.

The Company, by virtue of its compliance with the Corporate Governance Code, will be deemed to meet the requirements of the Guernsey Financial Services Commission's Finance Sector Code of Corporate Governance which came into force on 1 January 2012.

### **8.1 Audit Committee**

The Company's audit committee is comprised of the following members: Robert Sinclair (Chairman), Nicholas Thompson, Trevor Ash, Vic Holmes and Roger Lewis. The audit committee has the following remit: to meet bi-annually and to consider, *inter alia*: (a) the annual and interim accounts; (b) the auditor reports; and (c) the terms of appointment and remuneration for the auditor (including overseeing the independence of the auditor particularly as it relates to the provision of non-audit services).

### **8.2 Remuneration Committee**

A remuneration committee was established by the Company's Board on 21 December 2009. Vic Holmes is currently Chairman of the remuneration committee and all the Directors are members. The remit of the remuneration committee is to consider the remuneration payable to the Directors and oversee the remuneration process within Picton Capital.

### 8.3 Management Engagement Committee

A management engagement committee was established by the Company's Board on 30 September 2005. Trevor Ash is the Chairman of the Management Engagement Committee and all of the Directors are members. The primary remit of the management engagement committee is to monitor, review and authorise all contracts placed by both the Company e.g. the Administration and Secretarial Agreement, the Registrar Agreement and the investment management agreement with Picton Capital, and those placed by Picton Capital.

### 8.4 Property Valuation Committee

A property valuation committee was established by the Company's Board on 5 January 2006 and is comprised of all the Directors and Roger Lewis is chairman. The remit of the property valuation committee is to oversee the valuation process.

## 9 Administration, secretarial and registrar arrangements

### 9.1 Administrator and Company Secretary

The Company's administrator and company secretary is Northern Trust International Fund Administration Services (Guernsey) Limited. The fee payable for providing these services is an annual fee of £150,000. The Company shall also reimburse the Administrator in respect of all out-of-pocket expenses and disbursements properly incurred by the Administrator on behalf of the Company.

### 9.2 Registrar

The Company has appointed Computershare Investor Services (Guernsey) Limited (the **Registrar**) as registrar in relation to the transfer and settlement of the Shares held in certificated and uncertificated form and other associated services. The Registrar is entitled to be paid a minimum annual fee of £6,180 for registers with less than 500 shareholders, or £7,725 for registers with more than 500 shareholders payable quarterly in arrears and exclusive of any applicable taxes. The Registrar shall also be reimbursed any out-of-pocket expenses properly incurred in connection with the services and is entitled to charge the Company additional fees for any additional services

### 9.3 Receiving Agent and UK Transfer Agent

The Company retains Computershare Investor Services PLC as Receiving Agent in relation to the Capital Raise.

## 10 Dividends

Dividends on the Ordinary Shares are expected to be paid in respect of each financial year in quarterly instalments in February, May, August and November. All dividends will be paid as interim dividends.

## PART 3

### FINANCIAL INFORMATION RELATING TO THE GROUP

#### Documents incorporated by reference

The following documents are incorporated into this Prospectus by reference:

- (a) the annual reports and financial statements of the Company for the periods ended 31 December 2010, 31 March 2012 and 31 March 2013, as have been published, containing the audited consolidated financial statements of the Company for those financial periods together with the audit reports by the Auditors thereon; and
- (b) the interim reports and financial statements of the Company for the periods ended 30 September 2012 and 30 September 2013.

Copies of those documents are available as provided in paragraph 14 of Part 7 (General Information) of this Prospectus. Where this Prospectus makes reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus. Any information contained in any of the documents incorporated by reference which is not incorporated in and does not form part of this Prospectus is either not relevant for investors or is covered elsewhere in the Prospectus.

*The discussion includes forward-looking statements that reflect the current views of the Directors and Picton Capital, the Group's wholly-owned investment manager, and involves risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document, particularly in "Risk Factors." Prospective investors should read the whole of this document and not rely just on summarised information.*

*The financial information contained in paragraphs 2, 3 and 4 of this Part 3 (Financial Information relating to the Group) has been extracted without material adjustment from the audited report and accounts of the Company for the periods ended 31 December 2010, 31 March 2012 and 31 March 2013 and the unaudited interim reports and financial statements of the Company for the periods ended 30 September 2012 and 30 September 2013.*

#### 1 Introduction

Prior to a change of name with effect from 1 June 2011, the Company was known as ING UK Real Estate Income Trust Limited, and accordingly each of the Company's documents published prior to that date was published under its former name.

KPMG Channel Islands Limited has been engaged by the Group as its auditors since 15 July 2009. None of the audit opinions provided by KPMG Channel Islands Limited in respect of the financial information included or incorporated by reference in this document have been qualified.

#### 2 Historical Financial Information

The annual reports and financial statements of the Company for the periods 31 December 2010, 31 March 2012 and 31 March 2013, as have been published, contain the audited consolidated financial statements of the Company for the relevant financial periods together with the audit reports by the Company's auditors thereon including, on the pages specified in the cross reference table below, the following information, which is incorporated by reference into this document.

The interim reports and financial statements of the Company for the periods ended 30 September 2012 and 30 September 2013 contain the unaudited consolidated financial statements of the Company for those periods including, on the pages specified in the cross reference table below, the following information, which is incorporated by reference into this document.



These annual and interim reports and financial statements of the Company are incorporated by reference into this Prospectus and should be read and construed in conjunction with such documents, except for documents incorporated by reference therein.

Annual and interim reports and accounts for the period ended					
Section	For the year ended 31 December 2010 Page No(s)	For the 15 month period ended 31 March 2012 Page No(s)	For the six month period ended 30 September 2012 Page No(s)	For the year ended 31 March 2013 Page No(s)	For the six month period ended 30 September 2013 Page No(s)
Consolidated statement of comprehensive income	33	51	13	55	16
Consolidated statement of changes in equity	34	52	14	56	17
Consolidated balance sheet	35	53	15	57	18
Consolidated statement of cash flows	36	54	16	58	19
Accounting policies	37-41	55-59	17	59-62	20
Notes to the financial statements	37-57	55-78	17-23	59-82	20-26
Audit report/ independent review report <sup>1</sup>	31	79	24	83	26

1 In respect of interim reports.

### 3 Selected Financial Information

The key figures that summarise the financial condition of the Group in respect of the three financial periods ended 31 December 2010, 31 March 2012 and 31 March 2013 and for the periods between 1 April 2012 and 30 September 2012 and between 1 April 2013 and 30 September 2013 which have been extracted directly from the historical financial information referred to above (unless otherwise indicated in the notes below the following table), are set out in the following table.

	For the year ended 31 December 2010	For the 15 month period ended 31 March 2012	For the six month period ended 30 September 2012	For the year ended 31 March 2013	For the six month period ended 30 September 2013
Total assets (£m)	466.7	449.6	439.2	418.3	430.1
Total liabilities (£m)	259.8	253.5	259.0	248.9	249.8
Net assets (£m)	206.9	196.1	180.2	169.4	180.3
Net asset value per Ordinary Share (p)	60	57	52	49	50
Earnings per Ordinary Share (p)	9.3	1.9	(2.6)	(4.2)	2.8
Dividends per Ordinary Share (p)	4.0	5.0	2	3.5	1.5
Revenue reserves – Group (£m) <sup>(1)</sup>	167.7	157.0	141.1	130.3	134.8
Total fixed assets (investments) (£m)	424.3	411.7	394.9	382.7	396.7

Notes:

(1) Calculated as distributable reserves plus retained earnings or losses.

### 4 Operating and Financial Review

The annual report and audited financial statements of the Company for the three financial periods ended 31 December 2010, 31 March 2012 and 31 March 2013 and the interim reports and unaudited financial statements of the Company for the two half-year periods ended 30 September 2012 and 30 September 2013 (each as incorporated into this Prospectus by reference) include, on the pages specified in the table below, descriptions of the Company's financial condition (in both



capital and revenue terms), details of the Company's investment activity and portfolio exposure and changes in its financial condition for each of those periods.

Annual and interim reports and accounts for the period ended					
Section	For the year ended 31 December 2010 Page No(s)	For the 15 month period ended 31 March 2012 Page No(s)	For the six month period ended 30 September 2012 Page No(s)	For the year ended 31 March 2013 Page No(s)	For the six month period ended 30 September 2013 Page No(s)
Chairman's statement	7-8	5-6	9-10	3-4	5
Investment Manager's report	11-20	13-28	21-35	5-8	6-12

## 5 No significant change in financial position

Save for the placing of 22.2 million Ordinary Shares on 27 November 2013 and the increase in property values from £401.14 million as at 30 September 2013 to £423.02 million as at 31 March 2014, as disclosed in the Company's NAV statement published on 23 April 2014, there has been no significant change in the trading or financial position of the Group since 30 September 2013, being the end of the last financial period for which unaudited interim financial information has been published.

## 6 Recent developments since 30 September 2013

The following is a summary of the Group's trading and financial position since 30 September 2013, based on the latest unaudited management accounts to 31 March 2014.

- The Net Asset Value of the Group has increased to £214.1 million from £180.3 million at 30 September 2013.
- The NAV/EPRA NAV per share stands at 56.4 pence, up from 50.4 pence at 30 September 2013.
- Like-for-like increase in property portfolio valuation over the quarter to 31 March 2014 of 1.8 per cent., and over the quarter to 31 December 2013 of 3.3 per cent.
- Gains of £2.7 million arising from trading activity over the quarter to 31 March 2014, as set out below.
- Two dividends of 0.75 pence per share have been paid, and a further dividend declared of 0.75 pence per share, payable to Shareholders on the Company's share register at the close of business on 16 May 2014.
- Dividend cover for the 6 months to 31 March 2014 was 125 per cent., compared with 122 per cent. for the half year to 30 September 2013.
- The dividend yield was 5.3 per cent., based on a share price of 56.75 pence as at 31 March 2014.
- The income profit for the 6 months to 31 March 2014 was £6.9 million, compared with £6.3 million for the half year to 30 September 2013 (year ended 31 March 2013: £14.7 million).
- Net property income for the year ended 31 March 2014 was £27.8 million (31 March 2013: £29.8 million).
- The Group's ongoing charges for the year ended 31 March 2014 were 1.7 per cent. (31 March 2013: 1.7 per cent.).
- The Group's gearing at 31 March 2014 stood at 47.7 per cent., calculated as total debt, less cash, as a proportion of property value.

A summary of the portfolio activity since 30 September 2013 is as follows:

- Occupancy across the whole portfolio improved to 91 per cent. (30 September 2013: 90 per cent.).
- Completed letting of largest industrial void, at 7 per cent. ahead of ERV.
- Following planning permission completed the letting of largest retail void, at 3 per cent. ahead of ERV.
- Completed first phase of refurbishment at City Link, Croydon.

- Trading activity has increased geographical exposure to the South East markets, whilst also improving the income profile and increasing the average lot size within the portfolio. This includes:
  - Two industrial acquisitions (Radlett and Grantham) totalling £52 million, with one completing during the quarter ending on 31 March 2014 and one following the quarter end.
  - Three disposals (London EC2 – offices, Richmond – retail and Lutterworth - industrial) during the quarter ended 31 March 2014 and one (Dartford – offices) following the quarter end, for a combined consideration of £40.4 million.
  - Completed two disposals of smaller assets during the quarter ended 31 December 2013, at 15 per cent. ahead of the September valuation.
  - Exchanged contracts on a further disposal of a vacant asset for £1.65 million, with completion subject to receipt of planning consent for conversion to a mixed use retail and residential scheme.
  - Acquired further unit at Angel Gate, EC1.
- De-risked the largest single lease expiry due in 2014, by agreeing a new reversionary lease, further improving the weighted average lease length of the whole portfolio to 6.7 years.
- The acquisition of the Grantham property for £11.48 million and the disposal of the Dartford property for £0.4 million, both of which occurred following 31 March 2014, have had the net effect of increasing the value of the Group's investment portfolio and reducing the Group's cash resources.

## **7 NAV Calculations**

The Company publishes its NAV on a quarterly basis. This quarterly NAV is unaudited.

The Company's most recent published quarterly NAV was as at 31 March 2014 and was £214.1 million, reflecting approximately 56.4 pence per Ordinary Share.

The NAV attributable to the Ordinary Shares is calculated by Picton Capital under IFRS. At an underlying property level there was a 1.8 per cent. like-for-like increase in the property portfolio valuation over the period from 31 December 2013 to 31 March 2014.

## PART 4

### VALUATION REPORT

Picton Property Income Limited (the **Company**)  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey

J.P. Morgan Cazenove (**J.P. Morgan**)  
25 Bank Street  
London  
E14 5JP

Oriel Securities Limited (**Oriel Securities**)  
150 Cheapside  
London  
EC2V 6ET

1 May 2014

Dear Sirs

#### VALUATION OF THE PROPERTY PORTFOLIO AS AT 31 MARCH 2014

##### 1 Introduction

In accordance with the Group's instructions, we have carried out a valuation of the properties (the **Properties** and each a **Property**) owned by the Group in order to advise you of our opinion of the Market Value (as defined below) of the freehold and leasehold interests in each of the Properties which are located throughout the UK, subject to and with the benefit of the various occupational leases to which the Properties may be subject, as at 31 March 2014 (the **Valuation**).

For the purposes of the Prospectus Rules, we are responsible for this Valuation Report and we will accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with, and is prepared in accordance with, and on the basis of, the Prospectus Rules.

##### 2 Inspections

The Properties have been inspected externally over the past 12 months and a sample have been inspected internally during this period.

##### 3 Compliance with RICS Valuation Standards

We confirm that the valuations have been made by us in accordance with the RICS Valuation – Professional Standards 2014 (the **Red Book**) issued by the Royal Institution of Chartered Surveyors (**RICS**) as well as in accordance with the relevant provisions of the Listing Rules and Rule 5.6.5G of the Prospectus Rules issued by the United Kingdom Listing Authority (the **UKLA**) and paragraphs 128 to 130 of the ESMA Update of the CESR Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses n° 809/2004.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently.

##### 4 Status of valuer

We confirm that we have undertaken the Valuation acting as an External Valuer (as defined in Appraisal and Valuation Standards (7th Edition) issued by the RICS) for the purposes of valuing the Properties.

## **5 Purpose of the Valuation**

We confirm that the Valuation has been prepared for a Regulated Purpose as defined in the Red Book. We understand that our valuation report and the Appendix to it (together the **Valuation Report**) is required for inclusion in the prospectus to be published by the Company on or about 1 May 2014 in respect of the proposed placing and offer for subscription and placing programme of New Ordinary Shares to be issued by the Company.

The effective date of the Valuation is 31 March 2014 (the **Valuation Date**).

In accordance with the UK Practice Statement 5.4 of the Red Book (**UKPS 5.4**) we have made certain disclosures in connection with this valuation instruction and our relationship with the Company. These are included in item 6 below.

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

### **6.1 Signatories**

CBRE Limited (**CBRE**) has continuously been carrying out valuation instructions in respect of those Properties acquired by the Picton Group as part of its acquisition of Rugby Estates Investment Trust plc since 2007 and has been carrying out valuation instructions in respect of the other Properties since 31 March 2013.

### **6.2 CBRE Limited's relationship with client**

CBRE has carried out Valuation, Agency and Professional services on behalf of the Company since April 2010.

### **6.3 Fee income from the Group**

In CBRE's financial year to 31 March 2014, the proportion of total fees payable by the Group to the total fee income of CBRE was less than 1 per cent. It is not anticipated that this situation will vary in the financial year to 31 March 2015. We do not consider that any conflict of interest arises for us in preparing this Valuation Report.

We confirm that we do not have any material interest in the Group or any of the Properties.

## **7 Report format**

The Appendix to this Valuation Report comprises details of the Properties which individually comprise in excess of 50 per cent., of the total property assets of the Group by value (the **Material Properties**).

## **8 Basis of valuation**

Our opinion of the Market Value of each of the Properties has been primarily derived using comparable recent market transactions on arm's-length terms.

## **9 Market Value**

The value of each of the Properties has been assessed separately and not as part of a portfolio in accordance with the Red Book. In particular, we have assessed Market Value in accordance with Practice Statement 3.2 contained within the Red Book. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". The total valuation of the Properties represents the aggregate of the individual values. No allowances are made for any expenses of realisation that would be incurred on a sale, or to reflect the balance of any outstanding mortgages, either in respect of capital or interest accrued thereon. Costs of acquisition are not included in our valuations.

## **10 Taxation and costs**

We have not made any adjustments in our valuations to reflect any liability to taxation that may arise on rental income from the Properties (if any), corporation tax, capital gains tax, any other property-related tax, notional sale prices or any gains whether existing or that may be realised on development or disposals, nor for any costs associated with disposals incurred by

the Company deemed or otherwise. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made deductions from our valuations to reflect purchasers' acquisition costs.

## **11 VAT**

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

## **12 Assumptions and sources of information**

An assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" (**Assumption**). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information.

The Company has confirmed and we confirm that our Assumptions are correct so far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions we have made for the purposes of our valuations are referred to below.

### **12.1 Title**

We have not had access to the title deeds or leases of any of the Properties nor to any Certificates of Title and as a result we have made an Assumption that the Company is possessed of good and marketable freehold or long leasehold title in each case and that the Properties are free from any unusually onerous rights of way or easements, restrictions, restrictive covenants, burdens, disputes or onerous or unusual outgoing which would adversely affect the value of the relevant interests. We have, where supplied, examined sample title documents and other relevant information. We have also assumed that the Properties are free from mortgages, charges or other encumbrances and any pending litigation.

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in Property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the Valuation, then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the Valuation as it relates to any Property.

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

In undertaking our valuations, due regard has been paid to the apparent state of repair and condition of each of the Properties, but building condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Any readily apparent defects or items of disrepair noted during our inspection will, unless otherwise stated, be reflected in our valuations, but we are unable to offer any assurance that any of the Properties are free from defect. We have assumed that those parts which have not been inspected would not reveal material defects which would cause us to alter our valuations. Therefore, we are unable to confirm that the Properties are structurally sound or free from any defects. We have made an Assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than as may be mentioned in our Valuation Report.

We have not arranged for investigations to be made to determine whether high alumina cement concrete (HAC), calcium chloride additive, asbestos, wood wool slabs, or any other deleterious materials or methods have been used in the construction or any alterations, and therefore we cannot confirm that the Properties are free from risk in this regard.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the inspection of Properties for the purposes of our Valuation that may fall within the Control of the Asbestos at Work Regulations 2002. We have not made an enquiry of the duty holder (as defined in the Control of Asbestos at Work Regulations 2002), of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations nor to determine the suitability of ground conditions and services. We have not undertaken environmental, archaeological or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and that the site is clear of underground mineral or other works, methane gas or other noxious substances. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon without the need for additional and expensive foundations or drainage systems. Furthermore, we have assumed in such circumstances that no unusual costs will be incurred in the demolition and removal of any existing structure on the Properties. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in our valuations for any items of plant or machinery not forming part of the service installations of the buildings on the Properties. We have specifically excluded all items of process, plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses and normally considered to be the property of the tenant. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools but have included boilers, heating, lighting, sprinklers, ventilation systems and lifts.

Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the Properties.

It is a condition of CBRE or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

### **12.3 Environmental matters**

#### *Electromagnetic fields*

There is high voltage electrical supply equipment close to some of the Properties. The possible effects of electromagnetic fields have been the subject of media coverage. The National Radiological Protection Board (NRPB), an independent body with responsibility for advising on electromagnetic fields, has advised that, following studies in 2000 and 2001, there may be a risk in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the Properties. In our valuations, we have not taken into account any likely effect on the future marketability and value of the Properties due to any change in public perception of the health implications.

#### *Other environmental matters*

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings, and to make an Assumption that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past or present uses, either of



the Properties or any adjacent or nearby land to establish whether there is any potential for contamination from such uses or sites. Therefore, we have assumed that no contaminative or potentially contaminative use is, or has been, carried out at the Properties.

In practice, purchasers in the property market do require knowledge about contamination. A prudent purchaser of these Properties would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, this might reduce the values now reported.

#### *Flooding*

If any of the Properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the Properties, without payment of an excessive premium or excess.

### **12.4 Areas**

The Company has provided us with the floor areas of the Properties that are relevant to our Valuation. As instructed, we have relied on these areas and have not checked them on site.

### **12.5 Statutory requirements and planning**

Enquiries have not been made of the relevant local planning authorities in whose areas the Properties lie as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

We have made an Assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. We have made a further Assumption that the Properties comply with all relevant statutory enactments and Building Acts and Regulations. Similarly, we have also made an Assumption that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless our enquiries have revealed the contrary, we have made a further Assumption that the existing uses of the Properties are duly authorised or established and all necessary consents, licenses and authorisations for the use of the Properties and the process carried out therein have been obtained and will continue to subsist and are not subject to any onerous conditions and that no adverse planning conditions or restrictions apply.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have made an Assumption that the Properties comply with all relevant statutory requirements and that only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of the Properties to comply with the provisions of the Disability Discrimination Act 1995.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates (**EPC**) to be made available for all Properties, when bought or sold, subject to certain exemptions. In respect of any of the subject Properties which are not exempt from the requirements of this Directive, we have made an Assumption that the Properties possess current EPCs and that an EPC is made available, free of charge, to the purchasers of the interests which are the subject of our Valuation.

We would draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. We assume that, if you should need to rely upon the information given about town planning matters, your solicitors would be instructed to institute such formal searches.

In instances where we have valued the Property with the benefit of a recently granted planning consent, we have made an assumption that it will not be challenged under judicial review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the Property, or the area in which it is located) within a period of three

months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

## **12.6 Leasing**

Where we have been provided with leases and related documents, these have been reviewed and reflected in our valuations. Where this information has not been provided, we have relied upon the management information that has been provided to us by the Company and made an Assumption that this is complete and accurate.

We have not undertaken investigations into the financial strength of the occupiers of any Property. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary we have made an Assumption that the occupiers of any Property are financially in a position to meet their financial obligations under the lease. Unless otherwise advised we have also made an Assumption that there are no arrears of rent, other payments or service charges, undisclosed breaches of covenants, current or anticipated tenant disputes.

However, our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits and that rent reviews are on an upward-only basis to the open market rent and that no questions of doubt arise as to the interpretation of the rent review provisions. We assume that neither the landlord nor tenant may terminate the leases prematurely, unless where we have been told otherwise by the Company or that the tenant has gone into administration or liquidation.

Unless disclosed to us, we have assumed that the Properties are subject to normal outgoings and that tenants are responsible for all repairs, the cost of insurance and payment of rates and other usual outgoings, either directly or by means of service charge provisions.

In respect of leasehold properties, we will assume that any landlords will give any necessary consents to an assignment.

## **12.7 Information**

We have made an Assumption that any information the Company, its professional advisers or any third party at the Company's instigation have supplied to us in respect of the Properties is full, correct and comprehensive, and can be safely relied upon by us in preparing our valuation.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

For the purposes of the Prospectus Rules we are responsible for this Valuation Report and we will accept responsibility for the information contained in it and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with and is prepared in accordance with, and on the basis of, the Prospectus Rules.

## **12.8 Properties in the course of development or requiring refurbishment**

We have relied upon information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date, as advised by the Company and its professional advisers. Our valuations have been based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. We have also made an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

## 12.9 Landlord and Tenant Act 1987

The Landlord and Tenant Act 1987 (the **Act**) gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in a building where more than 50 per cent., of the floor space is in residential use. Where this is applicable, we have made an Assumption that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest, and therefore disposal into the open market is unrestricted.

## 12.10 Portfolios and letting

We have, as instructed, valued the Properties on the assumption that the portfolio will continue to remain in existing ownership. As a result we have made no reduction or addition to the valuations to reflect the possible effect of flooding the market were the portfolio, or a substantial number of Properties within it, to be placed on the market at the same time.

## 13 Valuation of the Properties as at 31 March 2014

Having regard to the foregoing we are of the opinion that the aggregate of the Market Values of the Properties, as at 31 March 2014, totalled £423,020,000 (Four hundred and twenty-three million and twenty thousand pounds).

Exclusive of VAT, as shown in the Schedule of Capital Values set out below.

Freehold	*Long Leasehold	**Short Leasehold	Total
£314,620,000 (44 property holdings)	£108,400,000 (15 property holdings)	— (no property holdings)	£423,020,000 (59 property holdings)

\* more than 50 years unexpired

\*\* less than 50 years unexpired

There are no negative values to report.

The difference between the valuation figure provided above and the equivalent figure in the Company's latest published annual accounts (as at 31 March 2013) is due to an overall improvement in pricing in the investment market, alongside portfolio activity and an improvement in occupancy, together with trading activity which has led to a change in the composition of the Company's portfolio since 31 March 2013 and, in some cases, changes to the underlying tenancy position.

We have reviewed our valuation as at 31 March 2014 and confirm that there has been no material change to the valuation from that date to the date of this letter.

## 14 Confidentiality and disclosure and publication

The contents of this Valuation Report may be used only for the specific purpose to which they refer. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained, provided always that the contents of this Valuation Report may be disclosed to the extent that disclosure is required by law or regulatory authorities or for insurance purposes or such disclosure is necessary in the view of the disclosing person to establish any defence in any legal or regulatory proceeding or investigation or otherwise to comply with its or their own regulatory obligations. For the avoidance of doubt such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

We hereby give our consent to the inclusion of this Valuation Report in the Prospectus and to the references to this Valuation Report and our name therein in the form and context in which they appear.

Yours faithfully

Nick Knight  
*Executive Director*

for and on behalf of  
CBRE Limited

## APPENDIX 1: DETAILS OF MATERIAL PROPERTIES

Property	Location and Description	Floor Area	Ownership Interest	Net Passing Rent per annum
PARKBURY, RADLETT, HERTFORDSHIRE	A freehold, purpose-built industrial estate comprising 24 units. Constructed between 2005 and 2009. The property is located between Junction 21a and 22 of the M25 in an established industrial location.	31,282 sq m (336,732 sq ft)	Freehold	£2,506,373
UNITS A-G & FLEET HOUSE RIVER WAY INDUSTRIAL ESTATE, HARLOW, ESSEX CM20 2DP	The property is held freehold. The property comprises 11 industrial units arranged along a T-shaped service road. Most of the units are of a standard steel portal frame construction with two storey integral office accommodation, with good yard areas and average site densities. Harlow is located 32 km (20 miles) north of Central London, just off the M11 Motorway. River Way Industrial Estate is located in the established Temple Fields industrial area to the north east of the Town Centre.	41,733 sq m (445,995 sq ft)	Freehold	£2,420,182
STANFORD HOUSE, 12-14 LONG ACRE, LONDON, WC2	Stanford House comprises a six storey Grade II listed mixed retail, office and residential property located in Covent Garden.  The property is multi-let and fully occupied.	1,688 m2 (18,170 ft <sup>2</sup> )	Freehold	£1,291,288
ANGEL GATE OFFICE VILLAGE, CITY ROAD, LONDON EC1V 2PT	This property is multi-let to a variety of tenants, some of which hold long 999-year ground leases.  The office building occupies part of an island site just outside the City core. The buildings were constructed in three phases, with the first phase being completed in 1989. The buildings typically comprise office accommodation on ground and three to four upper floors. A car-park provides 81 parking spaces and one disabled car parking space, being located below the office village.  The property is located in the northern fringe of the City of London, within the sub-district of Islington.	9,119 sq m (98,161 sq ft)	Freehold	£953,056
FARRINGDON COURT, 50 FARRINGDON ROAD, LONDON EC1M 3NH	The property is held long leasehold for a term of 999 years from 28 February 1995 (982 years unexpired), in return for one pebble of ballast if demanded. The property comprises office accommodation on ground and two upper floors with plant rooms at basement one level and plant rooms and car-parking at lower basement level. Internally, the accommodation is of good specification. Following a comprehensive refurbishment programme in 2011 the property is	2,972 sq m (31,992 sq ft)	Long Leasehold	£1,029,036

Property	Location and Description	Floor Area	Ownership Interest	Net Passing Rent per annum
	fully let to three tenants, who are currently benefiting from a rent free period. The property is located on the east side of Farringdon Road backing onto the Farringdon Road Underground Station and forming part of a single development with Smith New			
BOUNDARY HOUSE, 7-17 JEWRY STREET, LONDON EC3N 2HP	<p>The property is held freehold. Originally constructed in the 1950's, the building was partly refurbished in 2001 and is arranged over basement, ground and seven upper floors. The specification ranges from centrally heated with solid floors to air conditioned with raised floors and metal tiled suspended ceilings.</p> <p>The property is located within the EC3 district of the City of London. It is located on the west side of Jewry Street in the eastern sector of the City in close proximity to Fenchurch Street Station.</p>	4,198 sq m (45,183 sq ft)	Freehold	£709,806
PHASE II, PARC TAWE, LINK ROAD, SWANSEA SA1 2AL	The Property is held long leasehold. 150 years from 29 September 1996 (134 years unexpired) at a peppercorn rent. Seven out of town retail units completed in circa 1997. The units are arranged in an 'L' shape configuration around the customer car park. The units have been fitted out by the individual tenants. The property is prominently situated fronting the Parc Tawe Road (B4290) at its junction with the New Cut Road (A483), to the east of the City Centre.	10,842 sq m (116,710 sq ft)	Long Leasehold	£1,273,401
1 CHANCERY LANE, LONDON WC2A 1LF	<p>The property is held part freehold and part long leasehold.</p> <p>The rent payable attributable to the leasehold element of this property has reviews at five yearly intervals to a proportion of the rents receivable from the occupational tenants.</p> <p>Internally, the accommodation is of good specification.</p> <p>The property is located in the City of London at the southern end of Chancery Lane at its junction with Fleet Street.</p>	1,421 sq m (15,301 sq ft)	Mixed freehold/part leasehold	£688,123
COLCHESTER BUSINESS PARK, THE CRESCENT, COLCHESTER, ESSEX CO4 4YQ	<p>The property is held on various long leases for 250 years from 1 February 1991 (229 years unexpired).</p> <p>There are six separate leases held between the Company and Colchester Borough Council.</p> <p>The annual rent payable is equivalent to 15 per cent of the net income for each relevant period (31 March each year).</p>			

Property	Location and Description	Floor Area	Ownership Interest	Net Passing Rent per annum
	<p>The properties were built in the 1990's. The property comprises seven modern, self-contained office buildings and one warehouse unit.</p> <p>The Business Park is a development of office and industrial buildings located to the north of Colchester Town Centre.</p>	13,917 sq m (149,802 sq ft)	Leasehold with geared ground rent	£1,124,951
UNIT 3220, MAGNA PARK, LUTTERWORTH LE17 4XN	<p>The property is held on a long leasehold of 997 years from 22 November 1991 at a peppercorn ground rent.</p> <p>The property comprises a single distribution unit constructed in the early 1990s with an eaves height of approximately 10 metres with a total of 30 loading doors and an adjoining two storey office section.</p>	14,944 sq m (160,857 sq ft)	Leasehold	£840,000

Note: The Group has 100 per cent ownership of each of the above assets.



## **PART 5**

### **THE INITIAL OFFERS**

#### **1 The Initial Offers**

- 1.1 The maximum aggregate number of New Ordinary Shares that may be issued under the Initial Offers is 59,322,034.
- 1.2 Allocations of New Ordinary Shares pursuant to the Initial Placing and the Offer for Subscription will be determined by the Sponsors after consultation with the Company.
- 1.3 On the basis that 59,322,034 New Ordinary Shares are issued, it is expected that the Company will receive approximately £33.8 million from the Initial Offers, net of associated fees, costs and expenses payable by the Company of approximately £1.2 million.
- 1.4 The Offer for Subscription is conditional on:
  - (a) Initial Admission occurring at 8.00 a.m. on 23 May 2014 (or such later time or date, not being later than 30 June 2014, as the Company, J.P. Morgan and Oriel Securities may agree); and
  - (b) the Resolution in connection with the Capital Raise being passed at the EGM.
- 1.5 If either of these conditions are not met, the Offer for Subscription will not proceed.
- 1.6 There is no minimum amount required to be raised under the Initial Offers in order for the Initial Offers to proceed.
- 1.7 The Initial Offers are not underwritten.

#### **2 The Initial Placing**

- 2.1 The Company, the Investment Manager, the Directors and the Sponsors have entered into the Placing Agreement, pursuant to which the Sponsors have agreed, subject to certain conditions, to use their respective reasonable endeavours to procure subscribers for the New Ordinary Shares made available in the Initial Placing at the Issue Price of 59 pence each.
- 2.2 The Initial Placing is conditional on:
  - (a) Initial Admission occurring at 8.00 a.m. on 23 May 2014, (or such other time or date, not being later than 30 June 2014 as the Company, J.P. Morgan and Oriel Securities may agree);
  - (b) the Resolution in connection with the Capital Raise being passed at the EGM; and
  - (c) the Placing Agreement becoming otherwise unconditional in respect of the Initial Placing and not being terminated in accordance with its terms before the Initial Admission becomes effective.
- 2.3 If any of these conditions is not met, the Initial Placing will not proceed.
- 2.4 The terms and conditions of the Initial Placing are set out in Appendix 1 of this document. These terms and conditions should be read carefully before a commitment is made.
- 2.5 Further details of the terms of the Placing Agreement, including the fees payable to the Sponsors, are detailed in paragraph 9.3(k) of Part 7 (General Information) of this document.

#### **3 The Offer for Subscription**

- 3.1 New Ordinary Shares to be issued at the Issue Price of 59 pence each are available to the public under the Offer for Subscription. The Offer for Subscription is only being made in the UK but, subject to applicable law, the Company may allot New 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 Appendix 3 of this document. An Application Form to apply for New Ordinary Shares under the Offer for Subscription is set out at the end of this document. The terms and conditions should be read carefully before an application is made. Investors should consult their respective stockbroker, bank manager, solicitor, accountant or other financial adviser if they are in doubt about the contents of this Prospectus.
- 3.2 Applications under the Offer for Subscription must be for a minimum subscription amount of £1,000 and thereafter in multiples of £100.

- 3.3 All applications for New Ordinary Shares under the Offer for Subscription will be payable in full, in Sterling, by a cheque or banker's draft drawn on a UK clearing bank.

#### **4 General**

- 4.1 Subject to those matters on which the Initial Offers are conditional, the Board, with the consent of the Sponsors, may bring forward or postpone the closing date for the Initial Offers. The results of the Initial Offers are expected to be announced on 20 May 2014 via a RIS.
- 4.2 CREST accounts will be credited on the date of Initial Admission and it is expected that, where Shareholders have requested them, certificates in respect of the New Ordinary Shares to be held in certificated form will be dispatched by 30 May 2014. Pending receipt by Shareholders of definitive share certificates, if issued, the Registrar will certify any instruments of transfer against the register of members.
- 4.3 To the extent that any application for subscription under the Capital Raise is rejected in whole or in part, or the Board determines in its absolute discretion that the Capital Raise should not proceed, monies received will be returned to each relevant applicant at its risk and without interest.
- 4.4 The Net Proceeds will be invested in accordance with the Company's investment policy and used for general corporate purposes.
- 4.5 Multiple applications or suspected multiple applications on behalf of a single client are liable to be rejected.
- 4.6 The ISIN for the New Ordinary Shares is GB00BOLCW208 and the SEDOL is BOLCW20.
- 4.7 Subject to their statutory right of withdrawal pursuant to section 87(Q)(4) of FSMA in the event of the publication of a supplementary prospectus, applicants may not withdraw their applications for New Ordinary Shares.
- 4.8 Applicants wishing to exercise their statutory right of withdrawal pursuant to section 87(Q)(4) of FSMA after the publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) 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 with the Receiving Agent, by post to Computershare Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received not later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent 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 applicant of his subscription in full and the allotment of New Ordinary Shares to such applicant becoming unconditional. In such event Shareholders are recommended to seek independent legal advice.

#### **Basis of allocation**

- 4.9 The basis of allocation of New Ordinary Shares between the Initial Placing and the Offer for Subscription shall be determined by the Sponsors after consultation with the Company.
- 4.10 If subscriptions under the Initial Placing and the Offer for Subscription exceed the maximum number of New Ordinary Shares available, the Sponsors will scale back subscriptions at their discretion after consultation with the Company.

#### **Overseas investors**

- 4.11 The attention of persons resident outside the UK is drawn to the notices to investors set out on page 25 of this Prospectus which set out restrictions on the holding of New Ordinary Shares by such persons in certain jurisdictions.
- 4.12 In particular investors should note that the New Ordinary Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Company has not registered, and does not intend to register, as an investment company under the U.S. Investment Company Act.

Accordingly, the New Ordinary Shares may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, any U.S. persons except in a transaction meeting the requirements of an applicable exemption from the registration requirements of the U.S. Securities Act.

#### **CREST**

- 4.13 CREST is a paperless settlement procedure enabling securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. The Articles permit the holding of Ordinary Shares under the CREST system and the Company has applied for the New Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes (provided that the New Ordinary Shares are not in certificated form).
- 4.14 CREST is a voluntary system and, upon the specific request of a Shareholder, the Ordinary Shares of that Shareholder which are being held under the CREST system may be exchanged, in whole or in part, for share certificates.
- 4.15 If a Shareholder or transferee requests New Ordinary Shares to be issued in certificated form, a share certificate will be despatched either to them or their nominated agent (at their own risk) within 21 days of completion of the registration process or transfer, as the case may be, of the New Ordinary Shares. Shareholders who are non-U.S. Persons holding definitive certificates may elect at a later date to hold their New Ordinary Shares through CREST in uncertificated form provided that they surrender their definitive certificates.

#### **Dealing arrangements**

- 4.16 Application will be made for the New Ordinary Shares to be issued pursuant to the Initial Offers 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 that dealings in the New Ordinary Shares will commence, at 8.00 a.m. on 23 May 2014.

#### **Settlement**

- 4.17 Payment for the New Ordinary Shares to be acquired under the Placing should be made in accordance with settlement instructions provided to investors by the Sponsors. Payment for the New Ordinary Shares applied for under the Offer for Subscription should be made in accordance with the instructions contained in the Application Form set out at the end of this Prospectus. To the extent that any subscription or application for New Ordinary Shares is rejected in whole or part, monies will be returned to the applicant without interest.

#### **Money laundering**

- 4.18 Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and in Guernsey, any of the Company and its agents, including the Administrator, the Registrar, the Receiving Agent, the Investment Manager and the Sponsors may require evidence in connection with any subscription or application for New Ordinary Shares, including further identification of the applicant(s), before any New Ordinary Shares are issued.
- 4.19 Each of the Company and its agents, including the Administrator, the Registrar, the Receiving Agent, the Investment Manager and the Sponsors reserves the right to request such information as is necessary to verify the identity of a Shareholder or prospective Shareholder and (if any) the underlying beneficial owner or prospective beneficial owner of a Shareholder's New Ordinary Shares. In the event of delay or failure by the Shareholder or prospective Shareholder to produce any information required for the verification purposes, the Board, in consultation with any of the Company's agents, including the Administrator, the Registrar, the Receiving Agent, the Investment Manager and the Sponsors, may refuse to accept a subscription or application for New Ordinary Shares, or may refuse the transfer of Ordinary Shares held by any such Shareholder.

## **ISA, SSAS and SIPP**

### *General*

- 4.20 The New Ordinary Shares will be “qualifying investments” for the stocks and shares component of an ISA and the Board will use its reasonable endeavours to manage the affairs of the Company so as to enable this status to be maintained. Save where an account manager is acquiring New Ordinary Shares using available funds in an existing ISA, an investment in New Ordinary Shares by means of an ISA is subject to the usual annual subscription limits applicable to new investments into an ISA (currently £11,880, which is due to increase to £15,000 from 1 July 2014).
- 4.21 Sums received by a Shareholder on a disposal of Ordinary Shares will not count towards the Shareholder’s annual limit but a disposal of Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year. Individuals wishing to invest in New Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility.

### *Placing*

- 4.22 New Ordinary Shares allotted under the Initial Placing and any Subsequent Placing are not eligible for inclusion in an ISA.

### *Offer for Subscription*

- 4.23 New Ordinary Shares allotted under the Offer for Subscription will be eligible for inclusion in an ISA, subject to the applicable subscription limits to new investments into an ISA, as set out above, being complied with.

### *Secondary market purchases*

- 4.24 New Ordinary Shares acquired by an account manager by purchase in the secondary market, subject to applicable subscription limits, as set out above, will be eligible for inclusion in an ISA. UK small self-administered schemes and self-invested personal pensions New Ordinary Shares will be eligible for inclusion in a UK SSAS or a UK SIPP.

## **Subscriber warranties**

- 4.25 Each subscriber of New Ordinary Shares in the Capital Raise and each subsequent investor in the New Ordinary Shares will be deemed to have represented, warranted, acknowledged and agreed as follows:
- (a) it is not a U.S. Person, is not located within the United States and is not acquiring the New Ordinary Shares for the account or benefit of a U.S. Person;
  - (b) it is acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
  - (c) it acknowledges that the New Ordinary Shares have not been and will not be registered under the U.S. 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, U.S. Persons absent registration or an exemption from registration under the U.S. Securities Act;
  - (d) it acknowledges that the Company has not been registered under the U.S. 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 U.S. Investment Company Act;
  - (e) no portion of the assets used to purchase, and no portion of the assets used to hold, the New 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 Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the 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 Code.

- (f) 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 Code, its purchase, holding, and disposition of the New Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (g) that if any New 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:

**PICTON PROPERTY INCOME LIMITED (THE "COMPANY") HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. 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 "U.S. 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, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE U.S. SECURITIES ACT OR AN EXEMPTION THEREFROM AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.**

- (h) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the U.S. Securities Act and under circumstances which will not require the Company to register under the U.S. 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;
- (i) it is purchasing the New 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 New Ordinary Shares in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws;
- (j) it acknowledges that the Company reserves the right to make inquiries of any holder of the New Ordinary Shares or interests therein at any time as to such person's status under the U.S. 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 U.S. securities laws to transfer such New Ordinary Shares or interests in accordance with the Articles;
- (k) it is entitled to acquire the New 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 New 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 or the Sponsors, or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Capital Raise or its acceptance of participation in the Capital Raise;
- (l) it has received, carefully read and understands this prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this prospectus or any other presentation or offering materials concerning the New Ordinary Shares to within the United States or to any U.S. Persons, nor will it do any of the foregoing;

- (m) if it is acquiring any New 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; and
  - (n) the Company, the Investment Manager, the Sponsors 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.
- 4.26 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 6

### THE PLACING PROGRAMME

#### 1 The Placing Programme

- 1.1 Following the Initial Offers, the Directors intend to implement the Placing Programme. The number of New Ordinary Shares available under the Placing Programme is dependent on the number of New Ordinary Shares issued under the Initial Offers: the total size of the Capital Raising is 170 million New Ordinary Shares and consequently the size of the Placing Programme will be the difference between 170 million New Ordinary Shares and the number of New Ordinary Shares issued under the Initial Offers.
- 1.2 The Placing Programme is being implemented to enable the Company to satisfy demand for its New Ordinary Shares as well as to increase the size of the Company.
- 1.3 Where New Ordinary Shares are made available under the Placing Programme, the total assets of the Company will increase by that number of New Ordinary Shares multiplied by the Subsequent Placing Price (less any relevant costs and expenses payable by the Company). The net proceeds resulting from any Subsequent Placing pursuant to the Placing Programme are expected to be invested in investments consistent with the investment objective and policy of the Company.
- 1.4 It is proposed that the New Ordinary Shares made available pursuant to each Subsequent Placing will be issued or sold at the Subsequent Placing Price, which will not be less than the prevailing NAV per Ordinary Share at the time of allotment plus a premium to cover the expenses of such issue. The Subsequent Placing Price will be announced through an RIS as soon as is practicable following the allotment or sale of the New Ordinary Shares.
- 1.5 Placees will receive a contract note following closing of the Subsequent Placing and prior to the relevant Subsequent Admission of the New Ordinary Shares notifying them of the number of New Ordinary Shares they will receive. Dealings in the New Ordinary Shares issued pursuant to the Subsequent Placings will not be permitted prior to the relevant Subsequent Admission.
- 1.6 The maximum number of the New Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of New Ordinary Shares to be issued. Each placing of New Ordinary Shares issued pursuant to the Placing Programme will be announced via an RIS announcement shortly following the deadline for receipt of placing commitments under the Placing Programme. If a placing of New Ordinary Shares under the Placing Programme does not proceed, subscription monies received will be returned without interest at the risk of the applicant.
- 1.7 If a Shareholder does not subscribe under the Placing Programme for such number of New Ordinary Shares as is equal to its proportionate ownership of Existing Ordinary Shares, its proportionate ownership and voting interest in the Company will be reduced and the percentage that his or her Existing Ordinary Shares will represent of the total share capital of the Company will be reduced accordingly following each Subsequent Placing under the Placing Programme.
- 1.8 The New Ordinary Shares made available under the Placing Programme will rank *pari passu* with the Existing Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid by on the Ordinary Shares by reference to a record date prior to the issue of the relevant New Ordinary Shares). Investors subscribing for New Ordinary Shares under the Placing Programme will not be entitled to receive any dividend for the period from 1 January 2014 to 31 March 2014.
- 1.9 New Ordinary Shares will be available to be issued pursuant to the Placing Programme from 23 May 2014.
- 1.10 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 applicable Admission, the Company will publish a supplementary prospectus. Any supplementary prospectus published will give details of the significant change(s) or the significant new matter(s).

## **2 Proceeds of the Placing Programme**

- 2.1 The Net Proceeds of the Placing Programme are dependent on both (i) the aggregate number of New Ordinary Shares issued or sold pursuant to the Placing Programme; and (ii) the applicable Subsequent Placing Price(s).
- 2.2 Assuming: (i) the Initial Offers are fully subscribed; (ii) the Company issues or sells the maximum number of New Ordinary Shares available for issue or sale under the Placing Programme; and (iii) a Subsequent Placing Price of 59 pence, the Company would raise £65.3 million of Gross Proceeds from the Placing Programme. After deducting expenses (including any commission) of approximately £0.9 million, the Net Proceeds of the Placing Programme would be approximately £64.4 million.
- 2.3 The Directors intend to apply the Net Proceeds of the Placing Programme in making investments in accordance with the Company's investment objective and policy. The Placing Programme is not being underwritten. The decision whether to proceed with the Placing Programme and the issue or sale of New Ordinary Shares pursuant to the Placing Programme will be at the absolute discretion, and subject to the agreement of, the Directors, J.P. Morgan and Oriel Securities.

## **3 Conditions**

- 3.1 Each Subsequent Placing under the Placing Programme is conditional on:
- a) the Subsequent Admission occurring on such time and date as the Company, J.P. Morgan and Oriel Securities may agree prior to the closing of that Subsequent Placing, not being later than 30 April 2015;
  - b) the Resolution in connection with the Capital Raise being passed at the EGM; and
  - c) the Placing Agreement becoming otherwise unconditional in respect of the Subsequent Placing, and not being terminated in accordance with its terms before the Subsequent Admission becomes effective.
- 3.2 If any of these conditions are not met, that Subsequent Placing will not proceed.

## **4 Admission and dealing arrangements**

- 4.1 Application will be made to the FCA for admission of the New Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.
- 4.2 It is expected that Admission will take place and dealing will commence in the New Ordinary Shares 3 Business Days after their issue. The New Ordinary Shares will be issued or sold in registered form and may be held in uncertificated form. The New Ordinary Shares will be issued or transferred to Placees through the CREST system unless otherwise stated. The New Ordinary Shares will be eligible for settlement through CREST (with effect from Admission in the case of New Ordinary Shares).
- 4.3 The Company will arrange for CREST to be instructed to credit the appropriate CREST accounts of the Placees concerned or their nominees with their respective entitlements to the New Ordinary Shares. The names of Placees or their nominees that invest through their CREST accounts will be entered directly on to the share register of the Company. Dealings in the New Ordinary Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

## **5 Overseas Persons**

- 5.1 The attention of potential investors who are not resident in, or who are not citizens of, the UK is drawn to the paragraphs below.
- 5.2 The offer of New Ordinary Shares pursuant to the Placing Programme to Overseas Persons may be affected by the laws of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any applicable legal requirements to enable them to obtain New Ordinary Shares pursuant to the Placing Programme. It is the responsibility of all Overseas Persons receiving this Prospectus and/or wishing to subscribe for or acquire New Ordinary Shares pursuant to the Placing Programme to satisfy themselves as to full observance of the laws of the relevant

territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

- 5.3 No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.
- 5.4 Persons (including, without limitation, nominees and trustees) receiving this Prospectus should not distribute or send it to any US Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be, registered under the US Investment Company Act and the New Ordinary Shares being sold have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Relevant clearances in respect of the New Ordinary Shares have not been, and will not be, obtained from the securities commission of any province or territory of Canada, Australia, Japan or the Republic of South Africa and such New Ordinary Shares may not be offered or sold directly or indirectly in, into or within the United States, Canada, Australia, Japan or the Republic of South Africa or to, or for the account or benefit of, a US Person (as defined in the Regulations of US Securities Act) or any national citizen or resident of the United States, Canada, Australia, Japan or the Republic of South Africa. This Prospectus does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.
- 5.5 Accordingly, the New Ordinary Shares being sold are only being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S. The New Ordinary Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any US Person.
- 5.6 The Company reserves the right to treat as invalid any agreement to subscribe for or acquire New Ordinary Shares pursuant to the Placing Programme if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## PART 7

### GENERAL INFORMATION

#### 1 Responsibility

- 1.1 The Company and the Directors, being Nicholas Thompson, Trevor Ash, Vic Holmes, Roger Lewis and Robert Sinclair, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2 The Company and the Group

##### *The Company*

- 2.1 The Company was incorporated on 15 September 2005 with the name ING UK Real Estate Income Trust Limited and registered number 43673 with liability limited by shares in Guernsey under the Companies Law. The Company changed its name to Picton Property Income Limited with effect from 1 June 2011. The Company is domiciled in Guernsey. The Company has been incorporated with an unlimited life. The registered office of the Company is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL and the telephone number is 01481 745 001. The Company operates under the Companies Law and ordinances and regulations made thereunder and has no employees.
- 2.2 The Company has been declared by the Guernsey Financial Services Commission to be an authorised closed-ended investment scheme under the Authorised Closed-ended Investment Schemes Rules 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

##### *Principal Subsidiary Undertakings*

- 2.3 The PropCo and the SPV are Guernsey companies wholly-owned by the Company. The PropCo holds 99 per cent., of the units in the GPUT and the SPV holds the remaining 1 per cent. Until 24 July 2012, save for the real estate assets acquired as a result of the Rugby REIT acquisition, all of the Group's real estate assets were held indirectly by the GPUT. On 24 July 2012, the Company completed the refinancing of the Group's securitised loan facility and RBS facility. As part of that refinancing, the Group undertook a corporate restructuring to create two separate security pools of assets, one relating to the Aviva Facility and the other relating to the Canada Life Facility. One of these security pools contains assets held by an English limited partnership (**LP2**) and PropCo No.2 and the other security pool contains assets held by another English limited partnership (**LP3**) and PropCo No.3. The GPUT is the only limited partner in, and owns 99.9 per cent. of the partnership interests in, each of LP2 and LP3. The Group's uncharged property assets are held by SPV 2.

##### *The PropCo*

- 2.4 The PropCo was incorporated on 29 September 2005 with registered number 43741 with liability limited by shares in Guernsey under the Companies Law. The registered office of the PropCo is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. The PropCo operates under the Companies Law and ordinances and regulations made thereunder and has no employees. The PropCo is wholly-owned by the Company.

##### *The SPV*

- 2.5 The SPV was incorporated on 30 September 2005 with registered number 43747 with liability limited by shares in Guernsey under the Companies Law. The registered office of the SPV is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. The SPV operates under the Companies Law and ordinances and regulations made thereunder and has no employees. The SPV is wholly-owned by the Company.

### ***The GPUT***

- 2.6 The GPUT is a property unit trust established in Guernsey. The registered address of the GPUT is at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. 99 per cent., of the units of the GPUT are held by the PropCo and the remaining 1 per cent., is held by the SPV.
- 2.7 The GPUT is constituted pursuant to the Amended and Restated Unit Trust Instrument, further details of which are set out in paragraph 9.3(h) of this Part 7 (General Information).
- 2.8 The GPUT was established to effect the acquisition of a property portfolio from subsidiaries of Abbey National Plc, completion of which took place on 19 August 2005.
- 2.9 Following the completion of the refinancing of the Group's securitised loan facility and RBS facility on 24 July 2012 and the related restructuring, the GPUT does not hold any property directly but is the only limited partner in each of LP2 and LP3, holding 99.9 per cent. of the partnership interests of each.

### ***LP2 and LP3***

- 2.10 Each of LP2 and LP3 is a limited partnership established in England. The principal place of business of both LP2 and LP3 is 1st Floor, 28 Austin Friars, London EC2N 2QQ. 99.9 per cent. of the partnership interests in both LP2 and LP3 is held by the GPUT as limited partner. The remaining 0.1 per cent. of the partnership interests in LP2 is held by Picton (General Partner) No.2 Limited, as general partner. The remaining 0.1 per cent. of the partnership interests in LP3 is held by Picton (General Partner) No.3 Limited, as general partner. Both Picton (General Partner) No.2 Limited and Picton (General Partner) No.3 Limited are wholly-owned within the Group.

### ***SPV 2***

- 2.11 SPV 2 was incorporated on 20 October 2006 with registered number 45704 with liability limited by shares in Guernsey under the Companies Law. The registered office of SPV 2 is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. SPV 2 operates under the Companies Law and ordinances and regulations made thereunder and has no employees. SPV 2 is wholly-owned by the Company.

### ***Picton ZDP Limited***

- 2.12 Picton ZDP Limited was incorporated on 3 September 2012 with registered number 55586 with liability limited by shares in Guernsey under the Companies Law. Picton ZDP is domiciled in Guernsey. Picton ZDP has been incorporated with an unlimited life. The registered office of Picton ZDP is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL and the telephone number is 01481 745 001. Picton ZDP operates under the Companies Law and ordinances and regulations made thereunder and has no employees.
- 2.13 Picton ZDP is not regulated by the Guernsey Financial Service Commission.

### ***Picton Capital Limited***

- 2.14 Picton Capital Limited is a limited company incorporated under the laws of England and Wales and is wholly-owned by the Company. Picton Capital is authorised and regulated in the United Kingdom by the FCA and was established by the Company to take over the management of the Group's property portfolio on the expiry of ING Real Estate Investment Management (UK) Limited's notice period, on 31 December 2011. All of the employees of the Group are employed by Picton Capital. Since 1 January 2012, Picton Capital has been the investment manager of the Group.
- 2.15 Picton Capital provides property management services to the property-holding members of the Group under investment management agreements, further details of which are set out in paragraphs 9.3(b), (c) and (d) of this Part 7 (General Information).
- 2.16 In addition, Picton Capital provides investment advisory services to the Company under an investment management agreement, further details of which are set out in paragraph 9.3(a) of this Part 7 (General Information).

### 3 Share Capital

- 3.1 The share capital of the Company comprises an unlimited number of Ordinary Shares with no par value. As at 30 September 2013, the issued share capital of the Company was as follows:

	<b>Issued and fully paid Number</b>	<b>£'000</b>
Ordinary Shares	357,641,303	Nil

- 3.2 As at the Latest Practicable Date, all of the issued share capital of the Company was fully paid up.
- 3.3 The Company does not hold any shares in treasury.
- 3.4 As at the Latest Practicable Date, no member of the Group had any capital which was under option or agreed conditionally or unconditionally to be put under option.
- 3.5 The Ordinary Shares are listed on the Official List of the UK Listing Authority and trade on the London Stock Exchange under the symbol "PCTN".
- 3.6 The ISIN for the Ordinary Shares is GB00BOLCW208. Information about the past and future performance of the Ordinary Shares and its volatility can be obtained from the website of the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com).
- 3.7 Save for:
- (a) the issue of 14,934,818 Ordinary Shares in connection with the acquisition of Rugby REIT;
  - (b) 12,305,185 Ordinary Shares issued by way of the placing on 5 September 2013; and
  - (c) 22,228,426 Ordinary Shares issued by way of the placing on 27 November 2013,
- there have been no changes to the Company's share capital since 1 January 2010.

### 4 Substantial share interests

- 4.1 As at the close of business on the Latest Practicable Date, in so far as is known to the Company, the following persons (other than the Directors) were directly or indirectly interested in 3 per cent, or more of its issued share capital:

<b>Shareholder</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Share Capital</b>
Ferlim Nominees Limited	45,607,540	12.01
The Bank of New York (Nominees) Limited	29,559,110	7.78
Transact Nominees Limited	19,608,361	5.16
Nortrust Nominees Limited	17,262,335	4.54
Rathbone Nominees Limited	16,136,791	4.25
Alliance Trust Savings Nominees Limited	15,028,304	3.96

- 4.2 Those persons referred to in paragraph 4.1 do not have voting rights in respect of the Company's share capital which differ from those of any other Shareholder. The Company is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Company.
- 4.3 Neither the Company nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over the Company.



## 5 The Directors of the Company

- 5.1 The aggregate of the remuneration (including any contingent or deferred compensation) paid and benefits in kind granted to the Directors by the Company in respect of the financial year ended 31 March 2013 was £193,750, made up as follows:

Directors	£
Nicholas Thompson	63,000
Trevor Ash	33,000
Vic Holmes	8,250
Roger Lewis	35,000
Robert Sinclair	38,000
Tjeerd Borstlap <sup>5</sup>	16,500

- 5.2 The maximum aggregate amount of remuneration payable to the Directors permitted under the Company's Articles is £300,000 per annum.
- 5.3 There are no existing or proposed service contracts between any of the Directors and the Company.
- 5.4 No amounts have been set aside or accrued by the Company to provide pension retirement or similar benefits for the Directors.
- 5.5 The Directors were appointed as non-executive directors of the Company by letters dated 31 March 2010 in the case of Roger Lewis, 3 October 2005 in the case of Nicholas Thompson, Trevor Ash and Robert Sinclair and 1 January 2013 in the case of Vic Holmes. These letters state that the Directors' appointments and any subsequent terminations or retirements shall be subject to the Company's Articles. The Directors' appointment letters provide that upon the termination of a Director's appointment, that Director must resign in writing and all records remain the property of the Company. A Director's appointment can be terminated in accordance with the Company's Articles and without compensation. There is no notice period specified in the Company's Articles for the removal of Directors. The Company's Articles provide that the office of Director shall be terminated, amongst other things if: he becomes bankrupt or makes an arrangement or compromise with his creditors; or he becomes resident for tax purposes in the United Kingdom and, as a result thereof, a majority of the Directors are resident for tax purposes in the United Kingdom or he is requested by a majority of the other Directors (not being less than two in number) to vacate office or he is removed from office by an ordinary resolution.
- 5.6 No loan has been granted to, nor any guarantee provided for the benefit of, any of the Directors by any member of the Group.
- 5.7 None of the Directors have, or have had, any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which has been effected by the Group since incorporation and which remains in any way outstanding or unperformed.
- 5.8 Save as set out in this Part 7 (General Information), none of the Directors, including any connected person, the existence of which is known to or who could with reasonable diligence be ascertained by that Director whether or not held through another party, has an interest in the share capital of the Company or in any options in respect of such capital.
- 5.9 As at the date of this document, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests and/or other duties.
- 5.10 As at the Latest Practicable Date, the following Directors have interests in the Company:

Directors	Number of Ordinary Shares	Shareholding percentage
Nicholas Thompson	86,001	0.023
Trevor Ash	225,000	0.059
Vic Holmes	—	—
Roger Lewis	400,000	0.105
Robert Sinclair	15,000	0.004

5 Resigned 30 September 2012.

In addition, Mrs Elizabeth Thompson, wife of Nicholas Thompson, owns 64,433 of the Existing Ordinary Shares, or 0.017 per cent, of the issued share capital of the Company.

5.11 The Company maintains directors' and officers' liability insurance for the benefit of the directors of the companies within the Group.

5.12 The Group has established a long term incentive plan for the employees of Picton Capital that aligns the remuneration of the employees with that of the Company's Shareholders. Any award made under the plan is linked to both the Company's share price movement and dividends paid to the Company's shareholders. Awards will normally vest in either two or three years. In total, the Company's Remuneration Committee has agreed awards to Picton Capital's staff of £687,000, vesting annually from 31 March 2014 to 31 March 2017. Awards are made at the prevailing share price at the time of the award. The cost to the Group of awards made is spread over the vesting periods in accordance with its accounting policy. The accrued cost at 31 March 2014 was £321,000.

5.13 The Management team of Picton Capital have the following interests in the Company:

<b>Employee</b>	<b>Number of Ordinary Shares</b>	<b>Shareholding percentage</b>
Michael Morris	25,000	0.007
Andrew Dewhirst	13,300	0.004
Jay Cable	7,030	0.002
Fraser D'Arcy	—	—

In addition, Mrs Joanne Morris, wife of Michael Morris, owns 28,596 of the Existing Ordinary Shares, or 0.008 per cent, of the issued share capital of the Company.

### ***The Directors***

5.14 As at the date of this document, none of the Directors have:

- (a) any convictions in relation to fraudulent offences for at least the previous five years;
- (b) been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of a company or a senior manager of a company at the time of any receivership or compulsory or creditors' voluntary liquidation for at least the previous five years;
- (c) been subject to any official public incrimination of him by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company, for at least the previous five years; or
- (d) any family relationship with any of the other Directors.

5.15 In addition to their directorships of the Company, the Directors hold or have held the following directorships, and are or were partners in the following partnerships over or within the past five years:

<b>Director</b>	<b>Current Directorships and Partnerships</b>	<b>Past Directorships and Partnerships</b>
Nicholas Thompson	Association of Real Estate Funds Churches Conservation Trust Ltd Thorpe House School Trust Ltd Lend Lease Europe G.P. Ltd	Berkshire Nominee 1 Limited Berkshire GP Limited Berkshire Nominee 2 Limited M&G Investment Management Limited Stockley Park Investments Limited Chelsfield White City SALP Limited Chelsfield White City SAGP Limited White City (Shepherds Bush) General Cathedral Investment Properties

Director	Current Directorships and Partnerships	Past Directorships and Partnerships
		<p>Limited Euro Salas Properties Limited Scottish Amicable Investment Property Limited Briggait Company Limited City Tower Limited Dunestown Limited Edger Investment Limited Legalfuture Limited Number 90 Queen Street Limited Prudential Development Management Limited Prudential Property Investments Limited Queen Street Properties Limited Smithfield Limited Westwacker Limited Stockley Park Consortium Limited 5 The Square Limited Prudential Property Investment Managers Limited The Wilson Centre Cambridge Limited West Northamptonshire Development Corporation</p>
Trevor Ash	<p>Blackpoint Management Limited Blackpoint PCC Limited CQS Rig Finance Fund Limited ELDeRS Limited FxPro Group Limited Insight Consumer Debt Recovery GP1 Limited Insight Consumer Debt Recovery GPII Limited Insight Global Farmlands Fund Limited Investors in Global Real Estate Limited Invista Real Estate Investment Management (C.I.) Limited J.P. Morgan Private Equity Limited (formerly Bears Stearns Private Equity Fund Limited) JPMorgan Specialist Funds Nemrod Diversified Holdings Limited Sherborne Investors (Guernsey) B Limited Twenty Four Income Fund Limited</p>	<p>Thames River Topaz Fund Limited Thames River Garret Fund Limited Camper &amp; Nicholson Marina Investments Limited Cazenove European Alpha Absolute Return Fund Limited Cazenove European Equity Absolute Return Fund Limited Cazenove Leveraged UK Equity Absolute Return Fund Cazenove UK Dynamic Absolute Return Fund Limited Cazenove UK Equity Absolute Return Fund Limited Cazenove Worldwide Absolute Return Fund Limited Channel Islands Lines (Guernsey) Limited Close Enhanced Commodities Fund 11 Limited Dexion Absolute Limited F&amp;C Directional Opportunities Fund Limited F&amp;C Longstone Fund Limited F&amp;C Property Growth and Income Fund Limited Syndicate Asset Management (CI) Limited Zenith International Reserves Limited Zenith International Multi-Manager</p>

Director	Current Directorships and Partnerships	Past Directorships and Partnerships
		Fund Limited Thames River Apex Fund SPC Thames River Hillside Apex II Fund Limited Thames River Isis Fund Limited (formerly Nevsky Fund Limited) Thames River Legion Fund Limited Thames River Longstone Fund Limited Thames River Scimitar Fund Limited (IVL) Thames River Tybourne Fund Limited Thames River Edo Fund Limited European Value and Income Fund Limited Thames River Origin Fund Limited Grand Harbour Marina Limited Thames River 2X Currency Alpha Fund Limited Thames River Argentum Fund Limited Thames River Kingsway Fund Limited Kingsway Fund Limited Sherborne Investors (Guernsey) A Limited Thames River Hedge Ventures Limited Thames River Kingsway Plus Fund Limited Merrill Lynch FTSE 100 Stepped Growth & Income Limited India Strategic Assets Fund Limited Absolute Plus Insight Limited Absolute Insight Plus Emerging Market Debt Limited Absolute Insight Plus UK Equity Market Neutral Limited Absolute Insight Plus Europe Equity Market Neutral Limited Absolute Insight Plus Currency Limited Absolute Insight Plus Bond Limited Absolute Insight Plus International Equity Market Neutral Limited
Vic Holmes	Ashmore Asian Special Opportunities Fund Limited Ashmore Emerging Markets Corporate High Yield Fund Limited Ashmore Emerging Markets Debt and Currency Fund Limited Ashmore Emerging Markets High Yield Plus Fund Limited Ashmore Emerging Markets Sovereign and Corporate Debt	Cazenove Worldwide Absolute Return Fund Limited ( <i>Wound Up</i> ) Confiance Fund Services Limited Lux Suitcase 1 Sarl (formerly Luxgala Sarl) (winding up 28.06.10) Nelson Representatives Limited Northern Trust Directors Services (Guernsey) Limited Northern Trust Fiduciary Services (Guernsey) Limited

<b>Director</b>	<b>Current Directorships and Partnerships</b>	<b>Past Directorships and Partnerships</b>
	Fund Limited	Northern Trust GFS Holdings Limited
	Ashmore Emerging Markets Special Situations Opportunities Fund (GP) Limited	Northern Trust Guernsey Holdings Limited
	Ashmore Emerging Markets Tri Asset Fund Limited	Northern Trust Partners Guernsey Limited
	Ashmore Global Consolidation and Recovery Fund PCC Limited	Permira Advisers Group Holdings Limited
	Ashmore Global Special Situations Fund 2 (GP) Limited	Permira Carried Interest G.P. Limited
	Ashmore Global Special Situations Fund 3 (GP) Limited	Permira Debt Managers Group Holdings Limited
	Ashmore Global Special Situations Fund 4 (GP) Limited	Permira Europe II Managers BV
	Ashmore Global Special Situations Fund 5 (GP) Limited	Permira Europe I Nominees Limited
	Ashmore Global Special Situations Fund 6 (GP) Limited	Permira Europe II Nominees Limited
	Ashmore Global Special Situations Fund Limited	Permira (Europe) Limited
	Ashmore Greater China Fund Limited	Permira Europe III G.P. Limited
	Ashmore Growing Multi Strategy Fund Limited	Permira Europe III Nominees Limited (wound up 30.12.10)
	Ashmore Investments (Brasil) Limited	Permira Group Investments Limited
	Ashmore Management Company Brasil Limited	Permira (Guernsey) Limited
	Ashmore Management Company Limited	Permira IP Limited
	Asset Holder PCC Limited	Permira IV GP Limited
	Asset Holder PCC No 2 Limited	Permira IV Managers Limited
	Atlantis Investments Management (Ireland) Limited	Permira Investments Limited
	AUB Pan Asian Investment Fund Limited (The)	Permira Nominees Limited
	Cazenove Euro Alpha Return Fund Limited	Permira V G.P. Limited
	Cazenove European Equity Absolute Return Limited	Permira IV Limited
	Cazenove Leveraged UK Equity Absolute Return Fund Limited	RBE Ijara Fund Plc
	Cazenove UK Dynamic Absolute Return Fund Limited	Saline Nominees Limited
	Cazenove UK Equity Absolute Return Fund Limited	Stenham Real Estate Equity Fund Limited
	DBG Management GP (Guernsey) Limited	Thames River Capital Holdings Limited
	F&C Alternative Strategies Limited	Trafalgar Representatives Limited
	F&C Directional Opportunities Fund Ltd	
	F&C Property Growth & Income Fund Ltd	
	F&C Warrior Fund II Limited	
	Generali International Limited	
	Generali Worldwide Insurance Co Ltd	

Director	Current Directorships and Partnerships	Past Directorships and Partnerships
	GPF Real Estate Co-Investment Ltd. Lake Erie Real Estate General Partner Limited MMIP Investment Management Limited Nevsky Fund Plc NextEnergy Solar Fund Limited Permira Holdings Limited Renshaw Bay GP 1 Limited Renshaw Bay GP 2 Limited Renshaw Bay GP 3 Limited Renshaw Bay Partners GP Ltd Roundsheild Fund 1 GP Limited Roundsheild Holdings Limited RS Carry 1 GP Limited Thames River Multi Hedge PCC Limited Thames River Guernsey Direct Property Holdings Limited Traditional Funds plc Townsend Lake Constance GP Ltd	
Roger Lewis	Berkeley Commercial Investment Properties (Jersey) Limited Berkeley Property Investments Limited BRP Investments No.1 Limited BRP Investments No.2 Limited Cambium Global Timberland Limited Camper and Nicholsons Marina Investments Limited Grand Harbour Marina plc Hulton Consultants Limited Hulton Investments Limited Hulton Pensions Limited Hulton Properties Limited States of Jersey Development Company	
Robert Sinclair	Adelphi Management Limited Alufer Mining Limited APN Management Limited Aquaterra Group SA Artemis Corporate Services Limited Artemis Holdings Limited Artemis Nominees Limited Artemis Secretaries Limited Artemis Societe Avec Responsabilite Limitee Artemis Trustees Limited Benzu Resources Limited Bibby Ship Management Services Limited Bravo Securities Limited Centrale Oil & Gas Limited	31SJP Investments Limited Alufer Limited Anghiti Holdings Limited Antilles Windward Holdings Limited Arcus European Infrastructure Fund GP Aruana Inc Ashtone Investments Limited Atticus Management Limited Barnes Properties Limited Bella Resources Limited BIL (SCB) Holdings Limited Breezes Beach Club Limited (BVI) Breezes Beach Club Limited (Gsy) Brefney Investment Holdings Limited



Director	Current Directorships and Partnerships	Past Directorships and Partnerships
	Centrale Oil and Gas Investments Limited	Brookdelle Limited
	Chadstone Management Inc.	Calpurnia Partners Ltd
	Chariot Oil and Gas Investments (Brazil) Limited	Centenary Investments Limited
	Chariot Oil & Gas Investments (Mauritania) Limited	Chromex Mining PLC
	Chariot Oil & Gas Investments (Morocco) Limited	CHS Aviation Limited
	Chariot Oil & Gas Investments (Namibia) Limited	Churchmore Limited
	Chariot Oil & Gas Limited	CoMiCo (BVI) Limited
	DDS Lime BV	Commonwealth SPC
	Delstone Management Limited	Coupland Overseas Limited
	DH Property Holdings Limited	Crocketfort Limited
	Financial and International Investment Group Limited	Devoran Trustees Limited
	Flow East Limited	Diamond Worldwide Finance Limited
	Genel Energy Holding Company Limited	Duinn Limited
	Gerel Investment Corp	Evans Randall Capital Partners International Limited
	GMS Guernsey Pension Plans Limited	Evans Randall International Limited
	Golden Square Investments Limited	First CHT Limited
	GRP Investments Limited	Fortuitous Limited
	Guinness Energy Fund Limited	Genel Energy Limited
	Guinness Energy Master Fund Limited	Global Drilling and Production Limited
	Hallborough International Limited	Goldworthy Investments Limited
	Hallborough Investments Limited	Gottex Market Natural Trust Limited
	Helios Oil & Gas Limited	Holland Holdings Limited
	Hightrees Inc	Hotel Tourism Management Limited
	Jermyn Pte Limited	International Copper Resources Limited
	Karo Resources Limited	JNR Limited
	Kaouat Iron Limited	Kahill Holdings Limited
	Kilrieco Limited	Kilvarock Limited
	Kirkland Limited	Life Science Investments Limited
	Lawon Trading Corp	Lunga Resources (BVI) Limited
	Management Construction & Technical Services SARI	Madini Resources Limited
	Mantova Limited	Mandley Enterprises Limited
	Marba Brinkmann BV	Maritime Adriatic Limited
	Marba Catalpa BV	Matsu Overseas Limited
	Marba Dutch Holdings BV	Miranda Properties Limited
	Marba HAG BV	Mukuba Resources Limited
	Marba Hornbeam BV	Nakasieb Resources Limited
	Matobo Energy Holdings Limited	Navite Holdings Limited
	Medway Developments Limited	New Earth Holdings Limited
	Merrydown Properties Inc	NR Securities Limited
	Millennium Asset Management Limited	Opus Investments Limited
	Millennium Global (Japan) Limited	Park Capital Limited
	Millennium Global Emerging Credit GP Limited	Pearltona Enterprises Limited
	Millennium Group Holdings Limited	Pichard Holdings Limited
	Millennium Multi Strategy Fund	Postillion Investments Limited
		Proctor International Limited
		R.M.S. Investments Limited
		Rainbow Group Services Limited
		Rosanna Resources Limited
		Rugby Estates Investment Trust PLC
		Rushington Investments Limited

Director	Current Directorships and Partnerships	Past Directorships and Partnerships
	Montessa Investments Limited Narrowpeak Consultants Limited Otilia Investments Limited Pella Resources Limited Pennycross Limited Pilden Holding Inc. Rainbow International Resources Limited Rainbow Rare Earths Limited Razario Resources Ltd Red Earth Resources Limited Salene Fishing Guernsey Limited Salene Trading Guernsey Limited Schroder Oriental Income Fund Limited Scout Aviation (Bermuda) Limited Secure Property Development & Investment plc Sirius Ash BV Sirius Cooperatief UA Sirius Finance (Guernsey) Limited Sirius Four BV Sirius Investment Management (GP) Limited Sirius Mannheim BV Sirius One BV Sirius Real Estate Limited Sirius Three BV Sirius Two BV Sirius Willow BV SMR Holdings (PTC) Limited Solaris Limited South Sudan Oil Company Limited St James' Limited St James' Master Fund Limited Tintoretto Limited Toro Gold Limited Vallares Advisers GP Limited Zambia Exploration Limited Zodiac Business Corp	Stadun Limited South Sudan Mining Company Limited Terracina Properties Limited Toro East Africa Limited Toro Gold Gabon Limited Travino Ventures Limited Ufford PCC Limited Unipro International Limited Vallar Holding Company Limited Vallar Limited Vallares PLC Veradale Group Limited Voltaire Distribution Limited Webster Finance Corporation Limited Yrrah Investments Limited Zenta Investments Limited Zimvest Limited

## 6 The City Code

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

## **7 Memorandum and Articles of incorporation of the Company**

### **Memorandum of incorporation**

The memorandum of incorporation of the Company does not limit the objects of the Company. A copy of the memorandum of incorporation is available for inspection at the address specified in paragraph 14 of this Part 7 (General Information).

### **Articles of Incorporation**

The Company's Articles contain provisions, *inter alia*, to the following effect:

#### **7.1 Voting Shares**

- (a) The share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value having the rights hereinafter described.
- (b) The Shareholders shall have the following rights:
  - (i) Dividends  
Holders of Ordinary Shares are entitled to receive, and participate in, any dividends or other distributions and resolved to be distributed in respect of any accounting period or other period.
  - (ii) Winding up  
On a winding up, the holders of Ordinary Shares shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.
  - (iii) Voting  
The holders of Ordinary Shares shall have the right to receive notice of and to attend and vote at general meetings of the Company and each holder of Ordinary Shares being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of each Ordinary Share held by him.
    - (A) Subject to the provisions of the Companies Law:
      - (1) any preference shares may with the sanction either of the Board or an ordinary resolution be issued on terms that they are, or at the option of the Company or the holder are liable to be, redeemed on such terms and in such manner as the Company before the issue may by ordinary resolution determine and subject to and in default of such determination as the Board may determine; and
      - (2) the Company and any of its subsidiary companies may give financial assistance directly or indirectly for the purpose of or in connection with the acquisition of shares in the Company or any subsidiary or in connection with reducing or discharging any liability incurred in connection with the purchase of shares in the Company.

#### **7.2 Purchase of Shares**

Subject to the provisions of the Companies Law, the terms and rights attaching to any class of shares, the Articles and any guidelines established from time to time by the Board, the Company may from time to time purchase its own shares and may hold any such shares as treasury shares provided that:

- (a) the number of shares held as treasury shares shall not at any time exceed ten per cent, of the total number of shares of that class in issue at that time; and
- (b) on any re-issue of treasury shares by the Board, the amount payable on each share shall not be less than the net asset value per share on the date of re-issue of the shares then in issue.

The making and timing of any buy back will be at the absolute discretion of the Board.

### 7.3 Variation of Rights

Subject to the Companies Law, the special rights for the time being attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than two-thirds in number of the issued shares of that class or with the consent of a resolution passed at a separate general meeting of the holders of such shares on the Register of Members of the Company on the date on which notice of such separate general meeting is given. The necessary quorum shall be two members present in person or by proxy holding or representing not less than one-third of the issued shares of that class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those holders of shares of that class who are present, in person or by proxy, shall be a quorum). Every holder of shares of the class concerned shall be entitled on a poll to one vote for every share held by him on a poll.

### 7.4 Issues of shares

- (a) Subject to the Articles, shares for the time being unallotted and unissued shall be under the control of the Directors, who may allot, grant options over or dispose of the same to such persons, at such times, on such terms and in such manner as they may think fit.
- (b) Subject to the Companies Law, on any issue of Ordinary Shares, the Company may pay any brokerage or commission of such amount as may from time to time be determined by the Directors.
- (c) No person shall be recognised by the Company as holding any Ordinary Share upon any trust and the Company shall not be bound by or recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Ordinary Share (except as provided by the Articles or the Companies Law) or any other right in respect of any Ordinary Share, except an absolute right thereto in the registered holder.
- (d) Subject to the Articles, all equity securities offered wholly for cash and all treasury shares that are equity securities being sold for cash shall prior to issue (or prior to sale, in the case of treasury shares) be offered, on the same or more favourable terms than those offered to other persons, to members in proportion to their existing holdings.

### 7.5 Notification of interests in shares

- (a) Each member shall comply with the notification obligations to the Company contained in Chapter 5 of the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority as if the Company was a United Kingdom issuer for the purposes of such rules.
- (b) If it shall come to the notice of the Directors that any member has not, within the requisite period, made or, as the case may be, procured the making of any notification required by Article 6.1, the Company may serve a notice on such member and the provisions of Article 7 shall apply.

### 7.6 Power of the Company to investigate interests in shares

- (a) The Company may by notice in writing (a **Disclosure Notice**) request any person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the Disclosure Notice is issued, to have been interested in shares comprised in the Company's share capital:
  - (i) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and
  - (ii) where he holds or has during that time held an interest in shares so comprised, to give such further information as may be requested in accordance with Article 7.4.
- (b) The Disclosure Notice may request the person to whom it is addressed:
  - (i) to give particulars of his own past or present interest in shares comprised in the Company's share capital (held by him at any time during the three-year period);
  - (ii) where the interest is a present interest and any other interest in the shares subsists or, in any case, where another interest in the shares subsisted during that three year period at any time when his own interest subsisted, to give (so far as

- lies within his knowledge) such particulars with respect to that other interest as may be requested by the Disclosure Notice including the identity of persons interested in the shares in question; and
- (iii) where his interest is a past interest, to give (so far as lies within his knowledge) particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.
- (c) The Disclosure Notice shall request any information given in response to the Disclosure Notice to be given in writing within such reasonable time as may be specified in the Disclosure Notice.

## **7.7 Failure to disclose interests in shares**

- (a) If a member, or any other person appearing to be interested in shares held by that member, has been issued with a Disclosure Notice and has failed in relation to any shares (the default shares) to give the Company the information required within the prescribed period from the service of the Disclosure Notice, the following sanctions shall apply unless the Board otherwise determines:
  - (i) the member shall not be entitled, in respect of the default shares to be present or to vote (either in person or by representative or by proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll, or to exercise any other right conferred by membership in relation to any such meeting or poll; and
  - (ii) where the default shares represent at least 0.25 per cent., in nominal value of the issued shares of their class:
    - (A) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it; and
    - (B) no transfer, (other than an excepted transfer), of any shares held by the member shall be registered unless:
      - (1) the member is not himself in default as regards supplying the information required; and
      - (2) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.
- (b) The abovementioned sanctions shall cease to have effect (and any dividends withheld there under shall become payable):
  - (i) if the shares are transferred by means of an excepted transfer but only in respect of the shares transferred; or
  - (ii) at the end of a period of 7 days (or such shorter period as the Board may determine) following receipt by the Company of the information required by the Disclosure Notice and the Board being fully satisfied that such information is full and complete.
- (c) Where, on the basis of information obtained from a member in respect of any share held by him, the Company issues a notice to any other person, it shall at the same time send a copy of the notice to the member.
- (d) Where default shares in which a person appears to be interested are held by a Depositary, the provisions of Article 8 shall be treated as applying only to those shares held by the Depositary in which such person appears to be interested and not (insofar as such person's apparent interest is concerned) to any other shares held by the Depositary.
- (e) Where the member on which a notice is served is a Depositary acting in its capacity as such, the obligations of the Depositary as a member of the Company shall be limited to disclosing to the Company such information relating to any person appearing to be interested in the shares held by it, as has been recorded by it pursuant to the arrangements entered into by the Company, or approved by the Board pursuant to which it was appointed as a Depositary.

## 7.8 CREST

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

- (a) the holding of shares of that class in uncertificated form;
- (b) the transfer of title to shares of that class by means of the CREST system; or
- (c) the CREST Guernsey Requirements.

Where any class of shares is for the time being admitted to settlement by means of the CREST system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in both certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Title to such shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST system. Every transfer of shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary, however and whenever arising and however expressed.

Subject as provided below, any member may transfer all or any of his shares which are in certificated form by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor. The Directors may refuse to register any transfer of certificated shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may refuse to register any share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis. The Directors may also refuse to register any transfer of shares which is prohibited by the provisions described in section 7.7(a)(i)(B) above or any transfer of shares unless such transfer is in respect of one class of share only, is in favour of no more than four transferees and is lodged at the registered office or such other place as the Directors may appoint.

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

If it shall come to the notice of the Directors that any Shares are owned directly or beneficially by a Non-Qualified Holder (as defined in the Articles) which shall include US Persons (as defined in Section 5 of this Part 7 (General Information)), the Directors may require such person (i) to provide the Directors within thirty days with sufficient satisfactory documentary evidence to satisfy the Directors that such person does not fall within the definition of a Non-Qualified Holder and in default of such evidence (ii) to sell or transfer his Ordinary Shares to a person qualified to own the same within thirty days and within such thirty days to provide the Directors with satisfactory evidence of such sale or transfer.

Following the recognition of Euroclear UK & Ireland Limited as an “operator of a computerised settlement system” for the purposes of the Uncertificated Securities (Guernsey) Regulations, 2009 (the **Guernsey Regulations**), Guernsey securities (which includes for these purposes the Shares) are now admitted to CREST, and can be held and transferred in CREST, pursuant to the Guernsey Regulations and the CREST rules. CREST Rule 8 has therefore been deleted from the CREST Manual. Guernsey securities (which includes for these purposes the Shares) that were admitted as participating securities pursuant to CREST Rule 8 before 30 August 2013 are treated as securities admitted pursuant to the Guernsey Regulations and any holding of such securities in CREST is a holding for the purposes of the Guernsey Regulations.



## **7.9 Alteration of capital**

The Company may by special resolution reduce its share capital account in any manner permitted by and with and subject to any consent required by the Companies Law.

## **7.10 Notice of general meetings**

Notice for any general meeting shall be sent by the secretary or officer of the Company or any other person appointed by the Board not less than ten days before the meeting. The notice must specify the time and place of the general meeting and, in the case of any special business, the general nature of the business to be transacted. With the consent in writing of all the members of the Company, a general meeting may be convened by a shorter notice or at no notice in any manner they think fit. The accidental omission to give notice of any meeting or the non-receipt of such notice by any member of the Company shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting.

## **7.11 Directors' interests and conflicts of interest**

- (a) A Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose to the Board (i) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest, or (ii) if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest, in each case unless the transaction or proposed transaction is between the Director and the Company, and is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.
- (b) A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or any other proposal to which the Company is or is to be a party and in he has an interest which (together with any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company) but, in the absence of some other material interest than is mentioned below, this prohibition does not apply to a resolution concerning any of the following matters:
  - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
  - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
  - (iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or its subsidiaries for subscription or purchase, in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to participate;
  - (iv) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a member of the ING UK RET Group) in which he (and any person connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he does not to his knowledge hold an interest in shares representing one per cent, or more of a class of the equity share capital (or of any third party company through which his interest is derived) or of the voting rights in the relevant company; and
  - (v) a contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including the Directors.
- (c) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company, or whereat the terms of any such appointment are arranged or whereat any contract in which he is interested is considered, and he may vote on any such appointment or arrangement other than his own appointment or the

arrangement of the terms thereof. Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or a company in which the Company is interested, such proposals shall be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

- (d) A Director may hold any other office or place of profit under the Company (other than as auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.
- (e) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (f) Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by or in which the Company may be interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, managers or other officers of such company, or voting or providing for the payment of remuneration to themselves as directors, managing directors, managers or other officers of such company) and any Director of the Company may vote in favour of the exercise of such voting rights in the manner aforesaid, notwithstanding that he may be or be about to be appointed a director, managing director, manager or other officer of such other company, and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.
- (g) If a question arises at any time as to the materiality of a Director's interest or as to his entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fairly disclosed.

#### **7.12 Remuneration of Directors**

- (a) The Directors shall be entitled to such remuneration at such time as the Directors shall determine provided that the aggregate amount of such fees for all the Directors collectively shall not exceed £300,000 per annum (or such other sum as may be approved by the Company in a general meeting). Such remuneration shall be deemed to accrue from day to day. The Directors and any alternate Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings.
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

- (c) The Directors may from time to time appoint one or more of their body to be a managing director or managing directors of the Company and may fix his or their remuneration.
- (d) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under the proviso to section 7.11 above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

### **7.13 Nomination, Appointment and Removal of Directors**

- (a) The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.
- (b) The office of a Director shall be vacated in any of the following events namely:
  - (i) if he resigns his office by notice in writing signed by him and left at the registered office;
  - (ii) if he becomes bankrupt or makes any arrangement or composition with his creditors generally;
  - (iii) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under the provisions of any law or enactment;
  - (iv) if subsequent to his appointment he becomes resident in the United Kingdom and as a result thereof a majority of the Directors are resident in the United Kingdom;
  - (v) if he be requested by a majority of the other Directors (not being less than two in number) to vacate office; or
  - (vi) if he is removed from office by an ordinary resolution of the Company in a general meeting.
- (c) The Company at any general meeting at which a Director retires or is removed shall fill the vacated office by electing a Director unless the Company shall determine to reduce the number of Directors.
- (d) At least seven days' notice in writing shall be given to the Company of the intention of any member to propose any person other than a retiring Director for election to the office of Director and such notice shall be accompanied by a notice in writing signed by the person to be proposed confirming his willingness and eligibility to be appointed.
- (e) At a general meeting a motion for the appointment of two or more persons as Directors by a single resolution shall not be made unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it.

### **7.14 Retirement of Directors**

- (a) A third of the Directors shall be subject to re-election every year.
- (b) A Director shall not be required to hold any qualification shares.
- (c) No Director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

### **7.15 Dividends**

- (a) The Directors may from time to time authorise the payment of dividends and other distributions to be paid to the members in accordance with the procedure set out in the Companies Law. The declaration of the Directors as to the amount available for distribution to the members shall be final and conclusive.

- (b) No dividend or other amount payable on or in respect of a share shall bear interest against the Company. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of the Company until claimed. Payment by the Company of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. Any dividend unclaimed on the earlier of (i) seven years from the date when it first became payable or (ii) the date on which the Company is wound up, shall be forfeited automatically for the benefit of the Company, without the necessity for any declaration or other action by the Company.
- (c) The Directors may carry forward to the accounts of the Company for the succeeding year or years any balance of profits which they shall not think fit to place on reserve.
- (d) The Articles permit up to 100 per cent., of management and administration fees, finance costs and all other expenses to be charged to capital.

#### **7.16 Winding-Up**

If the Company is wound up, the liquidator may with the authority of an extraordinary resolution, and any other authority or sanction required by the Companies Law, divide among the members or any of them in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefits of the members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any asset in respect of which there is liability.

#### **7.17 Borrowing**

- (a) The Directors may exercise all the powers of the Company to borrow money and to give guarantees hypothecate, mortgage, charge, pledge or create a security interest over its undertaking, property and assets, and to issue debentures, loan stock or other securities, whether outright or as collateral security for any debt liability or obligation of the Company or of any third party, provided that the aggregate principal amount of all borrowings (as defined in the Articles) by the Company shall not at the point of drawdown of any borrowings exceed 65 per cent., of the Gross Assets (as defined in the Articles).
- (b) Any person lending money to the Company shall be entitled to assume that the Company is acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

#### **7.18 Register of Shareholders and other statutory records**

The register of Shareholders is the hard copy register of Shareholders kept at the Company's registered office pursuant to the Companies Law. The other statutory records of the Company are kept at the same address.

### **8 Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Group.

### **9 Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or any other member of the Group within the two years immediately preceding the date of this document and are, or may be, material. There are no other contracts entered into by the Company or any member of the Group which include an obligation or entitlement which is material to the Company as at the date of this document.

## 9.1 Financing Agreements

### (a) Aviva Loan Facility

#### (i) Aviva Facility Agreement

On 27 June 2012, PropCo No. 3 and LP3 (together, the **Aviva Borrowers**) entered into an English law governed sterling term loan facility agreement with Aviva as lender (the **Aviva Facility Agreement**). The Aviva Facility Agreement provides for a term loan facility of £95,300,000 (**Aviva Facility**). The purpose of the Aviva Facility was to finance (a) in part, the acquisition of certain properties by PropCo No. 3; (b) in part, the acquisition of the beneficial interest in certain properties by LP3; (c) in part, the acquisition of certain of the units in certain Jersey property unit trusts by LP3; (d) in part, the acquisition of the entire issued share capital in Picton (UK) Listed Real Estate Limited (**Picton UK**); and (e) all other costs and expenses approved in writing by Aviva. The Aviva Borrowers must make repayments of the principal amount outstanding under the Aviva Facility Agreement in accordance with an amortisation schedule issued by Aviva under which approximately one third of the Aviva Facility will be repaid on an annuity basis over the life of the Aviva Facility. The remaining principal amount outstanding under the Aviva Facility Agreement must be repaid in full on 24 July 2032. Interest accrues on the principal amount outstanding under the Aviva Facility Agreement at a fixed rate of 4.38 per cent. per annum. If the Aviva Borrowers fail to pay any amount payable by them, interest accrues on the unpaid sum at a rate which is 2 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted part of the loan under the Aviva Facility.

The maximum loan to value and minimum debt service cover ratio covenants are 65 per cent. and 140 per cent. respectively.

There are a number of events of default which give Aviva the ability to cancel the Aviva Facility and demand the repayment of all amounts outstanding under the Aviva Facility Agreement and related documents. These include non-payment, breach of other obligations, misrepresentation, cross-default, insolvency, insolvency proceedings, delisting of the Company from the main exchange of the London Stock Exchange and material adverse change. In addition, the existing corporate structure of the Aviva Borrowers, Picton Property Nominee (No 3) Limited, Picton Property Nominee (No 4) Limited, Picton UK and the Merbrook Trusts (together, the Aviva Borrower Group) must, with certain limited exceptions, remain the same unless the prior written consent of Aviva is obtained.

#### (ii) Aviva Security

In connection with the Aviva Facility Agreement, each member of the Aviva Borrower Group has entered into a deed of legal charge dated 24 July 2012 with Aviva and charged all of its present and future rights, title and interest in and to the assets which it owns or in which it has an interest, including the grant of legal mortgages over each property owned by it as well as certain other English, Guernsey and Jersey law security documents. In addition, the Company charged the shares it holds in PropCo No. 3 and the GPUT charged its partnership interest in LP3.

### (b) Canada Life Facility

#### (i) Canada Life Facility Agreement

On 27 June 2012, PropCo No. 2 and LP2 (together, the **Canada Life Borrowers**) together with, among others, Canada Life as lender, entered into an English law governed sterling term loan facility agreement (the **Canada Life Facility Agreement**). The Canada Life Facility Agreement provides for a £113,700,000 term loan facility.

The purpose of the Canada Life Facility was to finance (a) the acquisition of the beneficial interest in certain properties by LP2; (b) the refinancing of PropCo No. 2's existing indebtedness owed to The Royal Bank of Scotland plc; and/or (c) the acquisition of Datapoint, Cody Road, London E16 4SR by PropCo No. 2. The Canada Life Borrowers must repay on 20 October 2022 an amount sufficient to



ensure that the principal amount then outstanding under the Canada Life Facility Agreement is not greater than £80,000,000. Any part of the Canada Life Facility which is repaid may not be re-borrowed. The remaining principal amount outstanding under the Canada Life Facility Agreement must be repaid in full on 20 October 2027. Interest accrues on the principal amount outstanding under the Canada Life Facility Agreement at a fixed rate of 4.08 per cent. per annum. If the Canada Life Borrowers fail to pay any amount payable by them, interest accrues on the unpaid sum at a rate which is 2.50 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted part of the loan under the Canada Life Facility.

The maximum loan to value and minimum interest cover ratio covenants are 65 per cent. and 175 per cent. respectively. If at any time there occurs a change of control event, the Canada Life Borrowers shall promptly notify Canada Life upon becoming aware of the event and Canada Life may immediately cancel the Canada Life Facility and declare all amounts outstanding, together with accrued interest, and all other amounts accrued under the finance documents immediately due and payable. A "change of control" means where (a) the Company ceases to be the ultimate beneficial owner of the shares in PropCo No. 2 or Picton (General Partner) No 2 Limited, or the partnership interest in LP2; (b) the Company ceases to be listed on the London Stock Exchange; or (c) Picton Capital ceases to be the investment manager of the Canada Life Borrowers and a new investment manager acceptable to Canada Life is not appointed in accordance with the Canada Life Facility Agreement. The Canada Life Facility Agreement contains the usual events of default which give the facility agent the ability to cancel the Canada Life Facility and demand the repayment of all amounts outstanding under the Canada Life Facility Agreement and related documents. These include non-payment, breach of other obligations, misrepresentation, cross-default, insolvency, insolvency proceedings and material adverse change.

(ii) Security

In connection with the Canada Life Facility Agreement, each of the Canada Life Borrowers, Picton (General Partner) No 2 Limited, Picton (UK) Listed Real Estate Nominee (No. 1) Limited and Picton (UK) Listed Real Estate Nominee (No. 2) Limited has entered into a debenture dated 24 July 2012 with Canada Life and charged all of its present and future rights, title and interest in and to the assets which it owns or in which it has an interest, including the grant of legal mortgages over each property owned by it as well as certain other English, Guernsey and Scots law security documents. In addition, the Company charged the shares it holds in PropCo No. 2 and the GP/UT charged its partnership interest in LP2.

(c) 2016 ZDP Shares

(i) 2016 Contribution Agreement

The contribution agreement dated 12 September 2012 between Picton ZDP and the Company pursuant to which the Company has undertaken to contribute (by way of gift, capital contribution or otherwise) such funds to Picton ZDP as will ensure that Picton ZDP will have sufficient assets on the 2016 ZDP share repayment date to satisfy the 2016 final capital entitlement of the 2016 ZDP Shares then due and to pay any operational costs or expenses incurred by Picton ZDP.

(ii) 2016 Loan Agreement

The 2016 Loan Agreement dated 12 September 2012 between Picton ZDP and the Company pursuant to which Picton ZDP agreed to make an interest free loan to the Company of an aggregate amount equal to the net proceeds of the placing of 2016 ZDP Shares (whether to another member of the Group or to a third party). Amounts advanced under the 2016 Loan Agreement are repayable in full on the 2016 ZDP share repayment date and otherwise on the terms and conditions set out in the 2016 Loan Agreement.



(d) Loan Notes

A loan note instrument dated 26 September 2010 was executed by the Company constituting £2,580,379 Unsecured Loan Notes 2012 (**£2,580,379 Unsecured Loan Notes**). £1,967,375 of the £2,580,379 Unsecured Loan Notes remained outstanding at the date of this document.

Holders of the £2,580,379 Unsecured Loan Notes are entitled to redeem their £2,580,379 Unsecured Loan Notes at par on each interest payment date, being 31 March and 30 September in each year (provided such date falls at least six months' after the date of issue of the notes), on giving not less than four months' prior written notice. The £2,580,379 Unsecured Loan Notes are also repayable on demand on the occurrence of certain events of default.

The Company may also redeem the £2,580,379 Unsecured Loan Notes on four months' notice in writing at par plus accrued interest. Interest at a rate of 0.5 per cent. above LIBOR is payable on the £2,580,379 Unsecured Loan Notes.

## 9.2 Property Agreements

The Managing Agents Agreements:

- (a) between Picton Capital, SPV 2 and CBRE dated 24 July 2012;
- (b) between Picton Capital, LP3, PropCo No. 3, Bristol Property Trustees No. 1 Limited and Bristol Property Trustees No. 2 Limited (as trustees of the Merbrook Bristol Property Unit Trust), Business Property Trustees No. 1 Limited and Business Property Trustees No. 2 Limited (as trustees of the Merbrook Business Property Unit Trust) and Prime Retail Property Trustees No. 1 Limited and Prime Retail Property Trustees No. 2 Limited (as trustees of the Merbrook Prime Retail Property Unit Trust), Swindon Property Trustee No. 1 Limited and Swindon Property Trustee No. 2 Limited (as trustees of Merbrook Swindon Property Unit Trust), Picton Capital (Guernsey) Limited and CBRE dated 24 July 2012; and

- (c) between Picton Capital, PropCo No. 2 and CBRE dated 24 July 2012.

Under these agreements CBRE agrees to provide property management services to (i) SPV 2; (ii) LP3, PropCo No. 3 and the Merbrook Trusts; and (iii) LP2 and PropCo No. 2 respectively in respect of certain properties specified in each agreement. Such property management services include regular inspections of the properties, arranging for the demand and collection of rent, administering service charge funds and ensuring that the landlord's lease obligations to the tenants are fulfilled. Each agreement continues until terminated and may be terminated on 3 months' notice by any of the parties.

Each agreement contains an indemnity in favour of CBRE in respect of all costs and expenses reasonably incurred by CBRE in the employment or termination of employment of certain employees of CBRE based on-site at the properties. CBRE's liability under each agreement is capped at £20 million or, in certain circumstances, the sub-limits stated in CBRE's insurance policies as applicable to the relevant liability. CBRE is obliged to maintain insurance in an amount of at least £20 million.

The fees payable for the provision of the services are specified in each agreement on a property by-property basis.

## 9.3 Other Agreements

- (a) Investment Management Agreement

The Investment Management Agreement dated 24 July 2012 between the Company and Picton Capital under which the Company appointed Picton Capital to provide certain investment management services to the Company on the terms and subject to the conditions set out in the agreement.

In consideration for providing the management services to the Company, Picton Capital is entitled to retain a fee of £150,000 per annum (ex VAT) or such other amount as may be agreed between the parties.

The Company has given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights detailed below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by either party upon not less than 12 months written notice. The agreement may be terminated by either party with immediate effect if the other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fails to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by the Company with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(b) Security Pool B Investment Management Agreement

The Security Pool B Investment Management Agreement dated 24 July 2012 between LP2, PropCo No. 2 and Picton Capital under which LP2 and PropCo No. 2 severally appointed Picton Capital to provide certain investment management services in respect of the properties beneficially owned directly or indirectly by LP2 and PropCo No. 2 respectively on the terms and subject to the conditions of the agreement.

Picton Capital is entitled to receive a monthly management fee comprised of an aggregate amount equal to all costs, charges and expenses properly incurred by it in providing the investment management services, plus an amount equal to 10 per cent. of those costs. The management fee shall be apportioned between LP2 and PropCo No. 2 in the same proportion as the value of the properties owned by each of them bears to the aggregate value of the property portfolio.

LP2 and PropCo No. 2 have given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights detailed below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by any party upon not less than 12 months written notice. The agreement may be terminated by any party with immediate effect if any other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fail to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by LP2 or PropCo No. 2 with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(c) Security Pool C Investment Management Agreement

The Security Pool C Investment Management Agreement dated 24 July 2012 between LP3, PropCo No. 3, Picton Capital (Guernsey) Limited (the **Trust Manager**), Picton Capital and the trustees of the Merbrook Trusts (the **Trustees**) under which LP3, PropCo No. 3 and the Trustees severally appointed Picton Capital to provide certain investment management services in respect of the properties beneficially owned directly or indirectly by LP3, PropCo No. 3 and the Merbrook Trusts respectively on the terms and subject to the conditions set out in the agreement.

Picton Capital is entitled to receive a monthly management fee comprised of an aggregate amount equal to all costs, charges and expenses properly incurred by it in providing the investment management services, plus an amount equal to 10 per cent. of

those costs. The management fee is apportioned between LP3, PropCo No. 3 and the Merbrook Trusts in the same proportion as the value of the properties owned by each of them bears to the aggregate value of the property portfolio.

LP3, PropCo No. 3, the Trust Manager and the Trustees have given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights detailed below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by any party upon not less than 12 months written notice. The agreement may be terminated by any party with immediate effect if any other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fails to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by LP3, PropCo No. 3 or the Merbrook Trusts with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(d) Unsecured assets Investment Management Agreement

The Investment Management Agreement in relation to the uncharged properties dated 24 July 2012 between SPV 2 and Picton Capital under which SPV 2 appointed Picton Capital to provide or procure certain investment management services to SPV 2 in relation to those properties beneficially owned (directly or indirectly) by SPV 2 on the terms and subject to the conditions of the agreement and SPV 2's articles of association. Picton Capital is entitled to receive a monthly management fee comprised of an aggregate amount equal to all costs, charges and expenses properly incurred by it in providing the investment management services, plus an amount equal to 10 per cent. of those costs.

SPV 2 has given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights set out below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by either party upon not less than 12 months written notice. The agreement may be terminated by either party with immediate effect if the other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fails to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by SPV 2 with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(e) Internal Administration Agreement

The Internal Administration Agreement dated 3 October 2005 between the Company, the PropCo and the SPV whereby the PropCo and the SPV agree to act as a property investment holding company of the Group and to acquire and dispose of assets on behalf of the Group. Pursuant to the Internal Administration Agreement, the Company agreed to fund the PropCo and the SPV by share and/or loan capital in amounts to be

determined from time to time for the purposes of acquiring the property portfolio described in the Company's prospectus dated 4 October 2005 (through the acquisition of units in the GPUT) and otherwise dealing with and maintaining the assets of the Group.

(f) Administration and Secretarial Agreement

The Administration and Secretarial Agreement dated 5 February 2014 between the Company and the Administrator whereby the Company appointed the Administrator to act as the Company's administrator and secretary and to provide certain administrative and secretarial services to the Group. The Administration, Administrator and Secretarial Agreement contains an unlimited indemnity in favour of the Administrator against claims by third parties except to the extent that the claim is due to the bad faith, negligence, wilful default or fraud of the Administrator.

The Administration, Administrator and Secretarial Agreement may be terminated by any party giving to the other not less than 90 days' notice in writing or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation.

(g) Registrar Agreement

The Registrar Agreement dated 5 March 2013 between the Company and the Registrar whereby the Company appointed the Registrar to act as the Company's registrar. The Registrar Agreement contains an unlimited indemnity in favour of the Registrar against claims by third parties except to the extent that the claim is due to the fraud, negligence or wilful default of the Registrar.

The Registrar Agreement may be terminated by any party giving to the other not less than six months' notice in writing or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation.

(h) Amended and Restated Unit Trust Instrument

The Amended and Restated Unit Trust Instrument dated 24 July 2012 between the Trust Manager and Northern Trust Fiduciary Services (Guernsey) Limited (the **Trustee**) constituting the GPUT and pursuant to the terms of which the Trustee agreed hold the interests in LP2 and LP3 forming the GPUT property, on trust for the holders of the units *pari passu* according to the number of units held by each and on the terms and subject to the powers and provisions of the trust instrument. In consideration of performing its services under the trust instrument, the Trust Manager is entitled to retain a fee of £20,000 per annum (ex VAT) or such other amount as agreed between the parties. In consideration of acting as trustee of the GPUT, the Trustee is entitled to retain for its benefit a fee of £20,000 per annum (ex VAT) or such other amount as agreed between the parties plus such additional fees (not exceeding £10,000 per annum) as may be approved by the Trust Manager.

(i) Limited Partnership Agreement – LP2

The Limited Partnership Agreement relating to LP2 dated 18 June 2012 between Picton (GP) No.2 Limited (as general partner) and SPV 2 (as the initial limited partner) whereby the parties established LP2 as a limited partnership in England and Wales pursuant to the Limited Partnerships Act 1907 subject to the terms of the limited partnership agreement for the purposes of investing, directly or indirectly, in properties in the UK, Isle of Man or the Channel Islands.

(j) Limited Partnership Agreement – LP3

The Limited Partnership Agreement relating to LP3 dated 18 June 2012 between Picton (GP) No.3 Limited (as general partner) and SPV 2 (as the initial limited partner) whereby the parties established LP3 as a limited partnership in England and Wales pursuant to the Limited Partnerships Act 1907 subject to the terms of the limited partnership agreement for the purposes of investing, directly or indirectly, in properties in the UK, Isle of Man or the Channel Islands.

(k) Placing Agreement

The placing agreement dated 1 May 2014 between the Company, the Investment Manager, J.P. Morgan and Oriel Securities.

Under the terms of the Placing Agreement, J.P. Morgan and Oriel Securities have agreed to act as the Company's joint sponsors in connection with the Capital Raising and to use their respective reasonable endeavours to procure subscribers for the New Ordinary shares pursuant to the Initial Placing and any Subsequent Placings under the Placing Programme, in each case at the applicable Issue Price.

In consideration for their services in connection with the Initial Offers, J.P. Morgan and Oriel Securities will be paid: (i) a corporate finance fee of £150,000; (ii) a commission equal to 1.2 per cent. of the Gross Proceeds of the Initial Offers and; (iii) a discretionary fee of 0.5 per cent. of the Gross Proceeds of the Initial Offers.

In consideration for their services in connection with the Initial Offers, J.P. Morgan and Oriel Securities will be paid: (i) a commission equal to 0.7 per cent. of the Gross Proceeds of any Subsequent Placing and; (ii) a discretionary fee of 0.5 per cent. of the Gross Proceeds of the Initial Offers.

The Placing Agreement is conditional on:

- (i) this Prospectus (and any supplementary prospectus) being approved by the UK Listing Authority and being made available to the public in accordance with the terms of the Placing Agreement;
- (ii) Initial Admission occurring on or before 23 May 2014 (or such later time and date as J.P. Morgan, Oriel Securities and the Company may agree) and Subsequent Admissions occurring on such dates and times as may be agreed between J.P. Morgan, Oriel Securities and the Company prior to the closing of each Subsequent Placing, not being later than 30 April 2015.

The Placing Agreement confers on J.P. Morgan and Oriel Securities the right to terminate their obligations prior to the applicable Admission if, *inter alia*, in the opinion of J.P. Morgan and Oriel Securities acting in good faith:

- (i) any of the representations or warranties given under the Placing Agreement are not true and accurate or have become misleading; or
- (ii) the Company is in breach of its obligations under the Placing Agreement; or
- (iii) a material adverse change occurs with respect to the Company; or
- (iv) there is a change in stock market conditions (primary or secondary) or an incident of terrorism or outbreak of hostilities or a suspension or material limitation in trading of securities generally on any stock exchange or a disruption of settlement systems or a material disruption or general moratorium in commercial banking as would, in the opinion of J.P. Morgan and Oriel Securities acting in good faith, make it impracticable or inadvisable to proceed with the Capital Raising.

The Placing Agreement also contains:

- (i) certain customary warranties given by the Company and the Investment Manager in favour of J.P. Morgan and Oriel Securities;
- (ii) customary indemnities given by the Company and the Investment Manager in favour of J.P. Morgan and Oriel Securities; and
- (iii) certain undertakings given by the Company, J.P. Morgan and Oriel Securities.

The Placing Agreement is governed by the law of England and Wales.

(I) Receiving Agent Agreement

The Receiving Agent Agreement dated 1 May 2014 between the Company and the Receiving Agent pursuant to which Computershare Investor Services PLC has agreed to act as receiving agent to the Offer for Subscription. The fees payable are based on the number of Applications received and are subject to a minimum fee. The agreement contains a standard indemnity from the Company to the Receiving Agent.



## 10 Taxation

### 10.1 General

The following information is general in nature and relates only to Guernsey and United Kingdom taxation in relation to Shareholders who hold their Ordinary Shares as an investment, who are resident or ordinarily resident in the United Kingdom (except where expressly stated), who are the beneficial owners of Ordinary Shares and who do not (alone or together with connected persons) hold more than 10 per cent. of any particular class of share in the Company. The comments may not apply to certain classes of persons, such as dealers, collective investment schemes and insurance companies. The information is based on existing law and practice at the date of this document and may be subject to subsequent change.

If you are in any doubt about your tax position, or if you may be subject to tax in a jurisdiction other than Guernsey or the United Kingdom, you should consult your professional adviser.

### 10.2 Guernsey taxation

#### (a) The Company

The Company is eligible for and has been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 by the Director of Income Tax in Guernsey for the current year. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £600 and provided the Company qualifies under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

As an exempt company, the Company is and will be treated as if it were not resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising or accruing in Guernsey, other than from a relevant bank deposit. It is anticipated that no income other than from a relevant bank deposit will arise in Guernsey and therefore the Company will not incur any additional liability to Guernsey tax.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties (save for registration fees and *ad valorem* duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant).

No stamp duty is chargeable in Guernsey on the issue, transfer, or redemption of Shares in the Company.

#### **FATCA**

The Company and/or interests in the Company could be subject to the application of FATCA. FATCA generally imposes a new reporting regime and potentially a 30% withholding tax with respect to certain US source income (including dividends and interest) and gross proceeds from the sale or other disposal of property that can produce US source interest or dividends (“**Withholdable Payments**”). As a general matter, the new rules are designed to require US persons’ direct and indirect ownership of non-US accounts and non-US entities to be reported to the US Internal Revenue Service (the “**Service**”). The 30% withholding tax regime applies if there is a failure to provide required information regarding US ownership.

Generally, the new rules will subject all Withholdable Payments received by the Company to 30% withholding tax (including the share that is allocable to non-US persons) unless compliance with the new rules by the Company is pursuant to an intergovernmental agreement between the jurisdiction in which the Company is based and the United States or the Company enters into an agreement (an “**FFI Agreement**”)



with the Service to provide information, representations and waivers of non-US law as may be required to comply with the provisions of the new rules, including, information regarding its direct and indirect US accountholders.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE COMPANY, THE SHARES OR THE SHAREHOLDERS IS UNCERTAIN AT THIS TIME. EACH POTENTIAL INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND HOW THIS US LEGISLATION MIGHT AFFECT EACH POTENTIAL INVESTOR IN ITS PARTICULAR CIRCUMSTANCE.

#### **US-Guernsey Intergovernmental Agreement**

On 13 December 2013, the governments of the United States and Guernsey announced that they had entered into an intergovernmental agreement (the **US-Guernsey IGA**) related to implementing the Foreign Account Tax Compliance Act (**FATCA**). The US-Guernsey IGA will be implemented through Guernsey's domestic legislation, in accordance with regulations and guidance yet to be published in finalised form. Accordingly, the full impact of the US-Guernsey IGA on the Company and the Company's reporting responsibilities pursuant to the US-Guernsey IGA as implemented in Guernsey is currently uncertain.

However, on 12 July 2013 the United States Department of Treasury and the Internal Revenue Service issued Notice 2013-43 (**Notice**) which, *inter alia*, refers to the treatment of financial institutions operating in jurisdictions that have signed an intergovernmental agreement to implement FATCA. According to the Notice, a jurisdiction will be treated as having in effect an intergovernmental agreement if the jurisdiction is listed on the US Treasury website as a jurisdiction that is treated as having an intergovernmental agreement in effect. In general, the US Treasury and the Internal Revenue Service intend to include on this list jurisdictions that have signed but have not yet brought into force an intergovernmental agreement. A financial institution resident in a jurisdiction that is treated as having an intergovernmental agreement in effect will be permitted to register on the FATCA registration website as a registered deemed-compliant financial institution (which would include all reporting Model 1 foreign financial institutions) or participating foreign financial institution (which would include all reporting Model 2 foreign financial institutions). The US-Guernsey IGA is based on Model 1 and is listed on the US Treasury website as a jurisdiction that is treated as having an intergovernmental agreement in effect.

#### **United Kingdom-Guernsey Intergovernmental Agreement**

On 22 October 2013 the Chief Minister of Guernsey signed an intergovernmental agreement with the UK (**UK-Guernsey IGA**) under which certain disclosure requirements will be imposed in respect of certain investors in the Company who are resident in the UK or which are entities that are controlled by one or more residents of the UK. The UK-Guernsey IGA will be implemented through Guernsey's domestic legislation, in accordance with regulations and guidance yet to be published in finalised form. Accordingly, the full impact of the UK-Guernsey IGA on the Company and its reporting responsibilities pursuant to the UK-Guernsey IGA is currently uncertain.

#### **Request for Information**

The Company reserves the right to request from any investor or potential investor such information as the Company deems necessary to comply with FATCA, any FFI Agreement from time to time in force, or any obligation arising under the implementation of any applicable intergovernmental agreement, including the US-Guernsey IGA and the UK-Guernsey IGA.

#### **European Savings Directive**

Although not a Member State of the European Union, Guernsey, in common with certain other jurisdictions, entered into bilateral agreements with EU Member States on the taxation of savings income. From 1 July 2011 paying agents in Guernsey must automatically report to the Director of Income Tax in Guernsey any interest payment to

individuals resident in the contracting EU Member States which falls within the scope of the EU Savings Directive (2003/48/EC) (the “**EU Savings Directive**”) as applied in Guernsey. However, whilst such interest payments may include distributions from the proceeds of shares or units in certain collective investment schemes which are, or are equivalent to, UCITS, in accordance with EC Directive 85/611/EEC (as recast by EC Directive 2009/65/EC(recast)) and guidance notes issued by the States of Guernsey on the implementation of the bilateral agreements the Company should not, under the existing regime, be regarded as, or as equivalent to, a UCITS. Accordingly, any payments made by the Company to Shareholders will not be subject to reporting obligations pursuant to the agreements between Guernsey and EU Member States to implement the EU Savings Directive in Guernsey.

On 24 March 2014 the Council of the European Union formally adopted a directive to amend the EU Savings Directive. The amendments significantly widen the scope of the EU Savings Directive. EU Member States are required to adopt national legislation to comply with the amended EU Savings Directive by 1 January 2016. The amended EU Savings Directive is anticipated to be applicable from 2017. Guernsey, along with other dependent and associated territories, will consider the effect of the amendments to the EU Savings Directive in the context of existing bilateral agreements and domestic law. If changes to the implementation of the EU Savings Directive are brought into effect then the treatment of investors in the Company and the position of the Company in relation to the EU Savings Directive may be different to that set out above.

(b) Holders of Ordinary Shares

**Shareholders resident in Guernsey**

Provided the Company maintains its exempt status, Shareholders who are resident for tax purposes in Guernsey (which includes Alderney and Herm for these purposes) will suffer no deduction of tax by the Company from any dividends payable by the Company but the Administrator will provide details of distributions made to Guernsey resident Shareholders to the Director of Income Tax in Guernsey, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of the payment. The Director of Income Tax can require the Company to provide the name and address of every Guernsey resident who, on a specified date, has a beneficial interest in Shares, with details of the interest.

**Shareholders not resident in Guernsey**

Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of distributions paid in relation to any Shares owned by them nor on the redemption or disposal of their holding of Shares in the Company.

### 10.3 United Kingdom Taxation

(a) The Company

The Directors intend to continue to conduct the affairs of the Company so that it does not become resident in the United Kingdom for United Kingdom tax purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated there), it should not be subject to United Kingdom income tax or corporation tax other than on certain types of United Kingdom source income.

(b) Holders of Ordinary Shares – Capital Gains Tax

Receipt of any amount on a disposal of Ordinary Shares by a UK resident or ordinarily resident individual Shareholder will constitute proceeds of a disposal of Ordinary Shares for the purposes of UK taxation of chargeable gains which may, depending on the Shareholder's individual circumstances (including the availability of exemptions and allowable losses), give rise to a liability to UK taxation of capital gains.

Shareholders within the charge to UK corporation tax should be subject to UK corporation tax on chargeable gains on receipt of any disposal proceeds for the Ordinary Shares, provided that the provisions of Chapter 2A (Disguised Interest) and Chapter 6A (Shares Accounted for as Liabilities) of Part 6 of the Corporation Tax Act 2009 do not apply (as to which please see “Other United Kingdom Tax Considerations” below).

The Company's Directors have been advised that, based upon the current structure and management of the Company, it should not be an offshore fund for the purposes of the United Kingdom offshore fund rules. Should the Company be regarded as being subject to the offshore fund rules, this may have adverse tax consequences for Shareholders who may as a result be subject to UK income tax on any gain realised on disposal of their Ordinary Shares.

(c) ISAs, UK SSAS and SIPPs

Subject to applicable subscription limits (currently £11,880, which is due to increase to £15,000 from 1 July 2014), the Ordinary Shares should be eligible for inclusion in a Stocks and Shares ISA provided that the ISA manager has acquired the New Ordinary Shares by purchase in the market. The Directors intend to manage the affairs of the Company so as to maintain the eligibility of the Ordinary Shares for inclusion in an ISA. The Directors have been advised that the Ordinary Shares should be eligible for inclusion in a UK SSAS or a UK SIPP.

(d) Stamp Duty and Stamp Duty Reserve Tax (SDRT)

Provided that the Ordinary Shares are not registered in any register of the Company kept in the United Kingdom, are not paired with shares issued or raised by a UK company and any document transferring the Ordinary Shares is not executed or brought into the UK, no United Kingdom stamp duty or SDRT will be payable on the issue or transfer of the Company or an agreement to transfer the Ordinary Shares.

The above statement is intended as a general guide to the current stamp duty and SDRT position and does not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements and clearance services.

(e) Other United Kingdom Tax Considerations

Shareholders who are subject to UK corporation tax should note the provisions of Chapter 2A (Disguised Interest) and 6A (Shares Accounted for as Liabilities) of Part 6 of the Corporation Tax Act 2009. Where these provisions apply, sums paid to such Shareholders on redemption or other disposal of the Ordinary Shares will not be treated as capital receipts but will instead be treated as a return economically equivalent to a return on an investment at interest and will be taxed under the UK loan relationships regime. Shareholders who may be affected by these provisions should consult their own tax advisers.

The attention of companies resident in the UK is drawn to the controlled foreign companies legislation contained in Part 9A of the Taxation (International and Other Provisions) Act 2010. Broadly, a charge may arise to UK tax resident companies if the Company is controlled directly or indirectly by persons who are resident in the UK, it has profits which are attributable to its significant people functions and one of the exemptions does not apply.

The attention of individuals ordinarily resident in the United Kingdom for United Kingdom tax purposes is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007, which may render them liable to income tax in respect of any undistributed income of the Company or any capital sum received from the Company.

It is anticipated that the shareholdings in the Company will be such as to ensure that it would not be a "close company" if it were resident in the United Kingdom (broadly, controlled by five or fewer participants). If, however, the Company would be a close company if so resident, capital gains accruing to it may be apportioned to United Kingdom resident or ordinarily resident Shareholders, under the provisions of section 13 Taxation of Chargeable Gains Act 1992, who may thereby become chargeable to capital gains tax, or corporation tax on chargeable gains, on the gains apportioned to them.

## 11 Working Capital

The Company is of the opinion that the working capital available to the Company and its subsidiaries is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

## 12 Capitalisation and Indebtedness

12.1 Set out below is a statement of capitalisation and indebtedness in relation to the Group.

The indebtedness information set out below has been extracted without material adjustment from the Company's unaudited management accounts as at 31 March 2014. The capitalisation information set out below has been extracted without material adjustment from the Company's unaudited interim report and financial statements for the six month period ended 30 September 2013. There has been no material change in the capitalisation of the Group since 30 September 2013, save for the issue of 22.2 million Ordinary Shares, as a result of which the share capital figure in the table below has increased from £45.5 million to £57.2 million, on an IFRS basis.

	<b>As at 31 March 2014</b>
	<hr/> <i>£ 000</i>
<i>Indebtedness</i>	
<b>Total current debt</b>	
Guaranteed	—
Secured	1,072
Unguaranteed/Unsecured	1,967
	<hr/>
<b>Total current debt</b>	<b>3,039</b>
	<hr/>
<b>Total non-current debt</b>	
Guaranteed	—
Secured	208,438
Unguaranteed/Unsecured	24,368
	<hr/>
<b>Total non-current debt</b>	<b>232,806</b>
	<hr/>
	<b>As at 30 September 2013</b>
	<hr/> <i>£ 000</i>
<i>Capitalisation</i>	
<b>Shareholders' equity</b>	
Share Capital	45,473
Legal reserve	134,831
	<hr/>
<b>Total capitalisation</b>	<b>180,304</b>
	<hr/>

12.2 Save for the issue of 22.2 million Ordinary Shares on 27 November 2013, there has been no material change to the capitalisation of the Company since 30 September 2013.

	<b>As at 31 March 2014</b>
<i>Net Indebtedness</i>	<i>£ 000</i>
Cash	32,352
Cash equivalent	—
Trading securities	—
<b>Liquidity</b>	<b>32,352</b>
<b>Current financial receivable</b>	
Current bank debt	—
Current portion of non current debt	1,072
Other current financial debt	1,967
<b>Current financial debt</b>	<b>3,039</b>
<b>Net current financial indebtedness</b>	<b>(29,313)</b>
Other non current loans	232,805
<b>Non current financial indebtedness</b>	<b>232,805</b>
<b>Net financial indebtedness</b>	<b>203,492</b>

### 13 Miscellaneous

13.1 Save for the placing of 22.2 million Ordinary Shares on 27 November 2013 (of which the net proceeds were £11.7 million) and the increase in the value of the Group's property portfolio from £401.14 million as at 30 September 2013 to £423.02 million as at 31 March 2014, there has been no significant change in the trading or financial position of the Group since 30 September 2013, being the end of the last financial period for which unaudited interim financial information has been published.

13.2 The principal place of business, the business address for the Directors and the registered office of the Company is Trafalgar Court, Les Banques, St Peter Port, Guernsey.

13.3 CBRE was incorporated as a private limited company in England and Wales on 27 March 1998 with registered number 03536032. CBRE is not a Shareholder.

13.4 CBRE accepts responsibility for its report set out in Part 4 (Valuation Report) of this document. CBRE declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part 4 (Valuation Report) of this document, for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

13.5 CBRE has given and not withdrawn its written consent to the inclusion in this document of its report in Part 4 (Valuation Report) of this document and to the issue of this document with references to its name in the form and context in which such references appear and has authorised the contents of its report in Part 4 (Valuation Report) of this document, in the form and context in which it is included, and references to it for the purposes of the Prospectus Rules.

13.6 The telephone number of Picton Capital is 020 7628 4800. Picton Capital is a private limited company and was incorporated under the laws of England and Wales on 23 February 2011 with registered number 07540107.

13.7 The Company confirms that no material change has occurred to the value of the property assets of the Group since 31 March 2014, the effective date of the report in Part 4 (Valuation Report) of this document.

- 13.8 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 13.9 The Group has 11 employees and occupies the premises at 1st Floor, 28 Austin Friars, London EC2N 2QQ which is occupied by Picton Capital, the Company's wholly-owned management subsidiary.
- 13.10 KPMG Channel Islands Limited whose address is 20 New Street, St. Peter Port, Guernsey was appointed as the auditor of the Company from 15 July 2009.
- 13.11 Save as disclosed in:
- (a) note 25 on page 57 of the published annual report and audited accounts of the Group for the financial year ended 31 December 2010, which have been incorporated into this document by reference;
  - (b) note 29 on page 78 of the published annual report and audited accounts of the Group for the financial year ended 31 March 2012, which have been incorporated into this document by reference;
  - (c) note 16 on page 23 of the published interim report and unaudited financial statements of the Group for the financial period ended 30 September 2012, which have been incorporated into this document by reference;
  - (d) note 27 on page 82 of the published annual report and audited accounts of the Group for the financial year ended 31 March 2013, which have been incorporated into this document by reference; and
  - (e) note 15 on page 25 of the published interim report and unaudited financial statements of the Group for the financial period ended 30 September 2013, which have been incorporated into this document by reference,

the Company was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted to the Regulation (EC) No. 1606/2002) at any time during the three financial periods ended 31 December 2010, 31 March 2012, 31 March 2013 for the six month periods ended 30 September 2012 and 30 September 2013.

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

- 14.1 Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Norton Rose Fulbright LLP at 3 More London Riverside, London SE1 2AQ and at the registered office of the Company at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4BZ during business hours on any weekday from the date of this document (Saturdays and public holidays excepted) for a period of not less than 14 days following Admission:
- (a) the memorandum of incorporation and Articles of the Company;
  - (b) the Group's interim reports and unaudited financial statements for the six month periods ended 30 September 2012 and 30 September 2013;
  - (c) the Group's audited annual financial statements for the financial years ended 31 March 2013, 31 March 2012 and 31 December 2010; and
  - (d) the consent letters referred to in paragraph 13 above.

#### **15 Availability of this document**

Copies of this document will be made available free of charge to the public at the offices of Norton Rose Fulbright LLP at 3 More London Riverside, London SE1 2AQ and from the Company's registered office in Guernsey during normal business hours until the close of business on 30 April 2015.

Date: 1 May 2014



## PART 8

### CHECKLIST OF DOCUMENTATION INCORPORATED BY REFERENCE

Information incorporated by reference	The Company's document reference	Page No. in Prospectus
Picton Property Income Limited Annual Report and Accounts for the year ended 31 December 2010	Picton Property Income Limited Annual Report and Accounts for the year ended 31 December 2010 (pages 2 to 57)	50 to 51 and 103
Picton Property Income Limited Annual Report and Accounts for the 15 month period ended 31 March 2012	Picton Property Income Limited Annual Report and Accounts for the 15 month period ended 31 March 2012 (pages 1 to 82)	50 to 51 and 103
Picton Property Income Limited Interim Report and unaudited financial statements for the six month period ended 30 September 2012	(pages 1 to 26)	50 to 51 and 103
Picton Property Income Limited Annual Report and Accounts for the year ended 31 March 2013	Picton Property Income Limited Annual Report and Accounts for the year ended 31 March 2013 (pages 1 to 92)	50 to 51 and 103
Picton Property Income Limited Interim Report and unaudited financial statements for the six month period ended 30 September 2013	(pages 1 to 28)	50 to 51 and 103

Note: Prior to a change of name with effect from 1 June 2011, the Company was known as ING UK Real Estate Income Trust Limited, and accordingly each of the Company's documents published prior to 1 June 2011 was published under its former name.

## **APPENDIX 1**

### **TERMS AND CONDITIONS OF THE INITIAL PLACING**

#### **1 Introduction**

- 1.1 Each Placee which confirms its agreement (whether orally or in writing) to either J.P. Morgan or Oriel Securities to subscribe for New Ordinary Shares under the Initial Placing will be bound by these terms and conditions and will be deemed to have accepted them.
- 1.2 The Company, J.P. Morgan and/or Oriel Securities 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 Subscribe for New Ordinary Shares**

- 2.1 The Initial Placing is conditional on:
  - (a) Initial Admission occurring at 8.00 a.m. on 23 May 2014, (or such other time or date, not being later than 30 June 2014 as the Company, J.P. Morgan and Oriel Securities may agree);
  - (b) the Resolution in connection with the Capital Raise being passed at the EGM; and
  - (c) the Placing Agreement becoming otherwise unconditional in respect of the Initial Placing and not being terminated in accordance with its terms before the Initial Admission becomes effective,a Placee agrees to become a member of the Company and agrees to subscribe for those New Ordinary Shares allocated to it by J.P. Morgan or Oriel Securities at the Issue Price.
- 2.2 If any of these conditions is not met, the Initial Placing will not proceed.

#### **3 Payment for New Ordinary Shares**

- 3.1 Each Placee must pay the Issue Price for the New Ordinary Shares issued to the Placee in the manner and by the time directed by either J.P. Morgan or Oriel Securities. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for New Ordinary Shares shall be rejected.
- 3.2 Each Placee is deemed to agree that if it does not comply with its obligation to pay the Issue Price for the New Ordinary Shares allocated to it in accordance with paragraph 3.1 of these terms and condition and J.P. Morgan and Oriel Securities elect to accept that Placee's application, J.P. Morgan Cazenove and Oriel Securities may sell all or any of the New Ordinary Shares allocated to the Placee on such Placee's behalf and retain from the proceeds, for their own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The Placee will, however, remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any tax or other charges (together with any interest or penalties) which may arise upon the sale of such New Ordinary Shares on such Placee's behalf.

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

- 4.1 By agreeing to subscribe for New Ordinary Shares, each Placee which enters into a commitment to subscribe for New Ordinary Shares will (for itself and any person(s) procured by it to subscribe for New Ordinary Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Investment Manager, J.P. Morgan and Oriel Securities that:
  - (a) in agreeing to subscribe for New Ordinary Shares under the Initial Placing, it is relying solely on this Prospectus 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 or the Initial Placing. It agrees that none of the Company, the Investment Manager, J.P. Morgan, Oriel Securities, nor any of their respective officers, agents or employees, 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;

- (b) the content of this Prospectus is exclusively the responsibility of the Company and its Board and apart from the liabilities and responsibilities, if any, which may be imposed on either J.P. Morgan or Oriel Securities under any regulatory regime, neither J.P. Morgan, Oriel Securities nor any person acting on their behalf nor any of their affiliates makes any representation, express or implied, nor accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by them or on its or their behalf in connection with the Company, the New Ordinary Shares or the Capital Raise;
- (c) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for New Ordinary Shares under the Initial 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, J.P. Morgan, Oriel Securities 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 Initial Placing;
- (d) it has carefully read and understands this document in its entirety and acknowledges that it is acquiring New Ordinary Shares on the terms and subject to the conditions set out in this Appendix 1 and the Articles as in force at the date of Admission and agrees that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for the New Ordinary Shares;
- (e) it has not relied on J.P. Morgan or Oriel Securities or any person affiliated with J.P. Morgan or Oriel Securities in connection with any investigation of the accuracy or completeness of any information contained in this document;
- (f) the content of this document is exclusively the responsibility of the Company, the Investment Manager and their respective directors and none of J.P. Morgan, Oriel Securities nor any person acting on their behalf nor any of their respective affiliates is 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 based on any information, representation or statement contained in this document or otherwise;
- (g) it acknowledges that the New Ordinary Shares have not been and will not be registered under the U.S. 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, U.S. Persons except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and in compliance with all applicable state securities laws and under circumstances that would not require the Company to register under the U.S. Investment Companies Act;
- (h) if in the future it decides to offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares or any beneficial interest therein, it will do so only: (i) in an "offshore transaction" complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise; or (ii) to the Company or a subsidiary thereof;
- (i) in the case of any New Ordinary Shares subscribed for or acquired by an investor as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive:
  - (i) the New Ordinary Shares subscribed for or acquired by it in the Placing Programme 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 Member State other than qualified investors, as that term is defined in the Prospectus Directive 2010/73/EU, or in circumstances in which the prior consent of J.P. Morgan or Oriel Securities has been given to the offer or resale; or

- (ii) where New Ordinary Shares have been subscribed for or acquired by it on behalf of persons in any relevant Member State other than qualified investors, the offer of those New Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- (j) it acknowledges that where it is subscribing for or acquiring New Ordinary Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account:
  - (i) to subscribe for or acquire existing New Ordinary Shares for each such account;
  - (ii) to make on each such account's behalf the representations, warranties and agreements set out in this Prospectus; and
  - (iii) to receive on behalf of each such account any documentation relating to the Placing Programme in the form provided by the Company J.P. Morgan and/or Oriel Securities.

It agrees that the provision of this paragraph shall survive any resale of the New Ordinary Shares by or on behalf of any such account;

- (k) 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 New Ordinary Shares and it is not acting on a non-discretionary basis for any such person;
- (l) it agrees that, having had the opportunity to read this Prospectus, it shall be deemed to have had notice of all information and representations contained in this Prospectus, that it is acquiring New Ordinary Shares solely on the basis of this Prospectus and no other information and that in accepting a participation in the Initial Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for New Ordinary Shares;
- (m) it acknowledges that no person is authorised in connection with the Initial Placing to give any information or make any representation other than as contained in this Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by J.P. Morgan, Oriel Securities, the Company or the Investment Manager;
- (n) 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;
- (o) it accepts that none of the New Ordinary Shares have been or will be registered under the laws of any Excluded Territory. Accordingly, the New Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within any Excluded Territory;
- (p) if it is within the United Kingdom, it is a person who falls within Articles 49(2)(a) to (d) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or is a person to whom the New 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 New Ordinary Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- (q) if it is a resident in the EEA (other than the United Kingdom), it is a qualified investor within the meaning of the law in the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State));
- (r) if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Initial Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for New Ordinary Shares pursuant to the Initial 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 New 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;

- (s) 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 New Ordinary Shares and it is not acting on a non-discretionary basis for any such person;
- (t) 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 or acquire the New Ordinary Shares under the Initial Placing and will not be any such person on the date any such agreement to subscribe under the Initial Placing is accepted;
- (u) it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other offering materials concerning the Initial Placing or the New Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- (v) it represents, acknowledges and agrees to the representations, warranties and agreements as set out under the heading "United States Purchase and Transfer Restrictions" in paragraph 5, below;
- (w) it acknowledges that neither of J.P. Morgan, Oriel Securities nor any of their respective affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Initial Placing or providing any advice in relation to the Initial Placing and participation in the Initial Placing is on the basis that it is not and will not be a client of J.P. Morgan or Oriel Securities or any of their respective affiliates and that J.P. Morgan and Oriel Securities and any of their respective affiliates do not have any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Initial Placing nor in respect of any representations, warranties, undertaking or indemnities contained in the Placing Letter;
- (x) it acknowledges that where it is subscribing for New 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 New Ordinary Shares for each such account;
  - (ii) to make on each such account's behalf the representations, warranties and agreements set out in this Prospectus; and
  - (iii) to receive on behalf of each such account any documentation relating to the Initial Placing in the form provided by the Company, J.P. Morgan and/or Oriel Securities. It agrees that the provision of this paragraph shall survive any resale of the New Ordinary Shares by or on behalf of any such account;
- (y) it irrevocably appoints any Director and any director of J.P. Morgan or Oriel Securities 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 New Ordinary Shares for which it has given a commitment under the Initial Placing, in the event of its own failure to do so;
- (z) it accepts that if the Initial Placing does not proceed or the conditions to the Placing Agreement are not satisfied or the New Ordinary Shares for which valid applications are received and accepted are not admitted to listing and trading on the Official List and the Main Market (respectively) for any reason whatsoever then none of the Company, J.P. Morgan, Oriel Securities, the Investment Manager, or any of their respective affiliates, 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;
- (aa) in connection with its participation in the Initial Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing and that its application is only made on the



basis that it accepts full responsibility for any requirement to identify and 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;
- (bb) it agrees that, due to anti-money laundering and the countering of terrorist financing requirements J.P. Morgan, Oriel Securities and/or the Company may require proof of identity of the Placee and related parties 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 Placee to produce any information required for verification purposes, J.P. Morgan, Oriel Securities and/or the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify J.P. Morgan, Oriel Securities and/or the Company against any liability, loss or cost ensuing due to the failure to process this application, if such information as has been required has not been provided by it or has not been provided on a timely basis;
- (cc) it acknowledges that any person in Guernsey involved in the business of the Company who has a suspicion or belief that any other person (including the Company or any person subscribing for or acquiring New Ordinary Shares) is involved in money laundering activities, is under an obligation to report such suspicion to the Financial Intelligence Service pursuant to the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 (as amended) and the Disclosure (Bailiwick of Guernsey) Law, 2007 (as amended);
- (dd) it acknowledges and agrees that information provided by it to the Company or its Registrar will be stored on the Registrar's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection (Bailiwick of Guernsey) Law, 2001 (the **Data Protection Law**) and other relevant data protection legislation which may be applicable the Registrar is required to specify the purposes for which it will hold personal data. The Registrar will only use such information for the purposes set out below (collectively, the Purposes), being to:
- (i) process its personal data (including sensitive personal data) as required by or in connection with its holding of New Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
  - (ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of New Ordinary Shares;
  - (iii) provide personal data to such third parties as the Registrar may consider necessary in connection with its affairs and generally in connection with its holding of New Ordinary Shares or as the Data Protection Law may require, including to third parties outside the Bailiwick of Guernsey or the European Economic Area; and
  - (iv) without limitation, provide such personal data to the Company and its associates for processing, notwithstanding that any such party may be outside the Bailiwick of Guernsey or the European Economic Area.
- (ee) in providing the Registrar with information, it hereby represents and warrants to the Registrar that it has obtained the consent of any data subjects to the Registrar and its 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 Purposes set out in paragraph (dd) above). For the purposes of this prospectus, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection Law;



- (ff) J.P. Morgan, Oriel Securities and the Company (and any agent on their behalf) 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 (or any agent acting on their behalf);
- (gg) the representations, undertakings and warranties contained in this Prospectus are irrevocable. It acknowledges that J.P. Morgan, Oriel Securities, 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 New Ordinary Shares are no longer accurate, it shall promptly notify J.P. Morgan Oriel Securities and the Company;
- (hh) where it or any person acting on behalf of it is dealing with J.P. Morgan or Oriel Securities, any money held in an account with J.P. Morgan or Oriel Securities 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 Financial Conduct Authority which therefore will not require J.P. Morgan or Oriel Securities to segregate such money, as that money will be held by J.P. Morgan or Oriel Securities under a banking relationship and not as trustee;
- (ii) any of its clients, whether or not identified to J.P. Morgan or Oriel Securities or any of their affiliates or agents, will remain its sole responsibility and will not become clients of J.P. Morgan or Oriel Securities or any of their respective affiliates or agents for the purposes of the rules of the Financial Conduct Authority or for the purposes of any other statutory or regulatory provision;
- (jj) it accepts that the allocation of New Ordinary Shares shall be determined jointly by the Sponsors and the Company and that such persons may scale down any Initial Placing commitments for this purpose on such basis as they may determine;
- (kk) time shall be of the essence as regards its obligations to settle payment for the New Ordinary Shares and to comply with its other obligations under the Initial Placing;
- (ll) it agrees that J.P. Morgan and Oriel Securities are acting for the Company in connection with the Capital Raise and for no-one else and that J.P. Morgan and Oriel Securities will not treat it as its customer by virtue of such application being accepted or owe it any duties concerning the price of New Ordinary Shares or concerning the suitability of New Ordinary Shares for it or otherwise in relation to the Capital Raise; and
- (mm) it authorises the Receiving Agent, J.P. Morgan, Oriel Securities or any person authorised by them or the Company, as its agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed or acquired by it into its name(s) and authorise any representatives of the Receiving Agent or of J.P. Morgan or Oriel Securities to execute and/or complete any document required therefor.

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

- 5.1 By participating in the Initial Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for or acquire New Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Registrar and either J.P. Morgan or Oriel Securities that:
- (a) it is not a US Person; is not located within the United States and it is not acquiring the New Ordinary Shares for the account or benefit of a US Person;
  - (b) it is subscribing for or acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
  - (c) it acknowledges that the New Ordinary Shares have not been and will not be registered under the US 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 US Securities Act;

- (d) it acknowledges that the Company has not been and will not be registered under the US 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 US Investment Company Act;
- (e) no portion of the assets used to purchase, and no portion of the assets used to hold, the New 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 US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or
  - (iii) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in (A) or (B) above in such entity pursuant to the US Plan Asset Regulations. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Code, its purchase, holding, and disposition of the New Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (f) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US 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 subscribing for or purchasing the New 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 New Ordinary Shares in any manner that would violate the US Securities Act, the US 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 New Ordinary Shares or interests therein at any time as to such person’s status under 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 US securities laws to transfer such New Ordinary Shares or interests in accordance with the Articles;
- (i) it acknowledges and understands that the Company is required to comply with FATCA. It agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
- (j) it is entitled to subscribe for or acquire the New 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 New Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, J.P. Morgan, Oriel Securities or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Initial Placing or its acceptance of participation in the Initial Placing;
- (k) it has received, carefully read and understands this Prospectus and any supplemental prospectus issued by the Company, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any such

supplementary prospectus or any other presentation or offering materials concerning the New Ordinary Shares to within the United States or to any US Persons, nor will it do any of the foregoing; and

- (l) if it is subscribing for or acquiring any New 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.
- 5.2 The Company, J.P. Morgan, Oriel Securities 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.
- 5.3 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.

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

If J.P. Morgan, Oriel Securities, the Company or any of their agents request any information in connection with a Placee's agreement to subscribe for New Ordinary Shares under the Initial Placing or to comply with any relevant legislation, such Placee must promptly disclose it to them.

## **7 Miscellaneous**

- 7.1 The rights and remedies of J.P. Morgan, Oriel Securities 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 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 Initial Placing 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 (as amended from time to time) once the New Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the Initial Placing, have been acquired by the Placee. The contract to subscribe for New Ordinary Shares under the Initial Placing and the appointments and authorities mentioned in this Prospectus will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of J.P. Morgan, Oriel Securities, the Company, 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 New Ordinary Shares under the Initial 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 J.P. Morgan, Oriel Securities and the Company expressly reserve the right to modify the Initial Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined.
- 7.6 The Initial 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 9.3(k) of Part 7 (General Information) of this Prospectus.

## APPENDIX 2

### TERMS AND CONDITIONS OF THE OFFER FOR SUBSCRIPTION

#### 1 Introduction

- 1.1 The New Ordinary Shares are only suitable for investors who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company, for whom an investment in New Ordinary Shares is part of a diversified investment programme and who fully understand and are willing to assume the risks involved in such an investment programme.
- 1.2 In the case of a joint Application, references to you in these terms and conditions of Application are to each of you, and your liability is joint and several. Please ensure you read these terms and conditions in full before completing the Application Form.

#### 2 The Terms and Conditions

- 2.1 The Offer for Subscription is conditional on:
  - (a) Initial Admission occurring at 8.00 a.m. on 23 May 2014 (or such later time or date, not being later than 30 June 2014, as the Company, J.P. Morgan and Oriel Securities may agree); and
  - (b) the Resolution in connection with the Capital Raise being passed at the EGM.If either of these conditions are not met, the Offer for Subscription will not proceed.
- 2.2 The Company reserves the right to present all cheques and banker's drafts for payment on receipt and to retain application monies and refrain from delivering an Applicant's New Ordinary Shares into CREST, pending clearance of the successful Applicant's cheques or banker's drafts. The Company also reserves the right to reject in whole or part, or to scale down or limit, any Application. The Company may treat Applications as valid and binding if made in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer for Subscription. If any 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 Applicant's cheque or banker's draft or by crossed cheque in favour of the first Applicant through the 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.
- 2.3 To ensure compliance with the Money Laundering Regulations, the Company (or any of its agents) may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment. If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Company (or any of its agents).
- 2.4 The person lodging the Application Form with payment and in accordance with the other terms as described above, including any person who appears to the Company (or any of its agents) to be acting on behalf of some other person, accepts the Offer for Subscription in respect of such number of offered New Ordinary Shares as is referred to therein and shall thereby be deemed to agree to provide the Company (or any of its agents) with such information and other evidence as the Company (or any of its agents) may require to satisfy the verification of identity requirements. If the Company (or any of its agents) determines that the verification of identity requirements apply to any Application, the relevant New Ordinary Shares (notwithstanding any other term of the Offer for Subscription) will not be issued to the relevant Applicant unless and until the verification of identity requirements have been satisfied in respect of that Applicant (or any beneficial holder) or Application. The Company (or any of its agents) is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any Application and whether such requirements have been satisfied, and neither the Company nor any agent of it will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

- 2.5 If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Company (or any of its agents) has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant Application as invalid, in which event the monies payable on acceptance of the Offer for Subscription will be returned (at the Applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.
- 2.6 Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, the Administrator and the Registrar from the Applicant that the Money Laundering Regulations will not be breached by application of such remittance. The verification of identity requirements will not usually apply:
- (a) 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
  - (b) if the Applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
  - (c) if the aggregate subscription price for the offered New Ordinary Shares is less than the lower of £10,000 or €15,000.
- 2.7 In other cases the verification of identity requirements may apply. If the Application Form is lodged with payment by a regulated financial services firm (being a person or institution) (the Firm) which is located in Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, the Republic of South Africa, Spain, Sweden, Switzerland, the UK and the United States of America, the Firm should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Company (or any of its agents). If the Firm is not such an organisation, it should contact Computershare Investor Services PLC at Corporate Actions Projects, Bristol, BS99 6AH. To confirm the acceptability of any written assurance referred to above, or in any other case, the Applicant should call the Shareholder Helpline on 0870 707 4040 (calls to this number are charged at ten pence per minute from a BT Landline, other network providers' costs may vary) or +44 870 707 4040 if calling from outside the United Kingdom. Calls to the helpline from outside the United Kingdom will be charged at applicable international rates. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored for security and training purposes. The helpline cannot provide advice on the merits of any proposals to invest in the Company nor give any financial, legal or tax advice.
- 2.8 If the Application Form(s) is/are in respect of New Ordinary Shares with an aggregate subscription price of more than the higher of £10,000 or €15,000 and is/are lodged by hand by the Applicant in person, or if the Application Form(s) in respect of New Ordinary Shares is/are lodged by hand by the Applicant and the accompanying payment is not the Applicant's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.
- 2.9 If, within a reasonable period of time following a request for verification of identity, and in any case by 12.00 noon on 15 May 2014, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, as agent of the Company and upon instruction from 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).



- 2.10 All payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or a building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by those companies or committees: cheques and 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 sole or joint title to the funds, should be made payable to Computershare Investor Services PLC in respect of "Picton Offer for Subscription". Cheques should be for the full amount payable on Application. Postdated cheques and payment via CHAPS, BACS or electronic transfer will not be accepted. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form.
- 2.11 The following is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting the Receiving Agent's right to require verification of identity as indicated above):
- (a) Applicants should make payment by a cheque drawn on an account in their own name and write their name and address on the back of the banker's draft or cheque and, in the case of an individual, record his date of birth against his name; banker's drafts should be duly endorsed by the bank or building society on the reverse of the cheque as described above; and
  - (b) if an Applicant makes the Application as agent for one or more persons, he should indicate on the Application Form whether he is a UK or EU-regulated person or institution (for example a bank or stockbroker) and specify his status. If an Applicant is not a UK or EU regulated person or institution, he should contact the Receiving Agent.
- 2.12 By completing and delivering an Application Form you, as the Applicant (and, if you sign the Application Form on behalf of somebody else or a corporation, that person or corporation, except as referred to in paragraph (i) below):
- (a) offer to subscribe for the number of New Ordinary Shares specified in your Application Form (or such lesser number for which your Application is accepted) on the terms of and subject to this Prospectus, including these terms and conditions, and subject to the Articles;
  - (b) agree that, in consideration of the Company agreeing to process your Application, your Application cannot be revoked (subject to any legal right to withdraw your application which arises as a result of the publication of a supplementary prospectus) and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand during normal business hours only) on receipt by, the Receiving Agent of your Application Form;
  - (c) agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive the New Ordinary Shares until you make payment in cleared funds for the New Ordinary Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, and the Receiving Agent, 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 you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe for such New Ordinary Shares and may issue or allot such New Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such New Ordinary Shares other than the refund to you at your risk of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;



- (d) agree that:
  - (i) any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations; and
  - (ii) monies pending allocation will be retained in a separate account and that such monies will not bear interest;
- (e) undertake to provide satisfactory evidence of your 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;
- (f) agree that, in respect of those New Ordinary Shares for which your Application has been received and is not rejected, acceptance of your Application shall be constituted, at the election of the Company, either:
  - (i) by notification to the UK Listing Authority 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;
- (g) authorise the Receiving Agent to procure that your name (together with the name(s) of any other joint Applicant(s)) is/are placed on the register of members of the Company in respect of such New Ordinary Shares and to send a crossed cheque for any monies returnable by post without interest, at the risk of the persons entitled thereto, to the address of the person (or in the case of joint holders the first-named person) named as an Applicant in the Application Form;
- (h) 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 Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the Receiving Agent, or any of their affiliates or any other person;
- (i) warrant that, if you sign the 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 or corporation, and such person or corporation will also be bound accordingly and will be deemed to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney, or a copy thereof duly certified by a solicitor or bank, with the Application Form;
- (j) agree that all Applications, acceptances of Applications and contracts resulting from such acceptances shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree 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 Applications, acceptances of Applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (k) confirm that in making such Application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Company other than the information contained in this Prospectus and, accordingly, you agree that no person (responsible solely or jointly for this Prospectus or any part thereof or involved in the preparation thereof) shall have any liability for any such information or representation;
- (l) confirm that your Application is made solely on the terms of this Prospectus and subject to the Articles;
- (m) irrevocably authorise the Company or any person authorised by it to do all things necessary to effect registration of any New Ordinary Shares subscribed by or issued to you into your 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;
- (n) agree that, having had the opportunity to read this Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company and the New Ordinary Shares contained therein;
- (o) confirm that you have reviewed the restrictions contained in these terms and conditions;

- (p) warrant that, if you are an individual, you are not under the age of 18;
- (q) agree 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;
- (r) warrant that the information contained in the Application Form is true and accurate;
- (s) warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the UK Finance Act 1986 (depository receipts and clearance services);
- (t) confirm that you are not a U.S. Person;
- (u) warrant that in connection with your Application you have observed the laws of all relevant territories, obtained any requisite governmental or other consents, 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 which will or may result in the Company or any person responsible solely or jointly for this Prospectus or any part of its or involved in the preparation thereof acting in breach of the regulatory or legal requirements of any territory (including in particular FSMA) in connection with the Offer for Subscription or your Application;
- (v) save where you have satisfied the Company that an appropriate exemption applies so as to permit you to subscribe, represent and agree that you are not a resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa; and
- (w) agree, 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 your Application, and authorise the Company or the Receiving Agent on behalf of the Company to disclose any information relating to your Application as it considers appropriate,

2.13 If you are applying on behalf of someone else you will not, and will procure that none of your affiliates will, circulate, distribute, publish or otherwise issue (or authorise any other person to issue) any document or information in connection with the Capital Raise, or make any announcement or comment (whether in writing or otherwise) which states or implies that it has been issued or approved by or prepared in conjunction with the Company or any person responsible solely or jointly for this Prospectus or any part thereof or involved in the preparation thereof or which contains any untrue statement of material fact or is misleading or which omits to state any material fact necessary in order to make the statements therein not misleading.

2.14 No person receiving a copy of this Prospectus and/or an Application Form 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 use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used 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 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.

2.15 The New Ordinary Shares have not been and will not be registered under the U.S. 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, U.S. Persons. The Company has not been and will not be registered as an "investment company" under the U.S. Investment Company Act, and investors will not be entitled to the benefits of the Act. In addition, relevant clearances have not been, and will not be, obtained from the securities commission (or equivalent) of any province of Australia, Canada, Japan, New Zealand or the Republic of South Africa 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 Australia, Canada, Japan, New Zealand or the Republic of South

Africa. Unless the Company has expressly agreed otherwise in writing, you represent and warrant to the Company that you are not a U.S. Person or a resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa and that you are not subscribing for such New Ordinary Shares for the account of any U.S. Person or resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa and that you will not offer, sell, renounce, transfer or deliver, directly or indirectly, New Ordinary Shares subscribed for by you in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any U.S. Person or resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Subject to certain exceptions, no Application will be accepted if it bears an address in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa unless an appropriate exemption is available as referred to above.

2.16 Pursuant to the Data Protection Act 1998 (the **DP Law**), the Company, the Administrator and/or the Registrar may hold personal data (as defined in the DP Law) relating to past and present shareholders. Such personal data is held by Computershare Investor Services PLC as Receiving Agent, who will share such data with the Administrator and the Registrar, and is used by the Administrator and 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 below when:

- (a) effecting the payment of dividends to Shareholders and the payment of commissions to third parties; and
- (b) filing returns of shareholders and their respective transactions in New Ordinary 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.

2.17 The countries referred to in the paragraph immediately 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, India, Japan, New Zealand, Republic of Korea, Russian Federation, Singapore, South Africa, Switzerland and the United States. By becoming registered as a holder of New Ordinary Shares, a person becomes a data subject (as defined in the DP Law) and is deemed to have consented to the processing by the Company, the Administrator and/or the Registrar of any personal data relating to them in the manner described above.

2.18 The basis of allocation within the Offer for Subscription will be determined jointly by the Managers and the Company. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Application or any part thereof. The right is reserved to treat as valid any Application not in all respects completed in accordance with the instructions relating to the Application Form, including if the accompanying cheque or banker's draft is for the wrong amount.

### **3 United States Purchase and Transfer Restrictions**

3.1 By participating in the Offer for Subscription, each investor acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for or acquire New Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Registrar and either J.P. Morgan or Oriel Securities that:

- (a) it is not a US Person; is not located within the United States and it is not acquiring the New Ordinary Shares for the account or benefit of a US Person;
- (b) it is subscribing for or acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
- (c) it acknowledges that the New Ordinary Shares have not been and will not be registered under the US 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 US Securities Act;

- (d) it acknowledges that the Company has not been and will not be registered under the US 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 US Investment Company Act;
- (e) no portion of the assets used to purchase, and no portion of the assets used to hold, the New 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 US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or
  - (iii) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in (A) or (B) above in such entity pursuant to the US Plan Asset Regulations. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Code, its purchase, holding, and disposition of the New Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (f) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US 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 subscribing for or purchasing the New 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 New Ordinary Shares in any manner that would violate the US Securities Act, the US 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 New Ordinary Shares or interests therein at any time as to such person’s status under 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 US securities laws to transfer such New Ordinary Shares or interests in accordance with the Articles;
- (i) it acknowledges and understands that the Company is required to comply with FATCA. It agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
- (j) it is entitled to subscribe for or acquire the New 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 New Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, J.P. Morgan, Oriel Securities or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Offer for Subscription or its acceptance of participation in the Offer for Subscription;
- (k) it has received, carefully read and understands this Prospectus and any supplemental prospectus issued by the Company, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any such

supplementary prospectus or any other presentation or offering materials concerning the New Ordinary Shares to within the United States or to any US Persons, nor will it do any of the foregoing; and

- (l) if it is subscribing for or acquiring any New 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.
- 3.2 The Company, J.P. Morgan, Oriel Securities 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.
- 3.3 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.

## **APPENDIX 3**

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

#### **1 Introduction**

Each Placee which confirms its agreement to either J.P. Morgan or Oriel Securities to subscribe for New Ordinary Shares under the Placing Programme will be bound by these terms and conditions and will be deemed to have accepted them. The Company, J.P. Morgan and/or Oriel Securities may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it/they (in its/their absolute discretion) sees fit.

#### **2 Agreement to Subscribe for or Acquire New Ordinary Shares**

2.1 Each Subsequent Placing under the Placing Programme is conditional on:

- (a) the Subsequent Admission occurring on such time and date as the Company, J.P. Morgan and Oriel Securities may agree prior to the closing of that Subsequent Placing, not being later than 30 April 2015;
- (b) the Resolution in connection with the Capital Raise being passed at the EGM; and
- (c) the Placing Agreement becoming otherwise unconditional in respect of the Subsequent Placing, and not being terminated in accordance with its terms before the Subsequent Admission becomes effective.

2.2 If any of these conditions are not met, that Subsequent Placing will not proceed.

#### **3 Payment for New Ordinary Shares**

Each Placee must pay the Subsequent Placing Price for the New Ordinary Shares issued or sold to the Placee in the manner and by the time directed by either J.P. Morgan or Oriel Securities. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for New Ordinary Shares shall be rejected.

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

4.1 By agreeing to subscribe for or acquire New Ordinary Shares, each Placee which enters into a commitment to subscribe for or acquire New Ordinary Shares will (for itself and any person(s) procured by it to subscribe for or acquire New Ordinary Shares and any nominee(s) for any such person(s)) be deemed to represent and warrant to each of the Company and either J.P. Morgan or Oriel Securities that:

- (a) in agreeing to subscribe for or acquire New Ordinary Shares under the Placing Programme, it is relying solely on this Prospectus 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 and/or the Placing Programme. Each Placee agrees that none of the Company, J.P. Morgan, Oriel Securities or the Registrar, nor any of their respective officers, agents or employees, 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;
- (b) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for or acquire New Ordinary Shares under the Placing Programme, 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, J.P. Morgan, Oriel Securities or the Registrar 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 Placing Programme;



- (c) it has carefully read and understands this Prospectus and any supplementary prospectus issued by the Company in its entirety and acknowledges that it is subscribing for or acquiring New Ordinary Shares on the terms and subject to the conditions set out in this Appendix 3 and the Articles as in force at the date of the Subsequent Admission;
- (d) it agrees that, having had the opportunity to read this Prospectus, it shall be deemed to have had notice of all information and representations contained in this Prospectus, that it is acquiring New Ordinary Shares solely on the basis of this Prospectus and no other information and that in accepting a participation in the Initial Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for New Ordinary Shares;
- (e) it has not relied on J.P. Morgan, Oriel Securities or any of their respective Affiliates in connection with any investigation of the accuracy of any information contained in this Prospectus;
- (f) the content of this Prospectus and any supplementary prospectus issued by the Company is exclusively the responsibility of the Company and its Directors and neither J.P. Morgan, Oriel Securities nor any person acting on their behalf nor any of their respective Affiliates are responsible for or shall have any liability for any information, representation or statement contained in this Prospectus or any supplemental prospectus issued by the Company 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 Programme based on any information, representation or statement contained in this Prospectus or otherwise;
- (g) it acknowledges that no person is authorised in connection with the Placing Programme to give any information or make any representation other than as contained in this Prospectus or any supplemental prospectus issued by the Company and, if given or made, any information or representation must not be relied upon as having been authorised by J.P. Morgan, Oriel Securities or the Company;
- (h) 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;
- (i) it accepts that none of the New Ordinary Shares have been or will be registered under the laws of the United States, Canada, Australia, Japan or the Republic of South Africa. Accordingly, the New Ordinary Shares may not be offered, sold, issued or delivered, directly or indirectly, within any of the United States, Canada, Australia, Japan or the Republic of South Africa or to, or for the account or benefit of, US Persons unless an exemption from any registration requirement is available;
- (j) if it is within the United Kingdom, it is a person who falls within Articles 49(2)(a) to (d) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or is a person to whom the New 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 New Ordinary Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- (k) if it is a resident in the EEA (other than the United Kingdom), it is a qualified investor within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of Directive 2003/71 /EC;
- (l) in the case of any New Ordinary Shares subscribed for or acquired by an investor as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive:
  - (i) the New Ordinary Shares subscribed for or acquired by it in the Placing Programme 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 Member State other than qualified investors, as that term is defined in the Prospectus Directive 2010/73/EU, or in circumstances in which the prior consent of J.P. Morgan or Oriel Securities has been given to the offer or resale; or

- (ii) where New Ordinary Shares have been subscribed for or acquired by it on behalf of persons in any relevant Member State other than qualified investors, the offer of those New Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- (m) if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Placing Programme constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for or acquire New Ordinary Shares pursuant to the Placing Programme 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 such New 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;
- (n) 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 New Ordinary Shares and it is not acting on a non-discretionary basis for any such person;
- (o) 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 or acquire the New Ordinary Shares under the Placing Programme and will not be any such person on the date any such agreement to subscribe under the Placing Programme is accepted;
- (p) it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other offering materials concerning the Placing Programme or the New Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- (q) it represents, acknowledges and agrees to the representations, warranties and agreements as set out under the heading "United States Purchase and Transfer Restrictions" in paragraph 5, below;
- (r) it acknowledges that neither J.P. Morgan, Oriel Securities nor any of their respective Affiliates nor any person acting on 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 Programme or providing any advice in relation to the Placing Programme and participation in the Placing Programme is on the basis that it is not and will not be a client of J.P. Morgan or Oriel Securities and that J.P. Morgan and Oriel Securities do not have any duties or responsibilities to it for providing the protections afforded to their clients or for providing advice in relation to the Placing Programme nor in respect of any representations, warranties, undertaking or indemnities otherwise required to be given by it in connection with its application under the Placing Programme;
- (s) it acknowledges that where it is subscribing for or acquiring New Ordinary Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account:
  - (i) to subscribe for or acquire existing New Ordinary Shares for each such account;
  - (ii) to make on each such account's behalf the representations, warranties and agreements set out in this Prospectus; and
  - (iii) to receive on behalf of each such account any documentation relating to the Placing Programme in the form provided by the Company J.P. Morgan and/or Oriel Securities. It agrees that the provision of this paragraph shall survive any resale of the New Ordinary Shares by or on behalf of any such account;
- (t) it irrevocably appoints any director of the Company and any director of either J.P. Morgan or Oriel Securities 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 or acquisition of the New Ordinary Shares for which it has given a commitment under the Placing Programme, in the event of its own failure to do so;

- (u) it accepts that if the Placing Programme does not proceed or the conditions to the Placing Agreement are not satisfied in respect of the Subsequent Placing or is terminated in accordance with its terms or the New Ordinary Shares for which valid application are received and accepted are not admitted to listing on the premium segment of the Official List and to trading on the Main Market for any reason whatsoever then none of J.P. Morgan, Oriel Securities 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;
- (v) in connection with its participation in the Placing Programme it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering 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) subject to the Criminal justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, as amended together with any regulations and guidance notes issued pursuant thereto; or
  - (iv) 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;
- (w) it acknowledges that due to anti-money laundering requirements, J.P. Morgan, Oriel Securities and/or 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, J.P. Morgan, Oriel Securities and the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify either J.P. Morgan or Oriel Securities and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it;
- (x) it acknowledges that any person in Guernsey involved in the business of the Company who has a suspicion or belief that any other person (including the Company or any person subscribing for or acquiring New Ordinary Shares) is involved in money laundering activities, is under an obligation to report such suspicion to the Financial Intelligence Service pursuant to the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 (as amended) and the Disclosure (Bailiwick of Guernsey) Law, 2007 (as amended);
- (y) it acknowledges and agrees that information provided by it to the Company or its Registrar will be stored on the Registrar's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection (Bailiwick of Guernsey) Law, 2001 (the **Data Protection Law**) and other relevant data protection legislation which may be applicable the Registrar is required to specify the purposes for which it will hold personal data. The Registrar will only use such information for the purposes set out below (collectively, the **Purposes**), being to:
  - (i) process its personal data (including sensitive personal data) as required by or in connection with its holding of New Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
  - (ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of New Ordinary Shares;

- (iii) provide personal data to such third parties as the Registrar may consider necessary in connection with its affairs and generally in connection with its holding of New Ordinary Shares or as the Data Protection Law may require, including to third parties outside the Bailiwick of Guernsey or the European Economic Area; and
  - (iv) without limitation, provide such personal data to the Company and its associates for processing, notwithstanding that any such party may be outside the Bailiwick of Guernsey or the European Economic Area.
- (z) in providing the Registrar with information, it hereby represents and warrants to the Registrar that it has obtained the consent of any data subjects to the Registrar and its 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 Purposes set out in paragraph (y) above). For the purposes of this prospectus, “data subject”, “personal data” and “sensitive personal data” shall have the meanings attributed to them in the Data Protection Law;
- (aa) J.P. Morgan, Oriel Securities 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 it;
- (bb) the representations, undertakings and warranties contained in this Prospectus are irrevocable. It acknowledges that J.P. Morgan, Oriel Securities 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 or acquisition of the New Ordinary Shares are no longer accurate, it shall promptly notify either J.P. Morgan or Oriel Securities and the Company;
- (cc) where it or any person acting on behalf of it is dealing with either J.P. Morgan or Oriel Securities, any money held in an account with either J.P. Morgan or Oriel Securities 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 J.P. Morgan or Oriel Securities to segregate such money, as that money will be held by J.P. Morgan or Oriel Securities under a banking relationship and not as trustee;
- (dd) any of its clients, whether or not identified to J.P. Morgan or Oriel Securities, will remain its sole responsibility and will not become clients of J.P. Morgan or Oriel Securities for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- (ee) it accepts that the allocation of New Ordinary Shares shall be determined by either J.P. Morgan or Oriel Securities in its absolute discretion but in consultation with the Company and that J.P. Morgan or Oriel Securities may scale down any Placing Programme commitments for this purpose on such basis as it may determine;
- (ff) time shall be of the essence as regards its obligations to settle payment for the New Ordinary Shares and to comply with its other obligations under the Placing Programme;
- (gg) it agrees that J.P. Morgan and Oriel Securities are acting for the Company in connection with the Capital Raise and for no-one else and that neither J.P. Morgan nor Oriel Securities will not treat it as customers of J.P. Morgan or Oriel Securities (as applicable) by virtue of such application being accepted or owe it any duties concerning the price of New Ordinary Shares or concerning the suitability of New Ordinary Shares for it or otherwise in relation to the Capital Raise; and
- (hh) it authorises the Receiving Agent, J.P. Morgan, Oriel Securities or any person authorised by them or the Company, as its agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed or acquired by it into its name(s) and authorise any representatives of the Receiving Agent or of J.P. Morgan or Oriel Securities to execute and/or complete any document required therefor.

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

- 5.1 By participating in the Placing Programme, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for or acquire New Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Registrar and either J.P. Morgan or Oriel Securities that:
- (a) it is not a US Person; is not located within the United States and it is not acquiring the New Ordinary Shares for the account or benefit of a US Person;
  - (b) it is subscribing for or acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
  - (c) it acknowledges that the New Ordinary Shares have not been and will not be registered under the US 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 US Securities Act;
  - (d) it acknowledges that the Company has not been and will not be registered under the US 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 US Investment Company Act;
  - (e) no portion of the assets used to purchase, and no portion of the assets used to hold, the New 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 US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or
    - (iii) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in (A) or (B) above in such entity pursuant to the US Plan Asset Regulations. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Code, its purchase, holding, and disposition of the New Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
  - (f) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US 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 subscribing for or purchasing the New 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 New Ordinary Shares in any manner that would violate the US Securities Act, the US 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 New Ordinary Shares or interests therein at any time as to such person’s status under 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 US securities laws to transfer such New Ordinary Shares or interests in accordance with the Articles;



- (i) it acknowledges and understands that the Company is required to comply with FATCA. It agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
  - (j) it is entitled to subscribe for or acquire the New 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 New Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, J.P. Morgan, Oriel Securities or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Placing Programme or its acceptance of participation in the Placing Programme;
  - (k) it has received, carefully read and understands this Prospectus and any supplemental prospectus issued by the Company, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any such supplementary prospectus or any other presentation or offering materials concerning the New Ordinary Shares to within the United States or to any US Persons, nor will it do any of the foregoing; and
  - (l) if it is subscribing for or acquiring any New 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.
- 5.2 The Company, J.P. Morgan, Oriel Securities 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.
- 5.3 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.

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

If J.P. Morgan, Oriel Securities, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for or acquire New Ordinary Shares under the Placing Programme, such Placee must promptly disclose it to them.

## **7 Miscellaneous**

- 7.1 The rights and remedies of J.P. Morgan, Oriel Securities, the Registrar 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 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 Programme 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 New Ordinary Shares, which the Placee has agreed to subscribe for or which the Placee has agreed to acquire pursuant to the Placing Programme, have been subscribed for or acquired by the Placee. The contract to subscribe for or acquire New Ordinary Shares under the Placing Programme and the appointments and authorities mentioned in this Prospectus and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of J.P. Morgan, Oriel Securities, the Company 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 the Placee in any other jurisdiction.



- 7.4 In the case of a joint agreement to subscribe for or acquire New Ordinary Shares under the Placing Programme, 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 J.P. Morgan, Oriel Securities and the Company expressly reserve the right to modify the Placing Programme (including, without limitation, the timetable and settlement) at any time before allocations are determined. The Placing Programme is subject to the satisfaction of the conditions contained in the Placing Agreement, as it relates to the Placing Programme, and the Placing Agreement not having been terminated in accordance with its terms. Further details of the terms of the Placing Agreement are contained in paragraph 9.3(k) Part 7 (General Information) of this Prospectus.

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>Administration and Secretarial Agreement</b>	the administration and secretarial agreement between the Company and the Administrator dated 5 February 2014, a summary of which is set out in paragraph 9.3(f) of Part 7 (General Information) of this document
<b>Administrator</b>	Northern Trust International Fund Administration Services (Guernsey) Limited
<b>Admission</b>	the Initial Admission or any Subsequent Admission, as applicable
<b>Admission and Disclosure Standards</b>	the current edition of the Admission and Disclosure Standards of the London Stock Exchange
<b>Amended and Restated Unit Trust Instrument</b>	the amended and restated unit trust instrument constituting the GPJT and made between Picton Capital (Guernsey) Limited and Northern Trust Fiduciary Services (Guernsey) Limited dated 24 July 2012, a summary of which is set out in paragraph 9.3(h) of Part 7 (General Information) of this document
<b>Applicant</b>	a person or persons (in the case of joint applicants) whose name(s) appear(s) on the registration details of an Application Form
<b>Application</b>	the offer made by an Applicant pursuant to the Offer for Subscription by completing an Application Form
<b>Application Form</b>	the application form in connection with the Offer for Subscription which is attached to this Prospectus
<b>Articles</b>	the articles of incorporation of the Company (as amended from time to time)
<b>Aviva</b>	Aviva Commercial Finance Limited
<b>Aviva Facility</b>	the term loan facility for £95,300,000 pursuant to the Aviva Facility Agreement
<b>Aviva Facility Agreement</b>	the facility agreement dated 27 June 2012 entered into between PropCo No. 3 and LP3 (as borrowers) and Aviva (as lender), further details of which are set out in paragraph 9.1(a) of Part 7 (General Information) of this document
<b>Board or the Directors</b>	the board of directors of the Company and Director means any one of them
<b>Business Day</b>	a day not being a Saturday or a Sunday on which banks are open for business in the City of London and in Guernsey
<b>Canada Life</b>	Canada Life Limited
<b>Canada Life Facility</b>	the term loan facility for £113,700,000 pursuant to the Canada Life Facility Agreement
<b>Canada Life Facility Agreement</b>	the facility agreement dated 27 June 2012 entered into between PropCo No. 2 and LP2 (as borrowers) and Canada Life (as lender), further details of which are set out in paragraph 9.1(b) of Part 7 (General Information) of this document
<b>Capital Raise</b>	the issue of New Ordinary Shares pursuant to the Initial Placing, the Offer for Subscription and the Placing Programme
<b>CBRE</b>	CBRE Limited
<b>City Code</b>	the City Code on Takeovers and Mergers, administered by The Panel on Takeovers and Mergers
<b>Companies Law</b>	the Companies (Guernsey) Law, 2008 (as amended from time to time)
<b>Company or Picton</b>	Picton Property Income Limited

<b>Corporate Governance Code</b>	the UK Corporate Governance Code, published by the Financial Reporting Council
<b>CREST</b>	the computerised settlement system operated by Euroclear UK & Ireland, which facilitates the transfer of title to securities in uncertificated form
<b>Directors</b>	the directors of the Company from time to time
<b>Disclosure and Transparency Rules</b>	the disclosure and transparency rules made under Part VI of FSMA, as amended
<b>EGM</b>	the extraordinary general meeting of the Company to be held at 10.00 a.m. on 19 May 2014
<b>Euroclear</b>	Euroclear UK & Ireland Limited
<b>Excluded Territory</b>	Australia, Canada, Japan, New Zealand, South Africa or the United States or any other jurisdiction where the availability of the Capital Raise would breach any applicable law
<b>Existing Ordinary Shares</b>	Ordinary Shares in issue as at the Record Date
<b>FCA</b>	the Financial Conduct Authority
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>GPOT</b>	Picton (UK) Listed Real Estate, a Guernsey unit trust constituted by the Amended and Restated Unit Trust Instrument
<b>Gross Assets</b>	the aggregate value of the assets of the Group as defined in the Company's Articles
<b>Gross Proceeds</b>	the aggregate value of the New Ordinary Shares to be issued or sold pursuant to the Capital Raise and/or the New Ordinary Shares and Existing Ordinary Shares to be issued or sold pursuant to the Placing Programme, taken at the Initial Placing and Offer Price or the Subsequent Placing Price (as applicable)
<b>Group</b>	the Company and all of its subsidiaries from time to time
<b>IFRS</b>	International Financial Reporting Standards
<b>Initial Admission</b>	the admission of the Initial Offers to listing on the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
<b>Initial Offers</b>	the Initial Placing and Offer for Subscription
<b>Initial Placing</b>	the placing of New Ordinary Shares at the Initial Placing and Offer Price as described in this Prospectus
<b>Initial Placing and Offer Price</b>	the price at which New Ordinary Shares will be issued under the Initial Placing and/or the Offer for Subscription, being 59 pence per New Ordinary Share
<b>ISIN</b>	International Security Identification Number
<b>Issue Price</b>	the Initial Placing and Offer Price or the Subsequent Placing Price, as applicable
<b>IPD</b>	Investment Property Databank Limited
<b>J.P. Morgan or J.P. Morgan Cazenove</b>	J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove
<b>Latest Practicable Date</b>	means 29 April 2014
<b>LIBOR</b>	the London Interbank Offered Rate
<b>Listing Rules</b>	the listing rules of the UK Listing Authority made under section 73A of FSMA
<b>Loan Facilities</b>	the Aviva Facility and the Canada Life Facility
<b>London Stock Exchange</b>	London Stock Exchange plc

<b>LP2</b>	Picton No.2 Limited Partnership, a limited partnership established under the laws of England and Wales, acting through its general partner, Picton (GP) No.2 Limited
<b>LP3</b>	Picton No.3 Limited Partnership, a limited partnership established under the laws of England and Wales, acting through its general partner, Picton (General Partner) No.3 Limited
<b>Merbrook Trusts</b>	Merbrook Business Property Unit Trust, Merbrook Bristol Property Unit Trust, Merbrook Prime Retail Property Unit Trust and Merbrook Swindon Property Unit Trust
<b>NAV</b>	net asset value
<b>Net Proceeds</b>	the proceeds of the Capital Raise, after deduction of the issue costs
<b>New Ordinary Shares</b>	the new Ordinary Shares to be issued pursuant to the Capital Raise
<b>November Tap Issue</b>	the 22,228,426 Ordinary Shares issued on 27 November 2013
<b>Offer for Subscription</b>	the offer for subscription to the public in the UK of New Ordinary Shares to be issued at the Initial Placing and Offer Price of 59 pence each on the terms set out in Appendix 2 of this Prospectus and the Application Form
<b>Official List</b>	the official list of the UK Listing Authority
<b>Ordinary Shares</b>	ordinary shares of no par value in the capital of the Company (including, where the context requires, the New Ordinary Shares and/or Existing Ordinary Shares)
<b>Oriel Securities</b>	Oriel Securities Limited
<b>Overseas Person</b>	means a person who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
<b>Panel</b>	the Panel on Takeovers and Mergers
<b>Picton Capital or Investment Manager</b>	Picton Capital Limited, a wholly-owned subsidiary of the Company and the Group's investment manager
<b>Picton ZDP</b>	Picton ZDP Limited
<b>Placing Agreement</b>	the placing agreement between the Company, the Investment Manager, the Directors and the Sponsors dated 1 May 2014, a summary of which is set out in paragraph 9.3(k) of Part 7 (General Information) of this Prospectus
<b>Placing Programme</b>	the proposed programme of placings of New Ordinary Shares as described in this Prospectus
<b>PRA</b>	the Prudential Regulation Authority
<b>PropCo</b>	Picton UK Real Estate Trust (Property) Limited, a wholly-owned subsidiary of the Company
<b>PropCo No. 2</b>	Picton UK Real Estate Trust (Property) No.2 Limited, a wholly-owned subsidiary of the Company
<b>PropCo No. 3</b>	Picton Property No.3 Limited, a wholly-owned subsidiary of the Company
<b>Prospectus</b>	this document issued by the Company dated 1 May 2014 prepared in accordance with the Listing Rules and the Prospectus Rules of the FCA
<b>Prospectus Rules</b>	the prospectus rules made by the FCA under section 73A of FSMA
<b>Receiving Agent</b>	Computershare Investor Services PLC
<b>Record Date</b>	close of business (UK time) on 16 May 2014
<b>Registrar</b>	Computershare Investor Services (Guernsey) Limited

<b>Registrar Agreement</b>	the registrar agreement between the Company and the Registrar dated 5 March 2013, a summary of which is set out in paragraph 9.3(g) Part 7 (General Information) of this document
<b>Resolution</b>	the resolution to be proposed at the EGM
<b>RIS</b>	Regulatory Information Service
<b>Rugby REIT</b>	Rugby Estates Investment Trust plc
<b>SEDOL</b>	London Stock Exchange Daily Official List
<b>Share</b>	a share in the capital of the Company (of whatever class)
<b>Shareholders</b>	registered holders of Ordinary Shares
<b>SIPP</b>	a self-invested personal pension
<b>Sponsors</b>	J.P. Morgan and Oriel Securities
<b>SPV</b>	Picton (UK) REIT (SPV) Limited, a wholly-owned subsidiary of the Company
<b>SPV2</b>	Picton (UK) REIT (SPV No.2) Limited, a wholly-owned subsidiary of the Company
<b>SSAS</b>	a small self-administered scheme
<b>Sterling and £</b>	the lawful currency of the United Kingdom and any replacement currency thereto
<b>Subsequent Admission</b>	the admission of New Ordinary Shares issued pursuant to a Subsequent Placing to listing on the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
<b>Subsequent Placing Price</b>	the price at which New Ordinary Shares will be issued under the Placing Programme, which will be determined on the basis set out in Part 6 (The Placing Programme) of this document
<b>Subsequent Placings</b>	the placings of New Ordinary Shares under the Placing Programme as described in this Prospectus (and each a <b>Subsequent Placing</b> )
<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>U.S. Investment Company Act</b>	the U.S. Investment Company Act of 1940, as amended from time to time, and the rules and regulations of the U.S. Securities and Exchange Commission promulgated pursuant to it
<b>U.S. Person</b>	has the meaning given to it under Regulation S
<b>U.S. Securities Act</b>	the U.S. Securities Act of 1933, as amended from time to time
<b>VAT</b>	value added tax
<b>ZDP Shares</b>	zero dividend preference shares

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**APPLICATION FORM**  
**PICTON PROPERTY INCOME LIMITED**

(the “Company”)

Please send the completed form by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by no later than 12 noon on 15 May 2014.

**Important – Before completing this form, you should read the accompanying notes set out in pages 140 to 142 of this document. All applicants must complete boxes 1 to 4 and box 8 and enclose payment. Box 6 should only be completed if you wish to hold your New Ordinary Shares in uncertificated form. Box 7 should only be completed by joint applicants. If your application is for more than €15,000 (or its Sterling equivalent, being approximately £12,500), section 8.1, 8.2 or 8.3 (as appropriate) must also be completed.**

If you have a query concerning completion of this Application Form please call Computershare Investor Services PLC on 0870 707 4040 from within the UK or on +44 870 707 4040 if calling from outside the UK. Calls to the 0870 707 4040 number cost 10p per minute plus any other network providers' costs. Lines are open from 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline, which is unable to give any tax, legal or financial advice on the Offer for Subscription, from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

**1. Application**

I/We, the person(s) detailed in section(s) 3 and, in the case of joint applicants, 7 below offer to subscribe for the number of fully paid New Ordinary Shares specified in the box below at 59 pence per New Ordinary Share subject to the Terms and Conditions of the Application under the Offer for Subscription set out in the Prospectus dated 1 May 2014 and subject to the Memorandum and Articles of Incorporation of the Company.

--

*(Write in figures, the number of New Ordinary Shares that you wish to apply for. The aggregate subscription must not be less than £1,000. Applications in excess of the minimum subscription amount should be in multiples of £100).*

**2. Amount payable**

I/We attach a cheque or banker's draft for the amount payable of:

£ 

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*(The amount in Box 1 multiplied by the Issue Price, being 59 pence per New Ordinary Share)*

**3. Personal details (PLEASE USE BLOCK CAPITALS)**

Mr, Mrs, Miss or Title	Forenames (in full)
Surname	
Address (in full)	
Postcode	Daytime telephone no.



#### 4. 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 the Application under the Offer for Subscription set out in Appendix 2 of the Prospectus.

Signature	Dated 2014
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#### 5. Form of Payment

##### 5.1 *Cheque or Banker's Draft*

☐

If you are paying by cheque or banker's draft, please check the box beside this paragraph 5.1 and pin your cheque or banker's draft here. Your cheque or banker's draft must be for the amount in pounds Sterling equal to the number shown in the box in section 2 above, made payable to "Computershare Investor Services PLC re Picton Property Income Limited Offer for Subscription A/C" and crossed "A/C Payee". Your payment must relate solely to this Application Form. No receipt will be issued. The right is reserved to reject any Application Form in respect of which the applicant's cheque or banker's draft has not been cleared on first presentation.

#### 6. New Ordinary Shares in uncertificated form (CREST)

Complete this section only if you require your New Ordinary Shares to be credited to a CREST account in the same name as the applicant.

CREST Participant ID: (no more than five characters)						CREST Member Account ID: (no more than eight characters)								
CREST Participant's Name:														

#### 7. Joint applicants (PLEASE USE BLOCK CAPITALS)

*(Box 7 must only be completed by joint applicants (see note 7). Where the application is being made jointly by more than one person, the proposed first-named holder should complete sections 2 and 3 above, and all other applicants (subject to a maximum of three) must complete and sign this section 7)*

Mr, Mrs, Miss or Title	Forenames (in full)	Surname	Address	Signature

8. **Verification of Identity** (If the value of the New Ordinary Shares which you are applying for, whether in one or more applications, exceeds €15,000 (or its Sterling equivalent, being approximately £12,500), you must ensure that section 8.1, 8.2 or 8.3 (as appropriate) is completed)

- 8.1 **Professional Advisers and Intermediaries** (This section 8.1 should be completed if an application for New Ordinary Shares is being made on behalf of a client by 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).

(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: Picton Property Income Limited, Computershare Investor Services PLC, Oriel Securities Limited and J.P. Morgan Cazenove

We are a financial adviser authorised under the Financial Services and Markets Act 2000 applying for New Ordinary Shares on behalf of one or more clients ("**relevant clients**"). As such, we hereby undertake to:

8.1.1 complete anti-money laundering verification of all relevant clients and to inform you of any unsatisfactory conclusion in respect of any such client;

8.1.2 keep records to verify the name, identity, place of birth, residential address, occupation and signature of each relevant client; and

8.1.3 supply 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 8.1.

(Date) 2014	(Official stamp, if any)
(Signature)	
(Full name)	
(Title/position)	



- 8.2 **Reliable Introducer** (If you are not a professional adviser or intermediary to whom section 8.1 applies, completion and signing of the declaration in this section 8.2 by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 8.3 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 the operation of "know your customer" and anti-money laundering regulations no less stringent than those which prevail in Guernsey. Acceptable countries include Austria, Belgium, Denmark, Finland, France, Germany, Gibraltar, Greece, Jersey, Hong Kong, Iceland, Isle of Man, Italy, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom.

*Declaration by the firm*

To: Picton Property Income Limited, Computershare Investor Services PLC, Oriel Securities Limited and J.P. Morgan Cazenove

With reference to the applicant(s) detailed in section(s) 3 and, in the case of joint applicants, 7 above, all persons signing sections 4 and 7 above and the payor identified in section 5.3 above if not also an applicant holder (collectively the "**relevant persons**"), we hereby declare that:

- 8.2.1 we operate in one of the above-mentioned countries and our firm is subject to 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 Guernsey;
- 8.2.2 we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
- 8.2.3 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;
- 8.2.4 we confirm the accuracy of the names and residential/business address(es) of the applicant(s) named in sections 3 and, in the case of joint applicants, 7 above and, if details of a CREST account are included in section 6 above, that the owner thereof is the applicant named in section 3 above;
- 8.2.5 having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the New Ordinary Shares to which this application relates; and
- 8.2.6 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 or its officials.

(Date)	2014	(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)

- 8.3 ***Applicant identity information*** (Only complete this section 8.3 if your application has a value greater than €15,000 (or its Sterling equivalent, being approximately £12,500) and neither of sections 8.1 and 8.2 can be completed).

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 Company, Oriel Securities Limited, J.P. Morgan Cazenove and the Receiving Agent reserve the right to ask for additional documents and information).



		Tick here for documents provided				
		Applicant				Payor
		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; and					
(ii)	certified copies of at least two of the following documents which purport to confirm that the address(es) given in section 3 and, in the case of joint applicants, section 7 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; and					
(iii)	if none of the above documents show their date and place of birth, enclose a note of such information; and					
(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; and					
(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; and					
(iii)	a statement as to the nature of the holder company's business, signed by a director; and					
(iv)	a list of the names and residential addresses of each director of the holder company; and					
(v)	for each director provide documents and information similar to that mentioned in A above; and					
(vi)	a copy of the authorised signatory list for the holder company; and					
(vii)	a list of the names and residential/registered addresses of each ultimate beneficial owner interested in more than 5% 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 "beneficiary company"), also complete D 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 B(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 B(vii) as a beneficial owner of a holder company enclose:</b>						
(i)	a certificated copy of the certificate of incorporation of that beneficiary company; and					
(ii)	a statement as to the nature of that beneficiary company's business signed by a director; and					
(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; and					
(iv)	enclose a list of the names and residential/registered address of each beneficial owner owning more than 5% 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 payment on the reverse of which is shown details of the account being debited with such payment enclose:</b>						
(i)	if the payor is a person, for that person the documents mentioned in A(i) to (iv); or					
(ii)	if the payor is a company, for that person the documents mentioned in B(i) to (vii); and					
(iii)	an explanation of the relationship between the payor and the applicant(s).					



## NOTES ON HOW TO COMPLETE THE APPLICATION FORM

Applications should be returned so as to be received by 12 noon on 15 May 2014.

All Applicants should read Notes 1-5. Note 6 should be read by applicants who wish to hold their New Ordinary Shares in uncertificated form. Note 7 should be read by joint applicants.

### 1. Application

Fill in (in figures) the aggregate number for which your application for New Ordinary Shares is made. Your application must be for a minimum of 1,000 New Ordinary Shares or, if for more than £1,000, in multiples of £100.

### 2. Amount payable

Fill in (in figures) the total amount payable for the New Ordinary Shares for which your application is made which is the amount in Box 1 multiplied by the Issue Price, being 59 pence per New Ordinary Share.

### 3. Personal details

Fill in (in block capitals) your full name, address and daytime telephone number. If this application is being made jointly with other persons, please read Note 7 before completing Box 3.

If you are making this application on behalf of another person or a corporation, that person's or corporation's details should be filled in (in block capitals) in Box 3.

### 4. Signature

The applicant named in Box 3 must date and sign Box 4.

The 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 as true 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.

### 5. Cheque/banker's draft details

Attach a cheque or banker's draft for the exact amount shown in Box 2 to your completed Application Form. Your cheque or banker's draft must be made payable to "Computershare Investor Services PLC re: Picton Property Income Limited Offer for Subscription a/c" and crossed "a/c payee".

Your payment must relate solely to this application. No receipt will be issued. Your cheque or banker's draft must be drawn in Sterling on an account where you have sole or joint title to the funds held at a bank branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number.

Applications with a value of €15,000 (or its Sterling equivalent, being approximately £12,500) or greater, which are to be settled by way of a third party payment (e.g. banker's draft or building society cheque) will be subject to the verification of identity requirements which are contained in the Money Laundering Regulations 2007, the Money Laundering Directive (Council Directive No. 91/308/EEC), the Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations 2007 and the Handbook of Financial Services Business (together referred to as the "**Money Laundering Regulations**") (in each case as amended) and any other regulations applicable thereto. This may involve verification of names and addresses (only) through a reputable agency.

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 12 noon on 15 May 2014, your application may not be accepted.

Certificates, cheques and all other correspondence will be sent to the address in Box 3.

### 6. New Ordinary Shares in uncertificated form (CREST)

If you wish your New Ordinary Shares to be issued in uncertificated form you should complete Box 6 in addition to the other parts of the Application Form.



## **7. Joint applicants**

If you make a joint application, you will not be able to transfer your New Ordinary Shares into an ISA. If you are interested in transferring your New Ordinary Shares into an ISA, the application should be made by you (or on your behalf) in your name only. If you do wish to apply jointly, you may do so with up to three other persons. Boxes 3 and 4 must be completed by one applicant. All other persons who wish to join in the application must complete and sign Box 7.

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 as true by a solicitor or a bank) must be enclosed for inspection.

Certificates, cheques and all other correspondence will be sent to the address in Box 3.

## **8. Verification of identity**

Section 8 of the Application Form only applies if the aggregate value of the New Ordinary Shares which you are applying for, whether in one or more applications, exceeds €15,000 (or its Sterling equivalent, being approximately £12,500). If section 8 applies to your application, you must ensure that section 8.1, 8.2 or 8.3 (as appropriate) is completed.

### **8.1 Professional adviser or intermediary**

You should complete section 8.1 of the 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.

### **8.2 Reliable introducer**

If you are not a professional adviser or intermediary and the value of your application(s) exceed(s) €15,000 (or its Sterling equivalent, being approximately £12,500), you will be required to provide the verification of identity documents listed in section 8.3 of the Application Form unless you can have the declaration set out in section 8.2 of the Application Form given and signed by a firm acceptable to the Receiving Agent and the Company. Section 8.2 of the Application Form details those firms acceptable to the Receiving Agent and the Company for signing the declaration. In order to ensure their Application Forms are processed timely and efficiently, all applicants who are not professional advisers or intermediaries and to whose applications section 8 of the Application Form applies are strongly advised to have the declaration set out in section 8.2 of the Application Form completed and signed by a suitable firm where possible.

### **8.3 Applicant identity information**

Section 8.3 of the Application Form need only be completed where the aggregate value of the New Ordinary Shares which you are applying for exceeds €15,000 (or its Sterling equivalent, being approximately £12,500) and neither sections 8.1 nor 8.2 of the Application Form can be completed.

Notwithstanding that the declaration set out in section 8.2 of the Application Form has been completed and signed, the Receiving Agent, Oriel Securities Limited, J.P. Morgan Cazenove and the Company reserve the right to request of you the identity documents listed in section 8.3 of the 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 8.3 of the 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.

**9. Instructions for delivery of completed Application Forms**

Completed Application Forms should be returned by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received by no later than 12 noon on 15 May 2014, 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 sufficient time for it to be delivered. Application Forms received after this date may be returned.



