THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, by another appropriately authorised independent financial adviser.

The Company is an authorised closed-ended collective investment company regulated by the Guernsey Financial Services Commission (the **Commission**) under the Authorised Closed-Ended Investment Schemes Rules 2008 (the **Rules**) and the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (the **POI Law**). Notification of the Proposals has been given to the Commission pursuant to the Rules. The Commission has not reviewed this document and takes no responsibility for the correctness of any statements made or opinions expressed with regard to the Company.

If you have sold or otherwise transferred all your shares in Picton Property Income Limited, please forward this document, together with the accompanying Form of Proxy, as soon as practicable to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale was affected.

Picton Property Income Limited

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

Proposals to (i) adopt new articles of incorporation in connection with becoming a REIT and becoming tax resident in the UK and (ii) transfer the listing category of the Company

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of Picton Property Income Limited which is set out in Part I of this document. The letter contains the recommendation that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL at 2.30 p.m. on 23 July 2018 is set out at the end of this document. Shareholders will find enclosed with this document a reply paid Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to attend the Extraordinary General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any event so as to be received by the Company's Registrars, Computershare Investor Services (Guernsey) Limited at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY no later than 2.30 p.m. on 19 July 2018. Return of the Form of Proxy will not prevent a Shareholder from attending and voting at the Extraordinary General Meeting.

FORWARD LOOKING STATEMENTS

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words ''targets'', ''believes'', ''expects'', ''aims'', ''intends'', ''plans'', ''will'', ''may'', ''anticipates'', ''would'', ''could'' or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance, achievements of or dividends paid by the Group to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law. No statement in this document is intended to be a profit forecast or to mean that the earnings per share of the Company for the current or future financial years are expected to match or exceed the historical published earnings per share of the Company.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Nicholas Thompson *(Non-Executive Chairman)* Robert Sinclair *(Non-Executive Director)* Roger Lewis *(Non-Executive Director)* Vic Holmes *(Non-Executive Director)* Michael Morris *(Non-Executive Director and CEO of Picton Capital)* Mark Batten *(Non-Executive Director)*
Company Secretary	Northern Trust International Fund Administration Services (Guernsey) Limited PO Box 255 Trafalgar Court Les Banques St Peter Port Guernsey GY1 3QL
Company website	www.picton.co.uk
Registered Office	PO Box 255 Trafalgar Court Les Banques St Peter Port Guernsey GY1 3QL
Sponsor and Corporate Broker	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Corporate Broker	JP Morgan Cazenove 25 Bank Street Canary Wharf London E14 5JP
Solicitors to the Company	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Registrars	Computershare Investor Services (Guernsey) Limited 1st Floor Tudor House Le Bordage St Peter Port Guernsey GY1 1DB

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of completed Form of Proxy	2.30 p.m. on 19 July 2018
Extraordinary General Meeting	2.30 p.m. on 23 July 2018
Expected date for formal REIT notification to HMRC	on or around 28 September 2018
Expected date of entry to REIT Regime	1 October 2018
Expected date of transfer of listing category	1 October 2018

Notes

(1) All references to time in this document are to UK time.

(2) If any of the above times and/or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.

DEFINITIONS

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

2018 Annual Report	the Annual Reports and Accounts of the Company for the year ending 31 March 2018
AIFMD	the Alternative Investment Fund Managers Directive 2011/61/EU
Articles	the articles of incorporation of the Company in force at the date of this document
Board or **Directors**	the board of directors of the Company, from time to time
Chapter 6	Chapter 6 of the Listing Rules
Chapter 15	Chapter 15 of the Listing Rules
Company	Picton Property Income Limited
Commission	the Guernsey Financial Services Commission
CTA 2009	the UK Corporation Tax Act 2009
CTA 2010	the UK Corporation Tax Act 2010
Distribution	any dividend or other distribution by the Company (''distribution'' being construed in accordance with Part 23 of CTA 2010)
Extraordinary General Meeting	the extraordinary general meeting of the Company to be held at 2.30 p.m. on 23 July 2018 (or any adjournment thereof) notice of which is set out in Part VIII of this document
FCA	the UK Financial Conduct Authority
Form of Proxy	the form of proxy issued by the Company for use by Shareholders in connection with the Extraordinary General Meeting
FSMA	the Financial Services and Markets Act 2000 of the UK, as amended
GPUT	Picton (UK) Listed Real Estate, a Guernsey property unit trust
Group	the Company and its subsidiaries from time to time (as defined in section 606 of CTA 2010)
HMRC	HM Revenue & Customs
IFRS	International Financial Reporting Standards as adopted by the European Union in compliance with Article 4 of the EU IAS regulation
Institutional Investor	a person who qualifies as an institutional investor under Section 528(4A) of CTA 2010
Listing Rules	the listing rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time
Main Market	the Main Market of the London Stock Exchange
New Articles	the new articles of incorporation, as described in Part IV of this document, proposed to be adopted by the Company with effect from 1 October 2018
Non-PID Dividend	any dividend paid by the Company which is not a PID
Ordinary Shares	the ordinary shares of no par value in the capital of the Company having the rights ascribed and being subject to the restrictions set out in the Articles (or, following adoption of the New Articles, in the New Articles)
Picton Capital	Picton Capital Limited, investment manager to the Group and a wholly owned subsidiary of the Company
Property Income Distribution or **PID**	a distribution referred to in section 548(1) or 548(3) of CTA 2010, being a dividend or distribution paid by the Company in respect of profits and gains of the Qualifying Property Rental Business of the Group (other than gains arising to non-UK tax resident Group

	companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Qualifying Property Rental Business
Proposals	the proposals for the Company to (i) adopt the New Articles in connection with its application for the Group to become a REIT Group and (ii) transfer the listing of the whole of the Company's issued share capital from that of a premium listed closed-ended investment fund under Chapter 15 to a premium listed commercial company under Chapter 6
Qualifying Property Rental Business	a business within the meaning of section 205 of CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business (as per section 519(3) of CTA 2010)
Registrars	Computershare Investor Services (Guernsey) Limited
REIT	a Real Estate Investment Trust, being a company or group to which Part 12 of CTA 2010 applies
REIT Group	a UK REIT group within the meaning of Part 12 of CTA 2010
REIT Regime	Part 12 of CTA 2010
Residual Business	the business of the Group which is not a Qualifying Property Rental Business
Resolutions	the resolutions to be proposed at the Extraordinary General Meeting in order to approve the Proposals, as set out in the Notice of Extraordinary General Meeting in Part VIII of this document (each a **Resolution**)
Rules	the Authorised Closed-ended Collective Investment Schemes Rules 2008, as amended
SDRT	Stamp Duty Reserve Tax
Shareholders	holders of Ordinary Shares from time to time
Substantial Shareholder	a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent. or more of the distributions paid by the Company and/or share capital of the Company, or which controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company (referred to in section 553 of CTA 2010 as a ''holder of excessive rights'')
Substantial Shareholding	the Ordinary Shares in the capital of the Company by reference to which a person is a Substantial Shareholder
UK	the United Kingdom of Great Britain and Northern Ireland

PART I

LETTER FROM THE CHAIRMAN

PICTON PROPERTY INCOME LIMITED

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

Directors:

Nicholas Thompson (Non-executive Chairman)
Robert Sinclair (Non-executive Director)
Roger Lewis (Non-executive Director)
Vic Holmes (Non-executive Director)
Michael Morris (Non-executive Director)
Mark Batten (Non-executive Director)

Registered Office:

PO Box 255
Les Banques
St. Peter Port
Guernsey
GY1 3QL

28 June 2018

Dear Shareholder

PROPOSALS FOR THE ADOPTION OF NEW ARTICLES OF INCORPORATION IN CONNECTION WITH BECOMING A REIT GROUP AND BECOMING TAX RESIDENT IN THE UK AND THE TRANSFER OF THE COMPANY'S LISTING CATEGORY ON THE MAIN MARKET

1 Introduction

The Company was incorporated and listed on the Main Market in 2005 as an authorised closed-ended investment company. Its investment objective is to provide Shareholders with an attractive level of income and the potential for capital growth through investing mainly in UK commercial property. Over time, the Company has evolved in its structure from being a traditional off-shore based externally managed investment company into its existing internally managed form. A key point in its development was on 1 January 2012 when Picton Capital (a wholly owned subsidiary of the Company) was appointed investment manager to the Group in place of ING Real Estate Investment Management (UK) Limited and the Group became internally managed.

Throughout this evolution, the Board has regularly monitored whether it would be in the best interests of the Company and its Shareholders to move the tax residency of the Company to the UK, taking into account relevant factors such as tax efficiency, marketability of the Ordinary Shares and regulatory environment. The UK introduced the REIT Regime in 2006, providing a tax efficient structure for UK tax resident listed companies. Initially, there was an ''entry charge'' for companies to become a REIT, equal to 2 per cent of the market value of the assets held by the relevant group. This entry charge was subsequently removed, but the Board still considered that the overall benefit of moving the tax residency of the Company to the UK (a requirement under the REIT Regime) was outweighed by the benefits of remaining tax resident in Guernsey.

Recent proposed changes in Government policy and announcements concerning the future development of the UK taxation of commercial property have caused the Board to reconsider the benefits of the Group becoming a REIT Group. These changes in policy include: (a) bringing the Group's Guernsey subsidiaries within the charge to UK corporation tax, rather than income tax, with effect from 6 April 2020, which is expected to adversely impact the Group's taxable profit; and (b) the announcement made by the UK government in its Autumn Budget 2017 setting out the intention to extend UK corporation tax to gains on disposals of commercial property made by non-UK resident landlords with effect for gains accruing and realised on or after April 2019. In light of these announcements and proposed changes, the Board considers that it is now in the bests interests of the Company and its Shareholders for the Group to become a REIT Group. Accordingly the Board proposes that the Group becomes a REIT Group with effect from the beginning of the Company's next financial half year period on 1 October 2018.

To enable the Group to comply with the REIT Regime, the Company (as principal company in the REIT Group) must become resident in the UK for tax purposes. This will be achieved by moving the central management and control of the Company from Guernsey to the UK so that, among

other things, board meetings and general meetings (including the AGM) are held in the UK. The Company will however remain incorporated in Guernsey.

The Board believes that, in addition to the Group being eligible to become a REIT Group, further benefits of the Company moving its management and control to the UK will include being able to improve efficiency and reduce management time associated with maintaining its non-UK tax residency. The Board believes that an ancillary benefit to becoming a REIT Group will also be the possibility of improving liquidity in the Ordinary Shares by accessing a wider investor base for the Company due to the internationally recognised "REIT" brand.

To enable the Group to comply with the REIT Regime, the Company will be required to adopt the New Articles. The changes which need to be made to the existing Articles include: giving the Company the power to identify Substantial Shareholders (broadly Shareholders holding 10% or more of the Company's issued share capital); taking steps to prevent the payment of dividends to Substantial Shareholders and ensuring that the Company (as principal member of a REIT Group) remains solely resident in the UK for tax purposes after the Group becomes a REIT Group. The New Articles are proposed to be adopted with effect from the commencement of the Company's next financial half year period on 1 October 2018 and the Company will notify HMRC of its intention for the Group to become a REIT Group (and become UK tax resident) with effect from that date. As a new accounting period of the Company for tax purposes will begin on the date that the Group becomes a REIT Group, the Board has decided that this should take effect from the start of the Company's next financial half year period on 1 October 2018.

Concurrently, the Board has also undertaken an appraisal of the Company's listing category under the Listing Rules and has concluded that it is better suited to being classified as a commercial company listed under Chapter 6 than a closed ended investment fund listed under Chapter 15. The Board believes that transferring its listing category to that of a commercial company, in line with moving its tax residency onshore, will increase the accountability of the Company's executive management to Shareholders, improve the comparability of the Company and the Ordinary Shares with those of its main competitors for investors by bringing its structure more in line with its internally managed peers, reduce regulatory compliance costs and allow for more active management by the Company of the Group's assets at relevant times as the Board deems appropriate in order to maintain performance.

The transfer of listing category will result in the removal of the Company's current investment policy and investment management arrangements with Picton Capital, as Chapter 6 listed companies are not required to have investment policies. In place of the investment policy, the Company will pursue a business strategy set by the Board, currently as described on page 27 of the 2018 Annual Report and summarised in Part VI of this document. The transfer of listing category will not affect the Company's status as a premium listed company under the Listing Rules.

It is also intended that Michael Morris (currently a Non-Executive Director of the Company and Chief Executive of Picton Capital) will no longer be a Non-Executive Director of the Company but will become an Executive Director and Chief Executive Officer of the Company, and Andrew Dewhirst (currently the Finance Director of Picton Capital) will be appointed as an Executive Director and Chief Financial Officer of the Company, both with effect from 1 October 2018 when management and control of the Company will start to be exercised from the UK. Executive management of the Group will therefore be exercised directly through the Company's Board (rather than the Board being composed solely of Non-Executive Directors) from that date.

In order to implement the Proposals, the Company will be required to adopt the New Articles and approve the transfer of the Company's listing category to Chapter 6. Both of these require the approval of Shareholders to be obtained at a general meeting of the Company. The Company is therefore, in this circular, seeking Shareholders' approval of the Resolutions set out in the Notice of General Meeting contained at Part VIII of this document, in order to implement the Proposals. The purpose of this document is to provide you with details of the Proposals and to set out the reasons why the Directors are recommending that you vote in favour of the Resolutions to implement them.

Shareholders should note that the Proposals, and therefore the Resolutions to approve them, are inter-conditional, meaning that if either of the Resolutions is not passed, the other will not be passed, and neither of the Proposals will come into effect. Each of the Proposals, and therefore each of the Resolutions to approve them, is also conditional on the Group becoming a REIT Group. The proposed transfer of listing category would therefore not go ahead if the Group does

not become a REIT Group and the Group would not become a REIT Group if the listing category of the Company is not transferred.

The Extraordinary General Meeting convened in order to enable Shareholders to vote on the Resolutions will be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL at 2.30 p.m. on 23 July 2018.

2 Introduction to and background to becoming a REIT

A REIT Group comprises a group of companies which between them own and operate a property rental portfolio, which can be commercial, residential or any other type of commercially let property. Under the REIT Regime, at least 90 per cent. of the net rental income (broadly, calculated for normal UK corporation tax purposes) arising in the Qualifying Property Rental Business for each accounting period must be distributed to the relevant shareholders (such distribution being called a PID, see further below). In return, the REIT Group is exempt from UK corporation tax and income tax on income and gains relating to its Qualifying Property Rental Business (i.e. broadly the property rental business of UK resident members of the REIT Group and the property rental business in the UK of non-UK resident members of the REIT Group) provided certain conditions are met.

REITs are intended to enable the income from rented property assets to be generated in a tax efficient manner and to ensure that the net return for the relevant shareholders from investing in property are broadly consistent with returns from direct property investment.

A group of companies which elects for REIT status is permitted to carry on both tax-exempt property rental activities and other taxable activities, subject to certain restrictions which are set out in more detail in Part II of this document.

The Board believes that the Company and, where relevant, the Group will as at 1 October 2018 satisfy the conditions to be eligible to become a REIT Group.

3 Tax benefits of becoming a REIT

The main tax advantage of the REIT Regime is that the profits (i.e. income and gains) of a REIT's Qualifying Property Rental Business are exempt from UK income tax and corporation tax. In very broad terms, what the regime seeks to achieve is to replicate as far as possible the tax treatment that would apply if the relevant shareholders held UK property directly, by moving the point of taxation from the entities holding properties (within the REIT Group) to those shareholders. This is administered by the application of withholding tax on certain distributions made by the principal company of the REIT Group (subject to any exemptions which may be available). Dividends paid by the Company relating to the profits or gains of the Group's Qualifying Property Rental Business of the members of the Group (other than gains arising to non-UK members of the Group) are referred to as a PID (a Property Income Distribution).

By becoming a REIT Group, the Group will no longer be subject to UK income tax on the rental income from its Qualifying Property Rental Business, provided it meets certain conditions. Becoming a REIT Group should therefore reduce the overall burden of UK taxation in respect of the Group's Qualifying Property Rental Business. The reduction of this tax burden in relation to the Group's Qualifying Property Rental Business should increase its net income from investments.

In addition, the Group is outside the scope of UK capital gains tax on disposals of UK property, as the properties are sold (or treated as sold) by non-UK residents. However, this position will change with effect for gains which accrue on or after April 2019 as a result of the changes announced to the taxation of gains made by non-residents on UK property. The REIT Regime exempts capital gains realised by members of the group. This means that properties which are sold by a member of the REIT Group will not be subject to UK capital gains tax. On the basis of the portfolio as it stands at the date of this circular, approximately 25% of the assets by value are held directly through companies. The balance of the properties are held indirectly through the GPUT. It is not clear at this stage in the consultation whether gains on property which is held by a REIT indirectly through a property unit trust will be an exempt gain under the REIT rules. A number of existing REITs have such unit trusts within their structures and they would be prejudiced if gains on such properties were not exempt. There have been discussions with HMRC in relation to their treatment under the new regime. The position will continue to be monitored as the consultation progresses and the structure will be kept under review.

Further details on taxation under the REIT Regime are set out in Parts II and III of this document.

4 Other implications of becoming a REIT

The comments in this document relating to the tax treatment of Shareholders are provided for general guidance only. Shareholders who are in any doubt concerning the taxation implications of any matters reflected here should consult their professional advisers.

General

Becoming a REIT will not change the legal status of the Company or its jurisdiction of incorporation.

Board meetings and tax residency of the Company

As mentioned in the introduction to this letter, in order to be eligible to become a REIT Group, the Company (as the principal member of the Group) must become UK tax resident and not tax resident in any other jurisdiction. To become tax resident in the UK the Company will move its central management and control from Guernsey to the UK. This means that future Board meetings (and the Company's Annual General Meeting) will be held in the UK with effect from 1 October 2018, being the date on which the Company proposes the Group to become a REIT Group.

Dividend policy and PIDs

As the principal company of a REIT Group, the Company will be required (to the extent permitted by law) to distribute to Shareholders (by way of cash or stock dividend), on or before the filing date for the Company's tax return for the accounting period in question, at least 90 per cent. of the Group's property rental business profits as calculated for tax purposes (broadly, calculated using normal UK corporation tax rules) for the UK resident members of the REIT Group in respect of their Qualifying Property Rental Business and of the non-UK resident members of the REIT Group insofar as they are derived from their UK Qualifying Property Rental Business arising in each accounting period (the **90 per cent. distribution condition**). Failure to meet this requirement will result in a tax charge being levied on the Company and calculated by reference to the extent of the relevant failure.

A dividend paid by the Company relating to profits or gains of the Group's Qualifying Property Rental Business of the members of the Group is referred to as a PID or a Property Income Distribution. Other normal dividends paid by the Company (including dividends relating to the Residual Business) are referred to as Non-PID Dividends.

PIDs will be paid subject to deduction of basic rate income tax (currently 20 per cent.) unless the Company is satisfied that the relevant Shareholder qualifies for gross payment (which will depend on the particular circumstances and status of that Shareholder). For that purpose, the Company will require such Shareholders to submit a valid claim form (copies of which will be available on request from the Company's Registrars, Computershare Investor Services (Guernsey) Limited). A general guide to the treatment of PIDs for the principal types of Shareholders is set out in Part III of this document. Non-PID Dividends will not be subject to UK withholding tax.

Within the REIT Regime, distributions made by the Company may, in the hands of the Shareholders, comprise PIDs, Non-PID Dividends or a combination of the two. Under the REIT Regime, both PIDs and Non-PID Dividends are capable of being satisfied by stock dividends (in lieu of cash dividends). Where the Company distributes amounts over and above the minimum 90 per cent. distribution condition, the categorisation of these distributions as PIDs or Non-PID Dividends for UK tax purposes will depend on the source of the relevant profits (as attributed under specific rules set out in the applicable tax legislation) and on any relevant designation made by the Company. For further detail as to the attribution of profits and gains for the purposes of the PID rules, please see Part II of this document.

Based on the Company's current level of dividends paid to Shareholders for the financial year 2017, this would exceed the 90 per cent. distribution condition under the REIT Regime, described above. The quarterly dividend of the Company for the period from 1 July 2018 to 30 September 2018 which is expected to be paid in November 2018, will be made in the normal way and will be paid free of any withholding tax. Thereafter dividend distributions will be subject to the above REIT Rules.

Looking forward, the Board will review the dividend policy once any savings as a result of the REIT conversion are clearly ascertained. The precise proportion of recurring property rental income

that the Group distributes may vary between years. Ordinarily, the Board would expect to distribute a high proportion (including the mandatory PID element) of recurring net property rental earnings, on the basis of adjusted earnings per share as reported under IFRS. A proportion of trading profits and other residual income (if any) may also be distributed, to the extent the Board regards those earnings as sustainable. Capital gains arising on the disposal of investment properties will, ordinarily, be retained and reinvested within the business to support future growth.

The Substantial Shareholder rule

Within the REIT Regime, a tax charge may be levied on the Company if it makes a distribution to a Substantial Shareholder unless the Company has taken reasonable steps to avoid such a distribution being paid. Shareholders should note that this restriction only applies to Shareholders that are bodies corporate or are deemed to be bodies corporate for these purposes. The tax charge should not generally arise in respect of Shareholders which are nominees holding Ordinary Shares (and the relevant dividends) on behalf of other persons who are not themselves Substantial Shareholders.

Under the REIT Regime a Substantial Shareholder is referred to as a ''holder of excessive rights'' which, broadly, means a company or other relevant entity treated as a body corporate which either directly or indirectly (i) is beneficially entitled to 10 per cent. or more of the Company's dividends or other distributions; (ii) is beneficially entitled to 10 per cent. or more of the Company's share capital; or (iii) controls 10 per cent. or more of the voting rights in the Company.

The background to the charge recognises that in certain circumstances such Shareholders resident in jurisdictions with favourable double tax agreements with the UK can reclaim all or part of the UK income tax withheld on a distribution (i.e. on PIDs). The charge seeks to collect from the Company an amount of UK corporation tax equivalent to the basic rate income tax liability on the PID irrespective of the tax treatment of the Shareholder.

To enable the Company to comply with the REIT Regime the Board considers it appropriate that the Company should put in place mechanisms in accordance with the guidance issued by HMRC by which the Company can avoid the imposition of such a tax charge in circumstances where a Substantial Shareholding arises following it becoming a REIT. The proposed changes to the Articles will give the Board the powers it needs to demonstrate to HMRC that such ''reasonable steps'' have been taken. These powers include, where necessary, the power to withhold payment of dividends to persons that the Company considers to be Substantial Shareholders and in some cases to require them to sell Ordinary Shares.

The New Articles

The New Articles contain amendments to the existing Articles to enable the Company to comply with the REIT Regime. A description of the proposed amendments to the Articles is set out in more detail in Part IV of this document. The adoption of the New Articles is conditional upon the approval of Shareholders at the Extraordinary General Meeting and, if approved by Shareholders, the New Articles will take effect from 1 October 2018.

A copy of the existing Articles and the New Articles marked to show the proposed changes will be available during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ up to and including close of business on 20 July 2018 and at the venue of the Extraordinary General Meeting for at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

5 Risks connected with the Group becoming a REIT Group

While the Group expects to be able to obtain REIT Group status, there is no guarantee that it will do so, nor can the Company guarantee that the Group will continue to comply with the necessary conditions to remain a REIT Group. There is a risk that the REIT Regime may cease to apply in some circumstances (please see ''Exit from the REIT Regime'' in Part II of this document for further details). As set out in that section, the Group could lose its status as a REIT Group as a result of the actions of third parties, for example, in the event of a successful takeover of the Company by a company that is not a REIT, or due to a breach of the close company condition if the Company is unable to remedy the breach within a specified timeframe.

If the Proposals are not approved and the Group does not enter the REIT Regime as a REIT Group, the Group may incur significant tax within the existing structure (as a result of the proposed

changes in UK law). However, whilst entry into the REIT Regime will alleviate some of these tax costs, please see the section headed ''Tax benefits of becoming a REIT'' for a summary of the expected tax treatment of the Group under the REIT Regime, which notes the current uncertainty around the impact of the new non-resident capital gains tax charge on REITs that carry on a property rental business indirectly, for example through a property unit trust. If this were to occur the Group would be subject to UK income (or corporation) tax on the net rental profits of its Qualifying Property Rental Business, and subject to capital gains tax (or corporation tax on chargeable gains) on profits realised on disposals of UK property within the Qualifying Property Rental Business, which would be expected to reduce the amounts available to distribute to Shareholders.

6 Reasons for and implications of the transfer of listing category

Comparability

The Directors are aware that the majority of internally managed REITs are listed under Chapter 6 and certain of the Group's internally managed competitors have in recent years transferred their listing categories to Chapter 6. The Directors believe that the Company is therefore relatively unusual in respect of its Chapter 15 listing, which makes it difficult for investors to compare the Company with its internally managed competitors.

Governance and removal of investment policy

As noted in the introduction to this letter, in order for the Group to become a REIT Group, the management and control of the Company (as principal member of the REIT Group) will need to be exercised from the UK. In line with the decision to move management and control onshore, the Board has therefore evaluated its internal management structure and decided that the optimum structure is for the listing category of its Ordinary Shares to be classified as that of a commercial company listed under Chapter 6 rather than a closed ended investment fund listed under Chapter 15. The Board believes being categorised as a commercial company with executive management of the Company being exercised by the Board in the UK will improve the accountability of the Group's executive management to Shareholders and will be a more streamlined and efficient structure. As a result of executive management being carried out in the UK directly through the Board, the transition to a Chapter 6 listing is proposed to be accompanied by the appointment of Michael Morris as Executive Director and Chief Executive Officer of the Company (his role changing from that of Non-Executive Director of the Company and CEO of Picton Capital) and Andrew Dewhirst (who is not currently a Director of the Company) as Executive Director and Chief Financial Officer of the Company.

Under the direction of the Chief Executive Officer, Michael Morris, the implementation of the Company's business strategy and general running of the Company will be undertaken through an Executive Committee comprising senior management. The Committee will report regularly to the main Board and operate within agreed financial limits.

The transition will also result in the removal of the Group's current investment policy and investment management arrangements with Picton Capital as companies listed under Chapter 6 are not required to have investment policies. The Company will instead pursue the business strategy set by the Board from time to time, currently as described on page 27 of the 2018 Annual Report and summarised in Part VII of this document. The Board believes that the removal of its investment policy and the introduction of its business strategy will not significantly change the operational or strategic focus of the Company, although the Company may benefit from increased operational flexibility in respect of the management of its portfolio to the extent it deems appropriate.

With effect from the Ordinary Shares becoming listed under Chapter 6 on 1 October 2018, the investment management arrangements between the Company and Picton Capital will be terminated, although the key employees within the Group will remain employed by Picton Capital (including Michael Morris and Andrew Dewhirst as is presently the case). Picton Capital and the Company will therefore enter into an intra-group services agreement under which Picton Capital will provide the services of its employees to the Company and the rest of the Group, with management charges apportioned to the relevant entities accordingly.

Removal of Investment Restrictions

Under Chapter 15, an investment fund must manage its assets in a way that is consistent with spreading investment risk and is also subject to certain investment restrictions. As a company listed under Chapter 6, the Company will no longer be subject to these requirements. However, the Board intends to continue to be mindful of all forms of concentration risk when balancing and adjusting the Company's portfolio.

Asset and portfolio turnover and management

Since the internalisation of its management function in 2012, the Company's approach has increasingly become more typical of that of a commercial property company rather than a closed ended investment fund.

The Company now has the experience and capacity to undertake more substantial asset management and redevelopment activities itself rather than sub-contracting this work or selling assets once the relevant planning permissions have been obtained. Asset management could include activities such as design, obtaining planning consents and permissions, managing any construction or refurbishment work, letting assets and the subsequent day to day management of these properties once they are leased. The Company has undertaken a number of more significant asset management initiatives over the past few years. For example:

- In 2015, in Swindon, the Company obtained planning permission for a food store and residential use property but subsequently onward sold the site;
- In 2016, in Oldham, the Company undertook a change of use, site assembly and redevelopment project for a leisure operator; and
- in 2017, in Gloucester, the Company obtained planning permission and subsequently developed an additional retail unit at Gloucester Retail Park.

Furthermore, since the acquisition of Rugby Estates Investment Trust Plc and its portfolio of 34 properties in 2010, as at 31st March 2018 the Company had sold 28 of the Rugby assets as business plans had been completed and realised in excess of £30 million through disposals. The remaining six assets from this original portfolio are valued at approximately £73 million, higher than the original purchase price for the entire portfolio in 2010 of £62 million.

The Company's strategy has evolved as its internal management team has become more experienced and as the portfolio has increasingly been selected for added value opportunities. The Board has concluded that generating attractive shareholder returns requires a more commercial approach to property investment and having the flexibility to pursue new strategies and develop its business under a Chapter 6 listing could be an important element of its ongoing success, rather than adopting a more typical closed ended investment fund approach under a Chapter 15 listing.

In addition the Board would like the flexibility, if deemed appropriate at relevant times according to its business strategy, to undertake further strategic transactions, such as its previous acquisition of Rugby Estates Investment Trust PLC, and are conscious that this could also be seen as more in line with the actions of a commercial company rather than a traditional investment fund.

Regulatory status

As a commercial company rather than a closed-ended investment fund with a defined investment policy, the Company would not fall within the scope of the AIFMD. The AIFMD seeks to regulate certain alternative investment fund managers (**AIFM**) and prohibits such managers from managing any alternative investment funds, or marketing shares in such funds, to EU investors unless regulatory authorisation is granted to the AIFM. Requirements of the AIFMD include formal segregation of risk management from portfolio management, increased disclosure obligations on the Company, ensuring that the Company has an appropriately authorised institution acting as its ''depositary'' and obligations to maintain regulatory capital and certain insurance policies. Any such requirements would be likely to significantly increase the Company's regulatory and compliance costs which would put the Company at a disadvantage to certain of its peers.

In connection with the Chapter 6 listing, the Company will cease to be an authorised closed-ended collective investment company and cease to be registered and authorised by the Commission with effect from 1 October 2018.

The Company already has systems and controls in place to enable it to comply with all of its Listing Rules obligations under Chapter 6. The transfer of listing category will not affect the Company's status as a premium listed company.

7 Expected timetable for transfer of the Company's listing category and entry into the REIT Regime

The Company proposes to remove its investment policy and transfer the listing category of the whole of its issued share capital to Chapter 15 with effect from 1 October 2018. Michael Morris will become Executive Director and Chief Executive Officer of the Company and Andrew Dewhirst will be appointed as Executive Director and Chief Financial Officer of the Company with effect from 08.00 a.m. on 1 October 2018, the date from which management and control of the Company will be exercised from the UK and the Group will become a REIT Group.

The Board intends to give written notice to HMRC for the Company to become the principal company of a REIT Group with effect from the start of the Company's next financial half year period on 1 October 2018.

8 Extraordinary General Meeting

The Resolutions will be proposed at the Extraordinary General Meeting of the Company which has been convened for 2.30 p.m. on 23 July 2018. The Proposals are conditional on the approval by Shareholders of the Resolutions which are inter-conditional and will both be proposed as special resolutions, requiring a majority of at least 75 per cent. of Shareholders entitled to vote and be present in person or by proxy to vote in favour of them in order to be passed.

All Shareholders are entitled to attend and vote at the Extraordinary General Meeting. In accordance with the Articles, all Shareholders entitled to vote and be present in person or by proxy at the Extraordinary General Meeting shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each Ordinary Share held. In order to ensure that a quorum is present at the Extraordinary General Meeting, it is necessary for two or more Shareholders to be present in person or by proxy.

The Notice convening the Extraordinary General Meeting is set out at Part VIII of this document.

9 Guernsey Regulatory Notification

The Commission has been notified of the Proposals pursuant to Part 5 of the Rules.

10 Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Shareholders are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's Registrar, Computershare Investor Services (Guernsey) Limited at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or deliver it by hand during office hours only to the same address so as to be received as soon as possible and in any event by no later than 2.30 p.m. on 19 July 2018.

Shareholders are requested to complete and return a Form of Proxy whether or not they wish to attend the Extraordinary General Meeting. The return of a Form of Proxy will not prevent Shareholders from attending the Extraordinary General Meeting and voting in person should they so wish.

11 Recommendation

The Board considers that the Proposals are in the best interests of the Company and its Shareholders as a whole. Accordingly the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their own holdings of Ordinary Shares which (together with their connected persons) amount to 910,810 Ordinary Shares in aggregate (representing approximately 0.17 per cent. of the issued share capital of the Company as at 27 June 2018 (being the latest practicable date prior to the publication of this document)).

Yours faithfully

Nicholas Thompson
Chairman

PART II

THE REIT REGIME

1 The REIT Regime

The summary of the REIT Regime applicable in the UK (the REIT Regime) below is intended to be a general guide only and constitutes a high-level summary of the Company's understanding of certain aspects of current UK law and HMRC practice relating to the REIT Regime, each of which is subject to change, possibly with retrospective effect. It is not an exhaustive summary of all applicable legislation in relation to the REIT Regime. The REIT Regime was introduced by the UK Finance Act 2006 and subsequently re-written into Part 12 of CTA 2010.

As described in Part I, Letter from the Chairman, the Board has continually monitored whether it would be in the best interests of the Company and its Shareholders to become a REIT Group. Currently, the Group is subject to UK income tax on its net rental income but is not subject to UK tax on chargeable gains realised on the sale of UK commercial property, since the properties would be sold by non-UK tax resident entities. The UK Government has announced two key changes which impact on this current tax treatment. First, the Group will become subject to UK corporation tax, rather than income tax, and will come within the scope of the restriction on interest deductibility rules which is likely to increase the tax cost for the Group. Second, chargeable gains accrued and realised on disposals of UK commercial property made by non-UK residents on or after April 2019 are expected to become subject to UK corporation tax. The Board have considered these two announcements, and consider that the REIT Regime offers a more tax efficient framework for the Group going forwards.

The consultation document which sets out the Government's proposals for taxing gains made by non-UK residents confirms that gains realised on property sold by a member of a REIT Group should not be subject to UK tax. However, it is not clear at this stage in the consultation whether gains on property which is held by a REIT indirectly through a property unit trust will be an exempt gain under the REIT Regime. A number of existing REITs have such unit trusts within their structures which are likely to be prejudiced if gains arising on property held indirectly is not exempt from tax. There have been discussions with HMRC in relation to their treatment under the new regime. The position will continue to be monitored as the consultation progresses and the Group structure will be kept under review.

As part of a REIT Group, UK resident REIT Group members would no longer pay UK direct taxes on income and capital gains from their Qualifying Property Rental Businesses (being businesses within the meaning of section 205 of CTA 2009 or an overseas property business within the meaning of section 206 of CTA 2009, but in each case, excluding certain specified types of business (as per section 519(3) of CTA 2010) in the UK and elsewhere and non-UK resident REIT Group members with a UK Qualifying Property Rental Business would no longer pay UK direct taxes on income from their UK Qualifying Property Rental Businesses, provided that certain conditions are satisfied. Instead, distributions in respect of the tax-exempt Qualifying Property Rental Businesses will be treated for UK tax purposes as UK property income in the hands of shareholders. Part III of this document contains further detail on the UK tax treatment of shareholders in a REIT.

Gains arising in UK resident companies on the disposal of shares (even while within the REIT Regime) in property owning companies may, however, be subject to UK corporation tax. In addition, UK direct taxes are still payable in respect of any income and gains from the REIT Group's businesses (generally including any property trading business) not included in the Qualifying Property Rental Business (the **Residual Business**).

Within the REIT Regime, the Qualifying Property Rental Business will be treated as a separate business for corporation tax purposes from the Residual Business and a loss incurred by the Qualifying Property Rental Business cannot be set off against profits of the Residual Business (and vice versa).

A dividend paid by the Company relating to profits or gains of the Qualifying Property Rental Business of the members of the Group (other than gains arising to non-UK resident members of the REIT Group) is referred to as a PID or a Property Income Distribution. Other normal dividends paid by the Company (including dividends relating to the Residual Business) are referred to as Non-PID Dividends. Under the REIT Regime, both PIDs and Non-PID Dividends are capable of

being satisfied by stock dividends. Part III of this document contains further detail on the UK tax treatment of shareholders in a REIT.

In this document, references to a company's accounting period are to its accounting period for UK corporation tax purposes. This period can differ from a company's accounting period for other purposes.

2 Qualification as a REIT

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

(A) Company conditions

The principal company must be solely UK resident for tax purposes, its shares admitted to trading on a recognised stock exchange and it must not be an open-ended investment company. The principal company's shares must either be listed on a recognised stock exchange throughout each accounting period or traded on a recognised stock exchange in each accounting period. This listing/traded requirement is relaxed in the REIT Group's first three accounting periods but the REIT Group can benefit from this relaxation only once. The principal company must also not be a close company (as defined in section 439 of CTA 2010 as amended by section 528(5) of CTA 2010) (the **close company condition**). In summary, the close company condition amounts to a requirement that the company cannot be under the control of 5 or fewer participators, or of participators who are directors (and for these purposes ''participators'' is defined in section 454 of CTA 2010), subject to certain exceptions. The close company condition is relaxed for the REIT Group's first three years.

(B) Share capital restrictions

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

(C) Borrowing restrictions

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

(D) Financial Statements

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

(E) Qualifying Property Rental Business Conditions (including the Balance of Business conditions)

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

- the Qualifying Property Rental Business must throughout the accounting period involve at least three properties;
- throughout the accounting period no one property may represent more than 40 per cent. of the total value of the properties involved in the Qualifying Property Rental Business. Assets must be valued in accordance with international accounting standards and at fair value when international accounting standards offer a choice between a cost basis and a fair value basis;

- the income profits arising from the Qualifying Property Rental Business must represent at least 75 per cent. of the REIT Group's total income profits for the accounting period (the **75 per cent. profits condition**). Profits for this purpose means profits calculated in accordance with international accounting standards, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items;
- at the beginning of the accounting period the value of the assets in the Qualifying Property Rental Business must represent at least 75 per cent. of the total value of assets held by the REIT Group (the **75 per cent. assets condition**). Cash held on deposit and gilts or relevant shareholdings in other UK REITs are included in the value of the assets relating to the Qualifying Property Rental Business for the purpose of meeting this condition.

In addition, the Qualifying Property Rental Business must not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice (subject to certain exceptions).

(F) Distribution condition

The principal company of the REIT (which in this case will be the Company) will be required (to the extent permitted by law) to distribute to its shareholders (by way of cash or stock dividend), on or before the filing date for the principal company's tax return for the accounting period in question, at least 90 per cent. of the Group's property rental business profits as calculated for tax purposes (broadly, calculated using normal UK corporation tax rules including the new rules on the restrictions on interest deductibility) of the UK resident members of the REIT Group in respect of their Qualifying Property Rental Business and of the non-UK resident members of the REIT Group insofar as they are derived from their UK Qualifying Property Rental Business arising in each accounting period (the **90 per cent. distribution condition**). Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although in certain circumstances where the profits of the period are increased from the amount originally shown in the Financial Statements delivered to HMRC, this charge can be mitigated if an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level. For the purpose of satisfying this distribution condition, any dividend withheld in order to comply with the Substantial Shareholder rule (as described below) will be treated as having been paid.

3 Effect of becoming a REIT

Tax exemption

As a REIT, the REIT Group will not currently pay UK corporation tax or income tax on profits and gains from the Qualifying Property Rental Business. Corporation tax will still apply in the normal way in respect of the Residual Business.

Corporation tax could also be payable were the shares in a member of the REIT Group to be sold by a UK tax-resident group company (as opposed to property involved in the Qualifying Property Rental Business). The REIT Group will also continue to pay all other applicable taxes including VAT, stamp duty land tax, stamp duty, PAYE, rates and national insurance contributions in the normal way.

The UK government has announced its intention to extend UK corporation tax on gains to disposals of UK commercial property held by non-UK residents. This is a prospective change and we do not yet have the full details of the proposals. However, at this stage it is not currently anticipated that these rules will apply to disposals of UK commercial property by corporate members of a REIT Group although the position in relation to gains realised on properties held through a property unit trust is currently unclear.

Dividends

When the principal company of a REIT Group pays a dividend, that dividend will be a PID to the extent necessary to satisfy the 90 per cent. distribution condition (and where it relates to profits or gains of the Qualifying Property Rental Business of the members of the Group, other than gains arising to non-UK resident members of the Group). If the dividend exceeds the amount required to satisfy that test, the REIT may determine that all or part of the balance is a Non-PID Dividend to the extent there are any profits of the current or previous years which derive from activities of a

kind in respect of which corporation tax is chargeable in relation to income (e.g. profits of the Residual Business). Any remaining balance of the dividend (or other distribution) will generally be deemed to be a PID, firstly in respect of the remaining income profits of the Qualifying Property Rental Business for the current year or previous years and secondly, in respect of capital gains which are exempt from tax by virtue of the REIT Regime (in either case distributed as a PID). Any remaining balance will be attributed to other Non-PID Dividends.

Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent). Further details of the United Kingdom tax treatment of certain categories of shareholder while the Group is in the REIT Regime are contained in Part III.

The treatment of a dividend paid by the Company in the first year after the Group becomes a REIT Group will depend on whether it is paid out of profits that existed before or after the Group becomes a REIT Group. If the Company elects for REIT status on 1 October 2018, dividends paid after this date may be paid to an extent out of profits earned before the Group became a REIT Group, and therefore comprise partly a PID and partly a Non-PID. The Company will provide Shareholders with the necessary information setting out how much of their dividend is a PID and how much is a Non-PID.

If the REIT Group ceases to be a REIT, dividends paid by the principal company may nevertheless be PIDs to the extent they are paid in respect of profits and gains of the Qualifying Property Rental Business that arose whilst the REIT Group was within the REIT Regime.

Interest cover ratio

A tax charge will arise if, in respect of any accounting period, the REIT Group's ratio of income profits (before capital allowances) to financing costs (in both cases in respect of its Qualifying Property Rental Business) is less than 1.25:1. The amount (if any) by which the financing costs exceed the amount of those costs which would cause that ratio to equal 1.25 (subject to a cap of 20 per cent. of the income profits) is chargeable to corporation tax.

The Substantial Shareholder rule

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

This tax charge will not be incurred if the principal company has taken reasonable steps to avoid making distributions to such a person. HMRC guidance describes certain actions that might be taken to show it has taken such ''reasonable steps''. One of these actions is to include restrictive provisions in the principal company's articles of incorporation to address this requirement. The New Articles (as summarised in Part IV of this document) are consistent with the provisions described in the HMRC guidance.

Property development and property trading by a REIT

A property development undertaken by a member of the REIT Group can be within the Qualifying Property Rental Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of (a) the date on which the relevant company becomes a member of a REIT, and (b) the date of the acquisition of the development property, and the REIT sells the development property within the three years beginning with the completion of the development, the property will be treated as never having been part of the Qualifying Property Rental Business for the purposes of calculating any gain arising on disposal of the property (and any tax exempt market value deemed disposal of the property or entry to the *UK REIT* Regime will be ignored). Any gain will be chargeable to corporation tax.

If a member of the REIT Group disposes of a property (whether or not a development property) in the course of a trade, the property will be treated as never having been within the Qualifying

Property Rental Business for the purposes of calculating any profit arising on disposal of the property (and any tax exempt market value deemed disposal of the property or entry to the REIT Regime will be ignored). Any profit will be chargeable to corporation tax.

Movement of assets in and out of Qualifying Property Rental Business

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

Joint ventures

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

The REIT Group's share of the underlying income and gains arising from any interest in a tax transparent vehicle carrying on a Qualifying Property Rental Business, including offshore unit trusts or partnerships, should automatically fall within the REIT tax exemption, and will count towards the 75 per cent. profits and assets conditions, provided the REIT Group is entitled to more than 20 per cent. of the profits and assets of the relevant tax transparent vehicle. The REIT Group's share of the Qualifying Property Rental Business profits arising will also count towards the 90 per cent. distribution condition.

Indirect ownership of property: non-resident unit trusts

Provided that a non-resident unit trust (such as the GPUT) is transparent for income tax purposes, it will be treated as a partnership for the purposes of the REIT regime. Properties owned via a non-resident unit trust will count as property involved in the Qualifying Property Rental Business, and therefore income generated in relation to such properties should fall within the REIT Group's tax exempt property rental business (subject to the usual REIT Regime rules).

Indirect ownership of property: partnerships

HMRC's guidance states that property owned via a partnership will count as property involved in the REIT's property rental business and again, income generated in relation to such properties should fall within the REIT Group's tax exempt property rental business (subject to the usual REIT Regime rules).

Acquisitions and takeovers

If a REIT is taken over by another REIT, the acquired REIT does not necessarily cease to be a REIT and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Qualifying Property Rental Business and capital gains on disposal of properties in the Qualifying Property Rental Business.

The position is different where a REIT is taken over by an acquirer which is not a REIT. In these circumstances, the acquired REIT is likely in most cases to fail to meet the requirements for being a REIT (unless the acquirer qualifies as an Institutional Investor and the REIT's shares continue to be admitted to trading on a recognised stock exchange and are either listed or traded) and will therefore be treated as leaving the REIT Regime at the end of its accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from tax exemptions on the profits of its Qualifying Property Rental Business and capital gains on disposal of property forming part of its Qualifying Property Rental Business. The properties in the Qualifying Property Rental Business are treated as having been sold and reacquired at market value for the purposes of

corporation tax on chargeable gains immediately before the end of the preceding accounting period. These disposals should be tax exempt as they are deemed to have been made at a time when the acquired REIT was still in the REIT Regime and future capital gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value. If the acquired REIT ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be re-characterised retrospectively as normal dividends.

Certain tax avoidance arrangements

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

Exit from the REIT Regime

The principal company of the REIT Group can give notice to HMRC that it wants to leave the REIT Regime at any time. The Board retains the right to decide that the REIT Group should exit the REIT Regime at any time in the future without Shareholder consent if it considers this to be in the best interests of the REIT Group.

If the REIT Group (or a member of the REIT Group) voluntarily leaves the REIT Regime within ten years of joining and disposes of any property that was involved in its Qualifying Property Rental Business within two years of leaving, any uplift in the base cost of the property as a result of the deemed disposals on entry into and exit from the REIT Regime (or as a movement from the Qualifying Property Rental Business to the Residual Business) is disregarded in calculating the gain or loss on the disposal.

It is important to note that it cannot be guaranteed that the Company or the REIT Group will comply with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances. HMRC may require the REIT Group to exit the REIT Regime if:

- it regards a breach of the conditions relating to the REIT Regime, or an attempt to obtain a tax advantage, as sufficiently serious; or
- the REIT Group or the Company have committed a certain number of breaches of the conditions in a specified period; or
- HMRC has given members of the REIT Group two or more notices in relation to the obtaining of a tax advantage within a ten year period of the first notice having been given.

In addition, if the conditions for REIT status relating to the share capital of the principal company and the prohibition on entering into loans with abnormal returns are breached or the principal company ceases to be UK resident, becomes dual resident or an open-ended company, it will automatically lose REIT status. Where the REIT Group automatically loses REIT status or is required by HMRC to leave the REIT Regime within ten years of joining, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the REIT Group is treated as exiting the REIT Regime.

Shareholders should note that it is possible that the REIT Group could lose its status as a REIT as a result of actions by third parties (for example, in the event of a successful takeover by a company that is not a REIT, unless the acquirer qualifies as an Institutional Investor and the REIT's shares continue to be admitted to trading on a recognised stock exchange and are either listed or traded) or other circumstances outside the REIT Group's control.

PART III

UNITED KINGDOM TAXATION OF SHAREHOLDERS AFTER ENTRY INTO THE REIT REGIME

1 Introduction

The statements set out below are intended only as a general guide to certain aspects of current UK tax law and HMRC published practice as at the date of this document and apply only to certain Shareholders resident for tax purposes in the UK (save where express reference is made to non-UK resident persons). The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own independent tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposition of Ordinary Shares.

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends paid by the Company and to disposals of Ordinary Shares in the Company, in each case, after the Group has become a REIT Group. Except where otherwise indicated, they apply only to Shareholders who are resident for tax purposes in the United Kingdom. They apply only to Shareholders who are the absolute beneficial owners of both their PIDs and their Ordinary Shares and who hold their Ordinary Shares as investments. They do not apply to Substantial Shareholders.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

2 UK Taxation of PIDs

2.1 *UK taxation of UK tax-resident individual shareholders*

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

2.2 *UK taxation of UK tax resident corporate Shareholders*

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

The main rate of UK corporation tax on such profit is currently 19 per cent. (due to reduce to 17 per cent. from 1 April 2020).

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

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

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

Please see also section 3 (*Withholding tax and PIDs*) below.

3 Withholding tax and PIDs

3.1 *General*

Subject to certain exceptions summarised below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs (whether paid in cash or in the form of a stock dividend). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID. Tax is not required to be withheld when distributions are paid to certain types of Shareholder (see section 3.4 below for more detail).

3.2 *Shareholders solely resident in the UK*

Where tax has been withheld at source, Shareholders who are individuals may, depending on their particular circumstances, be liable to further tax on their PID at their applicable marginal rate, incur no further liability on their PID, or be entitled to claim repayment of some or all of the tax withheld on their PID.

Shareholders who are corporate entities will generally be liable to pay corporation tax on their PID and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax, or income tax which they are required to withhold, in the accounting period in which the PID is received.

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

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

3.4 *Exceptions to requirement to withhold income tax*

Shareholders should note that in certain circumstances the Company is not required to withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is: a company resident for tax purposes in the UK; or a company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring the PID into account in computing its chargeable profits; or certain charities.

They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an individual savings account, the plan manager of a personal equity plan, or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant scheme, account, plan or fund. This means that the payments to the manager of an ISA may also be made gross.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid claim form (copies of which may be obtained on request from the Registrars).

Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

4 UK taxation of Non-PID Dividends

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

4.1 *UK taxation of UK resident individual Shareholders*

With effect from 6 April 2018, an individual shareholder who is resident in the UK (for tax purposes) and who receives a Non-PID Dividend from the Company will be entitled to an annual tax free allowance of £2,000 of dividend income (which is subject to UK income tax at 0 per cent.).

To the extent that Non-PID Dividend income exceeds this allowance, tax will be imposed at the rate of 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

4.2 *UK taxation of UK resident corporate Shareholders*

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on Non-PID Dividends paid by the Company, unless the Non-PID Dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder, although it is expected that the Non-PID Dividends paid by the Company would normally be exempt.

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

The Company is not required to withhold tax when paying a Non-PID Dividend. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning their tax position on Non-PID Dividends received from the Company.

5 UK taxation of chargeable gains in respect of Shares in the Company

For the purpose of UK tax on chargeable gains, the amount paid by a Shareholder for Ordinary Shares will constitute the base cost of his holding. If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may arise. This will depend on the base cost and incidental costs of acquisition and disposal, which can be allocated against the proceeds, and also, the Shareholder's circumstances and any reliefs to which they are entitled. In the case of UK resident corporate Shareholders, indexation allowance will apply to the amount paid for the Ordinary Shares using the RPI for December 2017, irrespective of the date of disposal of the Ordinary Shares.

5.1 *UK taxation of UK resident individual Shareholders*

Subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of Shares by individuals, trustees and personal representatives will generally be subject to capital gains tax at the rate of up to 20 per cent.

5.2 *UK taxation of UK tax resident corporate Shareholders*

Subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of Shares by a Shareholder within the charge to UK corporation tax will generally be subject to corporation tax at the current rate of 19 per cent. (due to reduce to 17 per cent. from 1 April 2020.

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

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Shares (unless they carry on a trade, profession or vocation in the UK

through a branch or agency with which their Shares are connected or, in the case of a corporate Shareholder, through a permanent establishment in connection with which the Shares are held).

Non-UK resident Shareholders should be aware that the UK government is planning to introduce a capital gains charge for such shareholders on disposals of interests in commercial property with effect from April 2019. However, we do not yet have the details of the charge, but it is not expected to apply to shareholders who hold less than 25% of the Ordinary Shares in the Company.

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

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

6 UK stamp duty and UK stamp duty reserve tax (SDRT) in respect of Ordinary Shares in the Company

UK stamp duty and SDRT will, following entry into the UK REIT Regime, generally apply in the same way in respect of transfers of Ordinary Shares as it does currently. In particular, provided that (as intended) the Company does not keep any register of Shareholders in the UK, no SDRT should arise in respect of an agreement to transfer Ordinary Shares.

Prospective purchasers of Ordinary Shares should consult their own tax advisers with respect to the tax consequences to them of acquiring, holding and disposing of Ordinary Shares.

7 UK situs assets

Non-UK resident Shareholders should be aware that while the proposal is for the Company to become UK resident for tax purposes, it will remain incorporated in Guernsey for company law purposes. The register of members of the Company will continue to be maintained in Guernsey and the Company will not have a register of members in the UK. Accordingly, the Ordinary Shares will remain non-UK situs assets for UK inheritance tax purposes.

8 ISAs, SSASs and SIPPs

8.1 The Ordinary Shares will be a qualifying investment for the purposes of an ISA, provided they are acquired by an ISA plan manager, subject to the usual annual subscription limits (which for the tax year 2018-2019 is £20,000). It is the intention of the Directors to manage the Company in a way which will allow the Ordinary Shares to continue to qualify as eligible for inclusion within an ISA.

8.2 The Ordinary Shares will also be eligible for inclusion in a SSAS or a SIPP.

PART IV

THE PROPOSED AMENDMENTS TO THE ARTICLES

As explained in the letter from the Chairman and in Part II of this document, the principal company of a REIT Group (being, in this case, the Company) may become subject to an additional tax charge if it pays a distribution to a company (or certain bodies corporate) beneficially entitled, directly or indirectly, to 10 per cent. or more of the Ordinary Shares or dividends of the Company or which controls, directly or indirectly, 10 per cent. or more of the voting rights in the Company (referred to in this document as **Substantial Shareholders**).

This additional tax charge generally only applies where a distribution is paid to (or in respect of) persons that are companies or are treated as bodies corporate in accordance with the law of an overseas jurisdiction with which the UK has a double taxation agreement, or in accordance with such a double taxation agreement. It does not generally apply where a nominee has such a 10 per cent. or greater holding unless the persons on whose behalf the nominee holds the shares (and distributions on them) meet the test in their own right.

The tax charge may not apply if the Company has taken reasonable steps to prevent a distribution to or in respect of a Substantial Shareholder. It is therefore proposed that the Articles should be amended in order to allow the Company to take reasonable steps to avoid paying a distribution to a Substantial Shareholder and to be able to demonstrate to HMRC that it has taken such reasonable steps.

The New Articles will include the new provisions which are summarised below. The New Articles:

(A) allow Board meetings and general meetings to be held in the UK;

(B) provide the Directors with powers to identify Substantial Shareholders (including giving notice to a Shareholder requiring him to provide such information as the Directors may require to establish whether or not he is a Substantial Shareholder);

(C) provide the Directors with powers to prohibit the payment of distributions on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;

(D) allow distributions to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to distributions on its Ordinary Shares or the Directors are otherwise satisfied that no tax charge would arise;

(E) seek to ensure that if a distribution is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in (C) have not been entered into, the Substantial Shareholder concerned does not become beneficially entitled to that distribution;

(F) provide the Directors with powers, if certain conditions are met, to require (i) a Substantial Shareholder; or (ii) a Shareholder who has not complied with a notice served in accordance with the power referred to in (B) above; or (iii) a Shareholder who has provided materially inaccurate or misleading information in relation to the Substantial Shareholder provisions of the New Articles, to dispose of such number of their shares as the Directors may specify, or to take such other steps as will cause the Directors to believe the Shareholder is no longer a Substantial Shareholder; and

(G) seek to ensure that the Company (as principal member of a REIT Group) remains solely resident in the UK for tax purposes after the Group becomes a REIT Group including provisions to ensure that Board meetings and general meetings are held in the UK.

Shareholders should note that, for the purposes of the New Articles, the term Substantial Shareholder is defined in part by reference to whether payment of a distribution in respect of the shares in question could give rise to a tax charge in the Company. The definition in the New Articles is, therefore, slightly different from that used throughout the rest of this document.

The New Articles will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ up to and including close of business on 20 July 2018 and at the venue of the Extraordinary General Meeting for at least 15 minutes prior to the Extraordinary General Meeting and up until the close of the meeting.

PART V

IMPACT OF A CHAPTER 6 LISTING

Investment Policy and Business Strategy

The key impact for Shareholders of the proposed transfer of listing category is that under Chapter 15, a closed ended investment fund must invest and manage its assets in accordance with its investment policy and obtain shareholder approval in respect of any material alterations to that policy. Under Chapter 6, the Company will not be required to have an investment policy, and it will instead pursue the business strategy set by the Board from time to time and currently as described on page 27 of the 2018 Annual Report and summarised in Part VI of this document.

In addition, under Chapter 15, an investment fund must invest and manage its assets in a way which is consistent with spreading investment risk. It also must not conduct any trading activity and is subject to certain investment restrictions such as not investing more than 10% of its total assets in other listed closed-ended investment funds. As a company listed under Chapter 6, the Company will no longer be subject to these requirements. The Board does not consider that this will disadvantage Shareholders and intends to continue to be mindful of all forms of concentration risk when evaluating the Company's portfolio.

Significant Transactions

While listed under Chapter 15, the Company may enter into a transaction of any size without Shareholder approval, as long as the transaction in question is permitted under its investment policy. Under the proposed Chapter 6 listing, the Company will be subject to the ''class tests'' as set out in Chapter 10 of the Listing Rules. These require that the Company make certain announcements to Shareholders and, in the case of larger transactions, obtain shareholder approval before entering into such transactions. The Company will therefore have to seek shareholder approval if it intends to proceed with a transaction that results in any of the class tests delivering a result of 25 per cent, or more, whether the relevant transaction falls within or outside its business strategy. The class tests relevant for the Company are: (i) the Gross Assets test (which calculates the proportion that the consideration under the relevant acquisition or disposal comprises of the gross assets of the Company) (ii) the Profits test (which calculates the proportion of the net annual rent of the relevant asset being acquired or disposed of makes up of the total net annual rent received by the Company), (iii) the Gross Capital test (which calculates the proportion that the gross capital of the relevant asset comprises of the gross capital of the Company) and (iv) the Share Capital test (where any of the consideration for a transaction is shares in the Company, the proportion that those shares make up of the Company's Ordinary Shares).

PART VI

THE COMPANY'S INVESTMENT POLICY AND BUSINESS STRATEGY

The Company's current investment policy and restrictions

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. 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.

As a closed-ended investment company, the Company presently has the following principal investment restrictions:

- The Company must manage its investments in a manner which is consistent with its published investment policy.
- Distributable income will be principally derived from investments. 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.
- Not more than 20% 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.
- 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.
- The distribution as dividend of surpluses arising from the realisation of investments will be prohibited.
- The Company will not be a dealer in investments.
- No single property (including all adjacent or contiguous properties) shall constitute more than 15% of the Gross Assets of the Group.
- Income receivable from any single tenant, or tenants within the same group, in any one financial year, should not exceed 20% of the total rental income of the Group in that financial year.
- At least 90% by value of properties held by the Group shall be in the form of freehold or long leasehold properties or the equivalent.
- 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% of the value of the portfolio.
- The Company shall not retain more than 15% of its net profits, before gains and losses on the disposal of properties and other investments.
- The Group shall not invest more than 10% of its Gross Assets in residential property. For this purpose, the Board 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.
- The Group shall not invest more than 20% of its Gross Assets in other property investment funds, save for funds wholly owned within the Group; this restriction shall not apply to special purposes vehicles and joint ventures.
- The Company shall not invest more than 10% of its Gross Assets in real estate derivative instruments, real estate debt or the debt securities of other real estate issuers (excluding debt securities issued by the Company's own subsidiaries).

- The Group's borrowings shall be restricted so that the aggregate principal borrowings outstanding at the time of the drawdown shall not at any time exceed 65% of its Gross Assets.
- 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.

If the Resolutions are passed, the investment policy described above will be cancelled and the Company will instead pursue the business strategy described on page 27 of the 2018 Annual Report and summarised below.

The Company's Business Strategy

Business Objective – Picton aims to be one of the consistently best performing diversified UK focussed property companies listed on the London Stock Exchange.

Our strategic aims to achieve this objective are to own and manage a portfolio of properties that should outperform the IPD UK Quarterly Property Fund Index and provide a stable income stream. We will adapt our capital structure as necessary to achieve enhanced returns including the effective use of debt.

Our business model *designed to meet our strategy and objective is as follows:*

- Be occupier focused and opportunity led in the way we approach the proactive management of our portfolio.
- Buy, manage and sell assets effectively to ensure we enhance value and income over the short, medium and long term.
- Focus on both income and total return and seek to manage and reduce risk within the business model.
- Work with our occupiers to create space that they need, provide a service they value and deliver high occupancy.
- Have a flexible and efficient capital structure and manage our debt profile through the property cycle.
- Ensure we run an effective but efficient operational model.
- Have the right culture that helps Picton achieve our strategic aims.
- Align all staff with Shareholders' interests through an appropriately structured remuneration policy.

PART VII

SELECTED FINANCIAL INFORMATION OF THE GROUP

1 Audited Consolidated Financial Statements of the Group for the financial periods ended 31 March 2018, 31 March 2017 and 31 March 2016

Audited consolidated financial statements of the Group for the financial period from 1 April 2015 to 31 March 2016, from 1 April 2016 to 31 March 2017 and from 1 April 2017 to 31 March 2018 in respect of which the Company's auditor, KPMG LLP, Chartered Accountants and Recognised Auditor, of Glategny Court, Glategny Esplanade, St Peter Port, Guernsey GY1 1WR has given unqualified opinions that the accounts give a true and fair view of the state of the Group's affairs as at 31 March 2016, 31 March 2017 and 31 March 2018 respectively and its profits and total comprehensive income for the periods then ended, have been properly prepared in accordance with the Companies (Guernsey) Law 2008 and are incorporated into this document in full by reference to the same.

Historical financial information

The audited consolidated financial statements of the Group for the financial period from 1 April 2015 to 31 March 2016, the financial period from 1 April 2016 to 31 March 2017 and the financial period from 1 April 2017 to 31 March 2018, which have been incorporated in this document by reference, include the information specified in the tables below. Where the audited consolidated financial statements of the Group for the financial period from 1 April 2015 to 31 March 2016, the financial period from 1 April 2016 to 31 March 2017 and the financial period from 1 April 2017 to 31 March 2018 make reference to other documents, such other documents are not incorporated into and do not form part of this document.

Nature of information	Audited consolidated financial statements of the Group for the period from 1 April 2017 to 31 March 2018 Page no.	Audited consolidated financial statements of the Group for the period from 1 April 2016 to 31 March 2017 Page no.	Audited consolidated financial statements of the Group for the period from 1 April 2015 to 31 March 2016 Page no.
Consolidated Statement of Comprehensive Income	90	74	74
Consolidated Statement of Changes in Equity	91	75	75
Consolidated Balance Sheet	92	76	76
Consolidated Statement of Cash Flows	93	77	77
Notes to the Consolidated Financial Statements	94	78	78
Independent Auditor's Report	86	70	72
Chief Executive's Review	24	24	20
Directors' Report	82	67	69

2 Availability of Reports and Financial Statements for inspection

Copies of the Company's annual report and audited accounts referred to in paragraph 1 of this Part VII are available online at www.picton.co.uk and are also available for inspection at the Company's registered address. Copies of the documents are also available using the hyperlinks below:

- http://www.picton.co.uk/investors/results/annual-reports/annual-report-2018
- http://www.picton.co.uk/investors/results/annual-reports/annual-report-2017
- http://www.picton.co.uk/investors/results/annual-reports/annual-report-2016

The non-incorporated parts of the annual reports and audited accounts of the Company referred to in this Part VII are either not relevant to Shareholders or are covered elsewhere in this document.

PART VIII

NOTICE OF EXTRAORDINARY GENERAL MEETING

PICTON PROPERTY INCOME LIMITED

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

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Picton Property Income Limited (the **Company**) will be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL at 2.30 p.m. on 23 July 2018 to consider and, if thought fit, to pass the following resolutions:

Special Resolutions

1 THAT, subject to and conditional on the Group becoming a REIT Group (expected to be effective on or around 1 October 2018) pursuant to the terms of the notice given to HMRC in accordance with Part 12 of the Corporation Tax Act 2010, the passing of Resolution 2 below and the listing of the whole of the Company's issued ordinary share capital being transferred from a premium listing under Chapter 15 (investment company) to a premium listing under Chapter 6 (commercial company) of the FCA's Listing Rules, the articles of incorporation of the Company produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be adopted as the Company's articles of incorporation in substitution for and to the exclusion of all existing articles of incorporation.

2 THAT, subject to and conditional on the passing of Resolution 1 above and the Group becoming a REIT Group (expected to be effective on or around 1 October 2018) pursuant to the terms of the notice given to HMRC in accordance with Part 12 of the Corporation Tax Act 2010, pursuant to Listing Rule 5.4A.4R, the listing of the whole of the Company's issued ordinary share capital be transferred from a premium listing under Chapter 15 (investment company) to a premium listing under Chapter 6 (commercial company) of the FCA's Listing Rules on the Official List maintained by the FCA, and to replace the current investment policy with a business strategy, as set out in the 2018 Annual Report, and the Directors be and are hereby authorised to do and/or procure to be done all such acts or things as they may consider necessary or desirable in connection therewith.

Defined terms in this Notice of Extraordinary General Meeting and the Resolutions have the same meanings as given to them in the circular published by the Company dated 28 June 2018, save where the context requires otherwise.

By order of the Board

Northern Trust International Fund Administration Services (Guernsey) Limited
Company Secretary

Notes:

These notes should be read in conjunction with the notes on the Form of Proxy.

(i) A member entitled to attend and vote at the Extraordinary General Meeting convened by the above Notice of Extraordinary General Meeting is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the Extraordinary General Meeting, each proxy must be appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by the member. Completion of the Form of Proxy will not prevent you from attending and voting in person.

(ii) To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Extraordinary General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned in accordance with the instructions printed thereon to Computershare Investor Services (Guernsey) Limited at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or delivered by hand during office hours only to the same address to be received as soon as possible and in any event by not later than 2.30 p.m. on 19 July 2018, and in default unless the Board directs otherwise the Form of Proxy shall not be treated as valid. Amended instructions must also be received by the Company's registrar by the deadline for receipt of proxies.

(iii) The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

(iv) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(v) Pursuant to Article 41 of the Uncertificated Securities (Guernsey) Regulations 2009, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

(vi) Shareholders who hold their Ordinary Shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST.

(vii) To allow effective continuation of the meeting (or any adjourned meeting), if it is apparent to the Chairman that no Shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, the Chairman may appoint a substitute to act as proxy in their stead for any Shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.

(viii) If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 5 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

(ix) As at 27 June 2018, being the last business day prior to this Notice of Extraordinary General Meeting, the Company's issued capital consisted of 540,053,660 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 27 June 2018 are 540,053,660.