



Custodian

REIT PLC



Placing and offer for
subscription prospectus 2014



Custodian Capital

PROPERTY FUND MANAGEMENT

N Numis
Securities Limited



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

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

The Ordinary Shares are only suitable for investors: (i) who understand and are willing to assume the potential risks of capital loss and that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Ordinary Shares is part of a diversified investment programme; (iii) who fully understand and are willing to assume the risks involved in such an investment. If you are in any doubt about the contents of this document, you should consult your accountant, legal or professional adviser or financial adviser.

The Directors of the Company, whose names appear on page 33 of this document, and the Company each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge and belief of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

CUSTODIAN REIT PLC

(a company incorporated in England and Wales under the Companies Act 2006 with company number 8863271)

ISSUE IN CONNECTION WITH THE ACQUISITION OF THE INITIAL PROPERTY PORTFOLIO

AND PLACING AND OFFER FOR SUBSCRIPTION

of up to 135 million Ordinary Shares of 1p each at an issue price of 100p per Ordinary Share

PLACING PROGRAMME

of up to a number of Ordinary Shares of 1p each equal to 122 per cent of the total issued Ordinary Shares immediately following Admission on the basis that 135 million Ordinary Shares are issued pursuant to the Acquisition, Placing and Offer for Subscription, subject to a maximum of 300 million Ordinary Shares in aggregate being issued under both the Issue and the Placing Programme

ADMISSION TO THE PREMIUM SEGMENT OF THE OFFICIAL LIST AND TO TRADING ON THE LONDON STOCK EXCHANGE’S MAIN MARKET FOR LISTED SECURITIES

Sponsor, Broker and Financial Adviser

NUMIS SECURITIES LIMITED

Application has been made to the FCA for all of the Ordinary Shares issued and to be issued pursuant to the Issue to be admitted to the premium segment of the Official List and to London Stock Exchange for those Ordinary Shares to be admitted to trading on the London Stock Exchange’s Main Market. It is expected that such admissions will become effective and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 26 March 2014.

Applications will be made to the FCA and the London Stock Exchange for all of the Ordinary Shares issued pursuant to each Subsequent Placing to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that such admission will become effective and that dealings for normal settlement in such Ordinary Shares will take place between 26 March 2014 and 20 February 2015. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned.

The Placing Programme will remain open until 20 February 2015.

Unless otherwise agreed by the Board, the Ordinary Shares will only be offered for subscription to potential investors who are resident in the United Kingdom. The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended, or under the securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States. The Company has not been, and will not be, registered under the US Investment Company Act of 1940, as amended. Accordingly, the offer and sale of Ordinary Shares to US persons (as defined in Regulation S under the Securities Act) is subject to further restrictions. Neither the Issue nor the Placing Programme is being made, directly or indirectly, in or into, or by the use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange of, Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or any other Restricted Jurisdiction. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or to, or for the account or benefit of, any resident of Canada, Australia, the Republic of South Africa or Japan or any other Restricted Jurisdiction and persons receiving this document (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such jurisdictions. The Ordinary Shares have not been and will not be registered under the relevant securities laws of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Accordingly, unless an exemption under applicable laws applies, the Ordinary Shares may not be offered, sold or delivered directly or indirectly in or into Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

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

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

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing in the Company. Potential investors should also consider the Risk Factors relating to the Company set out on pages 15 to 26 of this document.

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SUMMARY

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

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

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

Section A – Introduction and warnings		
Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to the prospectus. Any decision to invest in the Ordinary Shares should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with other parts of this prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Financial Intermediaries	Not applicable. No consent has been given by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer		
Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	Custodian REIT Plc
B.2	Domicile and legal form	The Company was incorporated in England and Wales under the Companies Act 2006 as a company limited by shares on 27 January 2014 with company number 8863271 and is a closed end investment company.
B.3	Current operations and principal activities	Not applicable. The Company will be a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 but has not commenced operations since its incorporation.
B.4a	Recent trends	The Company intends to target smaller lot size properties (of values of less than £7.5 million) with the intention to provide investors with a differentiated source of long-term

		income. In common with the wider market, this segment of the property sector has attracted increased investor demand over the preceding six months but the Directors believe it continues to represent a potentially attractive investment opportunity.
B.5	Group description	The Company is the holding company of the group. It has one wholly owned subsidiary, Custodian Real Estate Limited.
B.6	Major shareholders	<p>As at the close of business on 24 February 2014, (being the latest practicable date prior to the publication of this document) the Company is not aware of any persons who, following Admission (and assuming the maximum number of Ordinary Shares are subscribed under the Placing and Offer for Subscription and all of the properties in the Initial Property Portfolio are acquired by the Company), will be directly or indirectly interested in three per cent. or more of the Company's issued share capital.</p> <p>The Directors are not aware of any person or persons who could, directly or indirectly, jointly or severally, exercise control over the Company.</p> <p>There are no different voting rights for any Shareholder.</p>
B.7	Key financial information	The Company has not commenced operations since its incorporation on 27 January 2014 and no financial statements of the Company have been made as at the date of this document.
B.8	Key pro forma financial information	<p>Immediately following Admission, the Company's gross assets will:</p> <ul style="list-style-type: none"> (a) comprise properties from the Initial Property Portfolio with a gross market value of at least £75 million (based on the valuation report in Part V of this document); and (b) increase by an amount equal to the gross proceeds of the Placing and Offer for Subscription less an amount representing the Issue Costs borne by the Company which are not expected to exceed 2 per cent. of the aggregate Issue Price of the Issue Shares and the Consideration Shares (assuming that the maximum number of Ordinary Shares are subscribed under the Placing and Offer for Subscription and all of the properties in the Initial Property Portfolio are acquired by the Company). <p>It is not possible to quantify the effect of the Issue on the Company's earnings except that they should increase.</p>
B.9	Profit forecast	Not applicable. No profit forecast or estimate has been made.

B.10	Qualifications in the audit report on the historical financial information	Not applicable. There is no historical financial information.
B.11	Working capital insufficiency	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.
B.34	Investment objective and policy	<p>The Company’s investment objective is to provide Shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK.</p> <p>The Company’s investment policy is to invest in a diversified portfolio of UK commercial real estate properties. The target portfolio will be a UK, commercial property portfolio, characterised by small lot sizes with individual property values of less than £7.5 million at acquisition. The target portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50 per cent. The Company will pursue its investment policy as follows:</p> <ul style="list-style-type: none"> (a) The Company intends to hold a portfolio of UK commercial property, diversified by sector, location, tenant and lease term. (b) The portfolio will be diversified by location across the UK with a focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers. (c) The Company will target a portfolio with no one tenant or property accounting for more than 10 per cent. of the total rent roll of the Company’s portfolio at the time of purchase, except: <ul style="list-style-type: none"> (i) in the case of a single tenant which is a governmental body or department, where no percentage limit to proportion of the total rent roll shall apply; or (ii) in the case of a single tenant rated by ICC with a credit rating of less than 60, in which case the exposure to such single tenant may not exceed 5 per cent of the total rent roll (a credit rating of 60 represents “normal, limited risk potential, normal terms”). (d) The Company will seek to maintain an average unexpired lease term of over 5 years across the portfolio secured against low risk tenants and to minimise rental voids.

		<p>(e) The Company will not undertake speculative development (that is, development of property which has not been leased or pre-leased), save for refurbishment of existing holdings, but may (provided that it shall not exceed 20 per cent. of the gross assets of the Company) invest in forward funding agreements or forward commitments (these being, arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments, where the Company intends to own the completed development.</p> <p>(f) The Company may use gearing, including to fund the acquisition of property and cash flow requirements. Over the medium term, the Company is expected to target borrowings of 25 per cent. of the aggregate market value of all the properties of the Company at the time of borrowing.</p> <p>(g) The Company reserves the right to use efficient portfolio management techniques, such as interest rate hedging and credit default swaps, to mitigate market volatility.</p> <p>(h) Uninvested cash or surplus capital or assets may be invested on a temporary basis in:</p> <p>(i) cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or</p> <p>(ii) any “government and public securities” as defined for the purposes of the FCA rules.</p>
B.35	Borrowing limits	The Board currently intends as a target over the medium term that borrowings of the Company at the time of draw down will not exceed 25 per cent of the aggregate market value of all the properties of the Company.
B.36	Regulatory status	<p>The Company will not be regulated as a collective investment scheme by the Financial Conduct Authority. However, from Admission, it will be subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.</p> <p>It is the expectation of the Directors that the Company will fulfil the relevant “qualifying conditions” for UK REIT status, such that the Company will give notice for the Group to become a REIT Group with effect from the day after Admission. As a REIT (amongst other things):</p> <ul style="list-style-type: none"> the Group will not pay UK income or corporation tax on profits and gains from its Qualifying Property Rental Business;

		<ul style="list-style-type: none"> the Company will be required to distribute to Shareholders at least 90 per cent. of the profits arising from the Group's Qualifying Property Rental Business; and subject to certain exemptions, the Company will be required to withhold tax at source from its PIDs as set out in more detail in Part VIII of this Prospectus. <p>Under the REIT Regime, a tax charge to UK taxation may currently be levied on the Company if it were to pay a PID to a Substantial Shareholder. The Articles contain provisions relating to Substantial Shareholders as set out in paragraph 4.4 of Part VI of this document.</p> <p>Information regarding, <i>inter alia</i>, UK taxation for potential Shareholders is set out in Part VII of this document.</p>
B.37	Typical investor	The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised individual who is seeking an attractive level of income with the potential for income and capital growth from investing in a diversified portfolio of UK commercial real estate properties and who understands and accepts the risks inherent in the Company's investment policy.
B.38	Investment of 20 per cent. or more in single underlying asset or investment company.	Not applicable.
B.39	Investment of 40 per cent. or more in single underlying asset or investment company.	Not applicable.
B.40	Applicant's service providers	<p><i>Investment Manager</i></p> <p>The Company has appointed Custodian Capital Limited as its investment manager. The Investment Manager is a private company limited by shares and was incorporated in England and Wales under the Companies Act 1985 with the company number 6504305 on 14 February 2008. The Investment Manager is authorised and regulated by the FCA.</p> <p>In its capacity as investment manager to the Company, the Investment Manager will advise the Company on the acquisition of its investment portfolio and on the development, management and disposal of properties in the portfolio.</p> <p>The Investment Management Agreement provides that the Company will pay to the Investment Manager on a quarterly basis in arrears (on 1 January, 1 April, 1 July and 1 October each year) a fund and asset management fee calculated by reference to the NAV of the Company each quarter as follows:</p> <p>(a) 0.9 per cent. of that amount of the NAV of the Company as at the relevant quarter day being less than or equal to £200 million divided by 4; plus</p>

		<p>(b) 0.75 per cent. of that amount of the NAV of the Company as at the relevant quarter day in excess of £200 million divided by 4.</p> <p>The Investment Manager is also appointed under the Investment Management Agreement to provide company secretarial, financial and administrative services to the Company.</p> <p>The Company will pay to Custodian Capital an administrative fee equal to 0.125 per cent. of the NAV of the Company at the end of the last accounting period of the Company (or, in relation to the first accounting period, the NAV of the Company at Admission), subject to a minimum of £40,000 per quarter in the first year (such minimum amount being increased each year in line with the retail price index). The administrative fee is payable in quarterly instalments in advance.</p> <p>The Investment Management Agreement is for an initial term of three years (the “Initial Term”), terminable by either party giving not less than twelve months’ prior written notice to the other, which notice may only be given after the expiry of the Initial Term.</p>
B.41	Regulatory status of Investment Manager	The Investment Manager is authorised and regulated by the FCA.
B.42	Calculation of Net Asset Value	<p>The properties acquired by the Company will be valued by Lambert Smith Hampton.</p> <p>The Net Asset Value attributable to the Ordinary Shares will be published quarterly based on the most recent valuation of the Company’s portfolio and in accordance with IFRS.</p> <p>The Net Asset Value will be calculated by the Investment Manager and published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter. It is expected that the first Net Asset Value of the Ordinary Shares will be published as at 30 June 2014.</p> <p>The calculation of the Net Asset Value per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44	No financial statements have been made up	The Company has not commenced operations since its incorporation on 27 January 2014 and no financial statements of the Company have been made as at the date of this document.

B.45	Portfolio	The Company will acquire on Admission a diversified portfolio of UK commercial real estate properties, which comprises up to 48 freehold and leasehold properties located across the UK. If all the properties in the Initial Property Portfolio are acquired by the Company, that the portfolio is diversified between the main commercial property sectors: Industrial 37 per cent., Retail 20 per cent., Office 18 per cent. and Other 25 per cent. Following Admission the Company will continue to invest in properties in line with its investment policy of investing in a diversified portfolio of UK commercial real estate.
B.46	Net Asset Value	Not applicable. No valuation of the Net Asset Value per Ordinary Shares has been carried out to date.

Section C Securities		
Element	Disclosure requirement	Disclosure
C.1	Type and class of securities	The Company proposes to issue up to 135 million Ordinary Shares. Application has been made to the FCA for the Ordinary Shares to be admitted to the premium segment of the Official List and to be admitted to trading on the London Stock Exchange's Main Market.
C.2	Currency	The Company will issue Ordinary Shares denominated in Sterling.
C.3	Number of securities in issue	At the date of this document the Company has in issue one Ordinary Share and 4,999,999 redeemable ordinary shares of 1p each in the capital of the Company, all of which are fully paid up.
C.4	Description of the rights attaching to the securities	<p><i>Voting Rights</i></p> <p>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares, Ordinary Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company.</p> <p>Each Ordinary Shareholder being present in person or by proxy or by a duly authorised representative (if a company) at a general meeting shall upon a show of hands have one vote and upon a poll all Ordinary Shareholders shall have one vote for every Ordinary Share held.</p> <p><i>Dividend rights</i></p> <p>Shareholders will be entitled to receive such dividends as the Directors may resolve to pay to them out of the assets attributable to their Ordinary Shares.</p> <p><i>Return of capital</i></p> <p>Holders of Ordinary Shares are entitled to participate (in accordance with the rights specified in the Articles) in the assets of the Company attributable to their Ordinary Shares</p>

		<p>in a winding up of the Company or a winding up of the business of the Company.</p> <p>Redeemable Shares</p> <p>The redeemable ordinary shares of 1p each in the capital of the Company (the “Redeemable Ordinary Shares”) shall be redeemed by the Company immediately upon Admission in consideration of the payment of a sum equal to the amount received by the Company in payment up of the amount due on the Redeemable Ordinary Shares.</p> <p>In all other respects, the rights of the Redeemable Ordinary Shares are the same as, and rank <i>pari passu</i> with, the Ordinary Shares.</p>
C.5	Restrictions on the free transferability of the securities	<p>Subject to the Articles (and the restrictions on transfer contained therein) a Shareholder may transfer all or any of his Ordinary Shares in any manner which is permitted by law or in any other lawful manner which is from time to time approved by the Board.</p> <p>The Ordinary Shares have not been, nor will be, registered in the United States under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and are subject to restrictions on transfer contained in such laws. There are restrictions on the purchase of Shares by persons who are located in the United States or who are US Persons (as defined in the US Securities Act) and on the resale of Shares by any Shareholders to any person who is located in the United States or is a US Person (as defined in the US Securities Act) and on the resale of Shares by any Shareholders to any person who is located in the United States or is a US Person.</p>
C.6	Admission	Application has been made to the FCA for the Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange’s Main Market.
C.7	Dividend policy	<p>Subject to market conditions and the Company’s level of net income, it is the Directors’ intention to pay interim dividends to Shareholders on a quarterly basis and in accordance with the REIT Regime.</p> <p>The Company will seek to maintain the dividend over the long term and may offer Shareholders the opportunity to receive dividends in the form of further Ordinary Shares.</p>

Section D – Risks		
Element	Disclosure requirement	Disclosure
D1.	Key information on the key risks specific to the issuer or its industry	<ul style="list-style-type: none"> The Company cannot guarantee that it will obtain REIT status nor can it guarantee that it will maintain continued compliance with all of the REIT

		<p>conditions. If the Company was to leave the REIT Regime within 10 years of joining, HMRC has wide powers to direct how it would be taxed which could have a material impact on the financial condition of the Company.</p> <ul style="list-style-type: none"> • The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields. • Investments in property are inherently illiquid. Such illiquidity may affect the Company's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices. This could have an adverse effect on the Company's financial condition and results of operations. • The value of property and property related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There can be no assurances that the estimates resulting from the valuation process will reflect actual realisable sale prices. • The Company will incur certain fixed costs on the acquisition of properties, including stamp duty land tax which will reduce the Net Asset Value per Ordinary Share immediately following the acquisition. There is no guarantee that the value of the properties will increase to an amount in excess of these costs. • The Company will be reliant on the skills of the Investment Manager and may be adversely affected if it underperforms or its services cease to be available to the Company.
D.2	Key information on the key risks that are specific to the issuer.	<ul style="list-style-type: none"> • The Company is a newly incorporated company which has no track record of past performance. • The Company intends to use borrowings to acquire further properties and those borrowings may not be available at the appropriate time or on suitable terms. If borrowings are not available on suitable terms or at all this will have a material adverse impact on the returns to Shareholders and in particular the level of dividends paid. • Admission is conditional on the acquisition by the Company of properties comprised within the Initial Property Portfolio which have an aggregate value (on the basis of the property valuations set out in the Valuation Report in Part V of this document) of not less than £75 million. There is therefore no guarantee that all of the properties comprised within the Initial

		Property Portfolio will be transferred to the Company.
D.3	Key information on the key risks specific to the securities.	<ul style="list-style-type: none"> • The market value of, and the income derived from, the Ordinary Shares can fluctuate. The market value of the Ordinary Shares, as well as being affected by their Net Asset Value and prospective Net Asset Value, also takes into account their dividend yield and prevailing interest rates. • There is no guarantee that a liquid market will be established in the Ordinary Shares. • There is no guarantee that the target dividends will be paid. • The Company's ability to pay dividends will depend principally upon the rental income generated from the properties owned by the Company. • Both the rental income and the market value of the properties acquired by the Company will be affected by the operational performance of the properties or the related business being carried on in the property and the general financial performance of the tenants. • Dividend growth will depend principally on growth in rental income and other income returns on the underlying assets and the extent to which the Company is invested.

Section E – Offer		
Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the Issue	<p>The costs and expenses of the Issue include the costs of incorporation of the Company, the commissions payable to Numis, the fees payable to professional advisers and other related expenses. The aggregate estimated amount of these costs and expenses is £2.7 million assuming 135 million Ordinary Shares are issued under the Issue.</p> <p>The net proceeds of the Placing and Offer for Subscription are therefore expected to be £52.3 million (on the assumption that the Placing and Offer for Subscription are fully subscribed) and they are intended to be used by the Company to acquire additional UK commercial real estate properties in accordance with the Company's investment policy.</p>
E.2 A	Reason for offer and use of proceeds	<p>The net proceeds of the Issue are intended to be used by the Company to purchase a diversified portfolio of additional properties in accordance with the Company's investment policy.</p> <p>The gross proceeds of the Issue are intended to be used to (a) fund the Cash Consideration under the Acquisition Agreements (which the Initial Property Portfolio Funds will use, <i>inter alia</i>, to discharge debt currently secured on</p>

		properties in the Initial Property Portfolio and (b) to pay the Issue Costs.
E.3	Terms and conditions of the offer	<p>The Issue, which is not underwritten, is conditional upon:</p> <ul style="list-style-type: none"> the Placing Agreement having become unconditional (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; Admission becoming effective not later than 8.00 a.m. on 26 March 2014 or such later time and/or date as Numis and the Company may agree in writing, being not later than 8.00 a.m. on 30 April 2014; and the value of properties in the Initial Property Portfolio acquired by the Company being equal to or exceeding £75 million. <p>The Placing is conditional upon the gross proceeds of the Placing being not less than £15 million in aggregate.</p>
E.4	Material interests	Ian Mattioli is beneficially interested in the share capital of Mattioli Woods Plc, which is the parent company of the Investment Manager, and therefore has an indirect interest in the Investment Manager. Ian Mattioli (together with his connected persons) is beneficially interested in Initial Property Portfolio Funds with an aggregate value of approximately £1.923 million.
E.5	Name of person selling securities	Not applicable. No person is offering to sell the securities as part of the Issue.
E.6	Dilution	Not applicable.
E.7	Expenses charged to the investor	<p>The costs and expenses of the Issue include costs of incorporation of the Company, the commissions payable to Numis, the fees payable to professional advisers and other related expenses.</p> <p>The Issue Costs to be borne by Shareholders is not expected to exceed 2 per cent. of the aggregate Issue Price of the Issue Shares and the Consideration Shares (assuming the maximum number of Ordinary Shares are subscribed under the Placing and the Offer for Subscription and all of the properties in the Initial Property Portfolio are acquired by the Company).</p>

RISK FACTORS

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

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

1. Risks relating to the Company's investments

1.1 *Risks relating to property and property-related assets*

- (a) The Company cannot be sure that it will be successful in obtaining suitable investments in UK commercial property on financially attractive terms.
- (b) As the Company acquires investment property, the composition of the portfolio of properties owned by the Company may differ from the profile of properties comprised in the Initial Property Portfolio (subject to the Investment Policy). Indeed, even the portfolio of properties acquired by the Company on Admission may differ from the Initial Property Portfolio as the Acquisition is conditional on the approval of: (a) in relation to each property comprised in the Initial Property Portfolio, the passing of the relevant Resolution by the required majority of relevant Initial Property Portfolio Investors to approve the transfer of that property to the Company; (b) the passing of Resolutions to approve the transfer of properties comprised within the Initial Property Portfolio having an aggregate value (on the basis of the property valuations set out in the Valuation Report in Part V of this document) of not less than £75 million; and (c) Admission. As such, there can be no guarantee that, even if the Acquisition becomes unconditional and is completed, all of the properties comprised in the Initial Property Portfolio will be transferred to the Company or, indeed, which properties may be transferred.
- (c) Market conditions may have a negative impact on the Investment Manager's ability to identify and execute investments in suitable assets that generate acceptable returns. Market conditions can have a significant negative impact on the availability of credit, property pricing and liquidity levels. Market conditions may restrict the supply of suitable assets that may generate acceptable returns and adverse market conditions may lead to increasing numbers often ant defaults. Adverse market conditions and their consequences may have a material adverse effect on the Company's business, results of operations and cash flows.
- (d) The Company's performance will be affected by, amongst other things, general conditions affecting the UK property rental market, as a whole or specific to the Company's investments, including decrease in capital values and weakening of rental yields. The value of commercial real estate in the UK has fluctuated sharply as a result of the economic recession, reductions in available credit and changes in market confidence. The Company's ability to dispose of its properties, and the price realised in any such disposals, will also depend on the general conditions affecting the investment market at the time of the disposal. The Company's business and results of operations may be materially adversely affected by a number of factors outside of its control, including but not limited to:
 - (i) a general property market contraction;
 - (ii) a decline in property rental values; and

- (iii) changes in laws and governmental regulations in relation to property, including those relating to permitted and planning usage, taxes and government charges, health and safety and environmental compliance.

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

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

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

provisions for warranty claims or contingent liabilities in respect of property disposals. The Company may be required to pay damages (including but not limited to litigation costs) to a purchaser to the extent that any representations or warranties that it has given to a purchaser prove to be inaccurate or to the extent that it has breached any of its covenants or obligations contained in the disposal documentation. In certain circumstances, it is possible that any representations and warranties incorrectly given could give rise to a right by the purchaser to rescind the contract in addition to the payment of damages. Further, the Company may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments (such as certain environmental liabilities) can also continue to exist notwithstanding any disposal. Any such claims, litigation or obligations, and any steps which the Company is required to take to meet these costs, such as sales of assets or increased borrowings, may have a material adverse effect on the Company's results of operations, financial condition and business prospects.

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

1.2 *Risks relating to the developments and refurbishment of properties*

- (a) Certain of the Company's properties may be specifically suited to the particular needs of a certain type of occupant. The Company may need to incur additional capital expenditure on a property in the event that it wanted it to be suitable for other occupants which may have a material effect on the results of operations of the Company and the amount that remains available to distribute to Shareholders.
- (b) As the owner of real property, the Company will be subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the

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

1.3 *Risks relating to valuations*

- (a) The value of property and property related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of the properties will reflect the actual realisable sale price even where such sales occur shortly after the relevant valuation date.
- (b) The financial markets have seen significant turbulence over recent years resulting in severe liquidity shortages. The turmoil in the credit markets had an immediate effect on the real estate investment market, resulting in some transactions failing and/or prices being renegotiated downwards. This has caused a marked reduction in the volume of transactions. The negotiation of price reductions prior to the completion of transactions remains common for certain properties. Generally, evidence generated by limited comparable transactions has shown a greater volatility of pricing and in these circumstances there is a greater degree of uncertainty in forming an opinion of the realisation prices of property assets than that which exists in a more active and stronger market.

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

The ability of the Company to achieve its investment objective depends on the ability of the Investment Manager to identify, select and execute investments which offer the potential for satisfactory returns. The availability of suitable investment opportunities will depend, in part, upon conditions in the UK commercial real estate market and the level of competition for assets in that market. While the Company has agreed to purchase the Initial Property Portfolio, subject to the satisfaction of certain conditions, there can be no assurance that the Investment Manager will be able to identify and execute a sufficient number of opportunities to enable the Company to achieve its investment objective or target returns.

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

2. **Risks relating to the Acquisition**

- 2.1 Completion of the Acquisition is conditional on the approval of (a) in relation to each property comprised in the Initial Property Portfolio, the passing of the relevant Resolution by the required majority of Initial Property Portfolio Investors to approve the transfer of that property to the Company; (b) the passing of Resolutions in respect of properties comprised within the Initial Property Portfolio which have an aggregate value (on the basis of the property valuations set out in the Valuation Report in Part V of this document) of not less than £75 million; and (c) Admission. As such, there can be no guarantee that, even if the Acquisition becomes unconditional and is completed, all of the properties comprised in the Initial Property Portfolio will be transferred to the Company or, indeed, which properties may be transferred.

- 2.2 The price to be paid by the Company for the properties comprised in the Initial Property Portfolio has been determined according to a valuation of such properties as at 31 January 2014. There is no assurance that the market value of the properties upon completion of the Acquisition on the date of Admission will be the same as the market value as at 31 January 2014.

3. Risks relating to the Company

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

3.1 *Risks relating to the Company's lack of operating history*

The Company is a newly incorporated company which has not yet commenced operations and therefore has no track record of past performance or meaningful operating or financial data on which potential investors may base an evaluation. Although the Company is intending to acquire the Initial Property Portfolio, any investment in the Ordinary Shares remains subject to all of the risks and uncertainties associated with any new business including the risk that the business will not achieve its investment objectives and that the value of any investment made by the Company could substantially decline. The past performance of the Initial Property Portfolio is not indicative of the future performance and prospects of the Company.

3.2 *Risks relating to the REIT status of the Group*

- (a) It is the expectation of the Directors that the Company will fulfil the relevant “qualifying conditions” for UK REIT status, such that the Company will give notice for the Group to become a group UK REIT with effect from the day after Admission. The basis of taxation of any Shareholder’s shareholding in the Company will differ or change fundamentally if the Group fails or ceases to maintain its REIT status.
- (b) The requirements for maintaining REIT status are complex. While minor breaches of the UK REIT Regime conditions and requirements may result only in specific additional amounts of tax being payable or will not be punished if remedied within a given period of time (provided that the regime is not breached more than a certain number of times), the Company cannot guarantee that it will obtain REIT Group status nor can it guarantee that it will maintain continued compliance with all of the REIT conditions. There is a risk that the REIT Regime may cease to apply in some circumstances. HMRC may require the Company to exit the REIT Regime if:
- (i) it regards a breach of the conditions relating to the REIT Regime (including in relation to the Qualifying Property Rental Business) or an attempt to obtain a tax advantage as sufficiently serious;
 - (ii) if the Group has committed a certain number of breaches in a specified period; or
 - (iii) if HMRC has given the Group at least two notices in relation to the obtaining of a tax advantage within a ten year period.
- (c) In addition, if the conditions for REIT Group status relating to the share capital of the Company or the prohibition on entering into certain prohibited loans are breached or the Company ceases to be UK tax resident, becomes dual tax resident or an open-ended investment company, the Group will automatically lose REIT status. The Group could therefore lose its status as a REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a REIT (and which does not qualify as an institutional investor under Section 528(4A) CTA 2010) or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe. If the Group were to be required to leave the REIT Regime within ten years of joining, HMRC has wide powers to direct how it would

be taxed, including in relation to the date on which the Company would be treated as exiting the REIT Regime which could have a material impact on the financial condition of the Company and, as a result, Shareholder returns. In addition, incurring a tax liability might require the Group to borrow funds, liquidate some of its assets or take other steps that could negatively affect its operating results.

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

3.3 *Risks relating to the taxation of the Company*

- (a) The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. Any change in the Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company, or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.
- (b) Any change (including a change in interpretation) in tax legislation or accounting practice, in the United Kingdom, could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects or the price of the Ordinary Shares. Changes to tax legislation could include the imposition of new taxes or increases in tax rates in the United Kingdom. In particular, an increase in the rates of stamp duty land tax could have a material impact on the price at which UK land can be sold, and therefore on asset values.
- (c) If a member of the Group disposes of a property in the course of a trade, any gain will be subject to corporation tax at regular corporate rates. For example, acquiring a property with a view to sale followed by a disposal of the asset would indicate a trading activity, whereas disposal of a property as part of a normal variation of a property rental portfolio, would not indicate a trading activity. Whilst the Group does not intend to dispose of property in the course of a trade, there can be no assurance that HMRC will not successfully argue a disposal to have been in the course of a trade with the consequence that corporation tax will be payable in respect of any profits from the disposal of such property.

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

- (a) The Company and the Investment Manager are both subject to laws and regulations enacted by national, regional and local governments and institutions. In particular, the Company will be required to comply with certain statutory requirements under English law applicable to an English company, the Listing Rules and the Disclosure and Transparency Rules. Compliance with and the monitoring of applicable regulations may be difficult, time consuming and costly. Any changes to such regulation could affect the market value of the Company's portfolio and/or the rental income of the portfolio.

- (b) The Company will not obtain political risk insurance. As such, government action could have a significant impact on the target investments of the Company. Changes to the existing legislation or policy or additional legislation or policies may be burdensome for the Company to implement and may as a result have a negative impact on the returns of the Company.
- (c) Government authorities are also actively involved in the application and enforcement of laws and regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of those laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from as well as adversely affecting the value of the Company's assets.
- (d) Improving returns to Shareholders may rely partly on the redevelopment of properties acquired. Such redevelopment will be subject to obtaining planning consents. There can be no guarantee that such planning consents will be provided and if consent is not granted, this may adversely affect the Company's investments.

3.5 *Risks relating to the AIFM Directive*

The AIFM Directive, which was required to be transposed by EU member states into national law on 22 July 2013, seeks to regulate alternative investment fund managers ("**AIFMs**") and imposes obligations on AIFMs in the EU or who market shares in such funds to EU investors. In order to obtain authorisation under the AIFM Directive, an AIFM needs to comply with various organisational, operational and transparency obligations, which may create significant additional compliance costs, some of which may be passed to investors in the alternative investment funds ("**AIFs**") and may affect dividend returns.

The Company will, following Admission, be an EU AIF for the purposes of the AIFM Directive and related regimes in relevant EU member states. The Investment Manager has sought a variation of its permissions to become authorised as an AIFM. If the Investment Manager fails to vary its permissions then the Company would need to appoint another authorised AIFM as investment manager.

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

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

3.6 *Risks relating to US Tax withholding and reporting under FATCA*

- (a) The FATCA provisions of the U.S. Tax Code may impose a 30 per cent. withholding tax on payments of U.S. source interest and dividends made on or after 1 July 2014 and of gross proceeds from the sale of certain U.S. assets made on or after 1 January 2017 to a foreign financial institution (or "**FFI**") that, unless exempted or deemed compliant, does not enter into, and comply with, an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its U.S. shareholders. Beginning no earlier than 1 January 2017 a portion of income that is otherwise non-US-source may be treated as US-source for this purpose.
- (b) The Company may be treated as an FFI for these purposes. If the Company is treated as an FFI, to avoid the withholding tax described above, the Company may need to enter into an agreement (an "**IRS Agreement**") with the IRS or alternatively, comply with the requirements of the intergovernmental agreement (an "**IGA**") between the United States and the United Kingdom in respect of FATCA (including any legislation enacted by the United Kingdom in

furtherance of the IGA). An FFI that fails to comply with the applicable IGA or, if required, does not enter into IRS Agreement or whose agreement is voided by the IRS will be treated as a “**non-Participating FFI**”.

- (c) In general, an IRS Agreement will require an FFI to obtain and report information about its “U.S. accounts,” which include equity interests in a non-U.S. entity other than interests regularly traded on an established securities market. The following assumes that the Company will be an FFI and that its Shares will not be considered regularly traded on an established securities market for purposes of FATCA. The Company’s reporting obligations under FATCA would generally be less extensive if its Shares were considered regularly traded on an established securities market for purposes of FATCA. An IRS Agreement would require the Company (or an intermediary financial institution, broker or agent (each, an “**Intermediary**”) through which a beneficial owner holds its interest in Shares) to agree to (i) obtain certain identifying information regarding the holder of such Shares to determine whether the holder is a U.S. person or a U.S. owned foreign entity and to periodically provide identifying information about the holder to the IRS and (ii) comply with withholding and other requirements. In order to comply with its information reporting obligation under the IRS Agreement, the Company would be obliged to obtain information from all shareholders of the Company. To the extent that any payments in respect of the Shares are made to a shareholder of the Company by an Intermediary, such shareholder may be required to comply with the Intermediary’s requests for identifying information that would permit the Intermediary to comply with its own IRS Agreement. Any shareholder of the Company that fails to properly comply with the Company’s or an Intermediary’s requests for certifications and identifying information or, if applicable, a waiver of non-US law prohibiting the release of such information to a taxing authority, will be treated as a “**Recalcitrant Holder**”. The Company will not be required to enter into an IRS Agreement provided that it complies with legislation enacted by the UK that generally requires similar information to be collected and reported to the UK authorities.
- (d) Under the UK IGA (including any legislation enacted in furtherance of the IGA) or an IRS Agreement, an Intermediary (and possibly the Company) may be required to deduct a withholding tax of up to 30 per cent. on payments (including gross proceeds and redemptions) made on or after 1 January 2017 to a Recalcitrant Holder or a shareholder of the Company that itself is an FFI and, unless exempted or otherwise deemed to be compliant, does not have in place an effective IRS Agreement (i.e., the shareholder is a non-Participating FFI). Neither the Company nor an Intermediary will make any additional payments to compensate a shareholder of the Company or beneficial owner for any amounts deducted pursuant to FATCA. It is also possible that the Company may be required to cause the disposition or transfer of Shares held by shareholders of the Company that fail to comply with the relevant requirements of FATCA and the proceeds from any such disposition or transfer may be an amount less than the then current fair market value of the Shares transferred.
- (e) If the Company (or any Intermediary) is treated as a non-Participating FFI, the Company may be subject to a 30 per cent. withholding tax on certain payments to it.
- (f) Further, even if the Company is not characterised under FATCA as an FFI, it nevertheless may become subject to such 30 per cent. withholding tax on certain U.S. source payments to it unless it either provides information to withholding agents with respect to its “substantial U.S. owners” or certifies that it has no such “substantial U.S. owners.” As a result, shareholders may be required to provide any information that the Company determines necessary to avoid the imposition of such withholding tax or in order to allow the Company to satisfy such obligations.

3.7 ***Risks relating to gearing***

- (a) It is intended that the Company will incur gearing to fund the acquisition of further properties. There is no certainty that such borrowings will be made available to the Company either at all

or on acceptable terms which may adversely affect the future prospects of the Company and, as a consequence, returns to Shareholders. If borrowings are not available on suitable terms or at all this will have a material adverse impact on the returns to Shareholders and in particular the level of dividends paid.

- (b) The relevant Limited Partnerships and SPVs are responsible for discharging any debt secured on the properties which transfer to the Company under the Acquisition Agreements on Admission and which shall be funded from the Cash Consideration. The Company ultimately intends to use the net proceeds of the Placing and Offer for Subscription to fund the Cash Consideration. Due to the fact that such net proceeds may not be settled and available to the Company until up to three days after Admission the Company intends to draw down such amount of the Loan Facility as is required to fund the Cash Consideration and arrangements will be put in place to procure the release of the associated security upon Admission. Once the net proceeds of the Placing and Offer for Subscription are available to the Company it intends to use the net proceeds to repay amounts drawn down under the Loan Facility. However, if such net proceeds are insufficient to repay amounts drawn down under the Loan Facility in full, the Company will operate with gearing from Admission.
- (c) The Loan Facility Agreement contains a provision whereby the Company is not permitted to make any dividend or distribution payments to its shareholders at any time when the aggregate amount of the loans outstanding to the Company exceeds 50 per cent. of the then current value of the properties specifically charged to Lloyds Bank PLC or the rental income of the Company in respect of the properties specifically charged to Lloyds Bank PLC is less than 250 per cent. of the interest and other periodic fees payable by the Company under the revolving credit facility agreement. An adverse movement in property valuations or a decrease in the rental income from the Company's property portfolio could therefore negatively impact the Company's ability to pay dividends. If the Company is prevented from distributing at least 90 per cent. of the income profits in respect of its Qualifying Property Rental Business the Company will lose its status as a REIT.
- (d) Prospective investors should be aware that, whilst the use of borrowings should enhance the Net Asset Value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Company's portfolio falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Company and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders.
- (e) Under the UK REIT legislation, a UK tax charge will arise in the Company if in respect of an accounting period the Group's ratio of income profits to financing costs (in respect of its Qualifying Property Rental Business) is less than 1.25:1.

3.8 *Risks relating to conflicts of interest*

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

3.9 *Risks relating to the economic environment*

Global market uncertainty and the weakened economic conditions in the United Kingdom and elsewhere and, in particular, the restricted availability of credit, may reduce the value of the Company's portfolio once it has been acquired, and may reduce liquidity in the real estate market. The performance of the Company would be adversely affected by a further downturn in the property

market in terms of market value or a weakening of rental yields. Economic factors impacting on people's savings will also impact upon people's ability to pay for the services to be provided from the properties proposed to be invested in by the Company and may therefore impact on the returns of the Company.

4. Risks relating to the Ordinary Shares

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

- (a) If the Company's assets do not grow at a rate sufficient to cover the costs of establishing and operating the Company, Shareholders may not recover the amount initially invested.
- (b) The market value of, and the income derived from, the Ordinary Shares can fluctuate. The market value of an Ordinary Share, as well as being affected by its Net Asset Value and prospective Net Asset Value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from its underlying Net Asset Value and investors may not get back the full value of their investment.
- (c) Fluctuations could also result from a change in national and/or global economic and financial conditions, the actions of governments in relation to changes in the national and global financial climate or taxation and various other factors and events, including rental yields, variations in the Company's operating results, business developments of the Company and/or its competitors. Stock markets have been experiencing significant price and volume fluctuations that have affected market prices for securities.
- (d) The price of an Ordinary Share may also be affected by speculation in the press or investment community regarding the business or investments of the Company or factors or events that may directly or indirectly affect their respective investments.

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

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

4.3 *Risk relating to continuation vote*

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

4.4 *Risks relating to dividends and target returns*

- (a) There is no guarantee that the target dividend and/or target NAV growth in respect of any period will be paid or achieved, as applicable. The Company's ability to pay dividends will be dependent principally upon its rental income generated from the properties owned by the Company.

- (b) The Company's target dividends and returns for the Ordinary Shares are based on assumptions which the Board and the Investment Manager consider reasonable. However, there is no assurance that all or any assumptions will be justified, and the dividends and returns may be correspondingly reduced. In particular, there is no assurance that the Company will achieve its stated policy on dividends and/or returns. The target dividend and target return are not profit forecasts and should not be taken as an indication of the Company's expected future performance or results over any period. The target return and target dividend are targets only and there is no guarantee that they can or will be achieved and they should not be seen as an indication of the Company's expected or actual return. Accordingly, investors should not place any reliance on the target return in deciding whether to invest in the Ordinary Shares.
- (c) Dividend growth on the Ordinary Shares will depend principally on growth in rental and other income returns on the underlying assets (which may fluctuate), capital gains realised as the underlying assets are sold and the extent to which the Company is invested. The net proceeds of the Issue will be used by the Company to make investments in accordance with the Company's investment policy. The timing of any investment in such assets will depend, *inter alia*, on the availability of suitable properties that the Company may let to tenants at reasonable prices. Accordingly, there may be a period of time between completion of the Issue and the proceeds of the Issue being fully invested by the Company. Until the proceeds of the Issue are invested they are not expected to generate significant amounts of income and the dividends payable in respect of the Ordinary Shares are likely to exceed the income generated by the proceeds of the Issue until such proceeds are substantially invested in UK commercial properties. Additionally the Company may only pay dividends from reserves deemed distributable under the Act. Following Admission the Company will have negative reserves due to the accounting treatment of its initial costs and will be reliant on rental income to create a surplus.
- (d) If under the laws applicable to the Company there were to be a change to the basis on which dividends could be paid by such companies, this could have a negative effect on the Company's ability to pay dividends. Furthermore, if there are changes to the accounting standards or to the interpretation of accounting standards applicable to the Company this could have an adverse effect on the Company's ability to pay dividends.
- (e) In the absence of capital and/or income growth in the portfolio of the Company once the net proceeds of the Issue have been invested, the expected dividend policy of the Company will lead to a reduction in the Net Asset Value per Ordinary Share.
- (f) The Company will not be able to pursue asset growth through acquisitions solely from cash provided from its operating activities because of its obligation to distribute at least 90 per cent. of the income profits as calculated for tax purposes arising from the Group's Qualifying Property Rental Business each year (either in cash or by way of stock dividend) to Shareholders in order to continue to enjoy the full exemption from tax on rental income afforded by the UK REIT Regime. The Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet the 90 per cent. distribution condition each year. Consequently, the Company may be forced to rely on the availability of debt or equity capital to fund future acquisitions. In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the REIT Regime and the effect of any potential debt amortisation payments could require the Company to borrow funds to meet the distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a REIT, even if the then-prevailing market conditions are not favourable for these borrowings. As a result of these factors, the constraints of maintaining REIT status could limit the Company's flexibility to make investments.

4.5 ***Risks relating to Ordinary Shares trading at a discount***

The Ordinary Shares may trade at a discount to NAV per Ordinary Share and Shareholders may be unable to realise their investments through the secondary market at a price equal to, or greater than,

NAV per Ordinary Share. The Ordinary Shares may trade at a discount to Net Asset Value for a variety of reasons, including market conditions or to the extent that investors undervalue the activities of the Investment Manager or discount the Company's valuation methodology and its judgements of value. Gilt and corporate bond yields are at historically low levels and a rise in such yields may make the Company's target returns less attractive, which could cause or increase such discount.

4.6 ***Risks relating to buying back Ordinary Shares***

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

IMPORTANT INFORMATION

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

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

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

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

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

Data protection

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

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the prospective investor with information about other products and services provided by the Investment Manager, or its affiliates, which may be of interest to the prospective investor;

- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

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

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

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

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

Regulatory information

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

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

Investment considerations

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

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

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

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

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

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

Forward-looking statements

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

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

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

The actual number of Ordinary Shares to be issued will be determined by the Directors, the Investment Manager and Numis. In such event, the information in this document should be read in light of the actual number of Ordinary Shares to be issued in the Placing and Offer for Subscription.

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

Definitions

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

Performance Data

The Company has no investment history. Without limitation, results can be positively or negatively affected by market conditions beyond the control of the Investment Manager, which market conditions may be different in many respects from those that prevail at present or in the future, including (without limitation) with the result that the performance of portfolios originated now may be significantly different from those originated in the past.

Presentation of financial information

The Company is newly formed and as at the date of this document has not commenced operations and has no assets or liabilities, and therefore no statutory financial statements have been prepared as at the date of this document. All future financial information for the Company is intended to be prepared in accordance with IFRS as adopted by the European Union and, unless otherwise indicated, the financial information in this document has been prepared in accordance with IFRS as adopted by the European Union. In making an investment decision, prospective investors must rely on their own examination of the Company from time to time and the terms of the Issue and each Subsequent Placing (as applicable).

Presentation of industry, market and other data

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Company's business, the performance of the properties comprised in the Initial Property Portfolio and the track record of the Investment Manager contained in this document consists of the combined financial statements of the syndicates holding the properties in the Initial Property Portfolio, details of the signed lease agreements held for each property, estimates based on data and reports compiled by the Investment Property Databank, on data from other external sources and on the Company's, the Directors' and Investment Manager's knowledge of real estate investments. Information regarding the macroeconomic environment has been compiled from publicly available sources. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. The Company takes responsibility for compiling, extracting and reproducing market or other industry data from external sources, including third parties or industry or general publications, but none of the Company or the Sponsor has independently verified that data. The Company gives no assurance as to the accuracy and completeness of, and takes no further responsibility for, such data. Similarly, while the Company believes its and the Investment Manager's internal estimates to be reasonable, they have not been verified by any independent sources and the Company cannot give any assurance as to their accuracy.

No incorporation of Website

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

Currency presentation

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

EXPECTED TIMETABLE

2014 (unless
stated otherwise)

Issue

Posting of Circular and Prospectus to Initial Property Portfolio Investors	26 February
Placing and Offer for Subscription opens	26 February
Latest time and date for passing of Resolutions of Initial Property Portfolio Investors to approve the Acquisition*	5.00 p.m. on 19 March
Latest time and date for receipt of Application Forms under the Offer for Subscription**	11.00 a.m. on 18 March
Latest time and date for receipt of commitments under the Placing**	6.00 p.m. on 20 March
Completion of the Acquisition and Admission and dealings in Ordinary Shares commence	8.00 a.m. on 26 March
Crediting of CREST accounts in respect of the Ordinary Shares	8.00 a.m. on 26 March
Share certificates in respect of the Ordinary Shares despatched (where applicable)	week commencing 31 March

* Which time can be extended to a time notified to Initial Property Portfolio Investors being not later than 5.00 p.m. on 25 April.

** A maximum of 55 million Ordinary Shares are available under the Placing and Offer for Subscription. In the event that commitments under the Placing and Offer for Subscription reach 55 million Ordinary Shares, the Company reserves the right not to accept further commitments or applications and to close the Placing and Offer for Subscription.

Placing Programme

Placing Programme Opens	26 March
Publication of the Placing Programme Price in respect of each Subsequent Placing	As soon as reasonably practicable following the closing of each Subsequent Placing
Admission and crediting of CREST accounts in respect of each Subsequent Placing	8.00 a.m. on each day Ordinary Shares are issued pursuant to a Subsequent Placing
Share certificates in respect of Ordinary Shares despatched	Approximately one week following admission of the relevant Ordinary Shares
Last date for Ordinary Shares to be issued pursuant to the Placing Programme	20 February 2015

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

ISSUE AND PLACING PROGRAMME STATISTICS

Number of Consideration Shares being issued	up to 80 million
Number of Ordinary Shares being issued pursuant to the Placing and Offer for Subscription	up to 55 million
Issue Price per Issue Share	100p
Estimated net proceeds of the Placing and Offer for Subscription*	£53.9 million
Placing Programme Price for Ordinary Shares issued pursuant to the Placing Programme	Not less than the latest published Net Asset Value per Ordinary Share at the time of allotment
ISIN/SEDOL of the Ordinary Shares	GB00BJFLFT45/BJFLFT4
Ticker code	CREI

* Assuming the maximum number of Ordinary Shares are issued under the Placing and Offer for Subscription.

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	David Ian Hunter (<i>Independent Non-Executive Chairman</i>) Barry Gordon Gilbertson (<i>Independent Non-Executive Director</i>) Ian Thomas Mattioli (<i>Non-Executive Director</i>) Matthew Wadman John Thorne (<i>Independent Non-Executive Director</i>)
Company Secretary	Nathan Imlach
Investment Manager and Administrator	Custodian Capital Limited MW House 1 Penman Way Grove Park Enderby Leicester LE19 1SY
Sponsor	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Legal Advisers to the Company	DWF LLP Capital House 85 King William Street London EC4N 7BL
Legal Advisers to the Sponsor	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Valuers	Lambert Smith Hampton UK House 180 Oxford Street London W1D 1NN
Reporting Accountants, Auditors of the Company and Tax Advisers	Deloitte LLP 2 New Street Square, London EC4A 3BZ
Receiving Agent and Registrar	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Depositary	Langham Hall UK LLP Aldwych House 81 Aldwych London WC2B 4HN

DEFINITIONS

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

Acquisition	the proposed acquisition by the Company of some or all of the properties comprising the Initial Property Portfolio on the terms of the Acquisition Agreements
Acquisition Agreements	the conditional agreements entered into on the date of this document between the Company and each of the SPVs and the Limited Partnerships pursuant to which the Company has agreed to acquire and each of the SPVs or the Limited Partnerships (as applicable) has agreed to sell the properties comprising the Initial Property Portfolio
Act	the UK Companies Act 2006 as amended from time to time
Admission	the admission of the Ordinary Shares issued under the Issue and/or the Placing Programme (as the context requires) to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities
AGM	an annual general meeting of the Company
AIC Code	the AIC Code of Corporate Governance
AIC Guide	the AIC Corporate Governance Guide for Investment Companies
AIF	an alternative investment fund within the meaning of the AIFM Directive
AIFM	an alternative investment fund manager within the meaning of the AIFM Directive
AIFM Directive	the Alternative Investment Fund Managers Directive, 2011/61/EU
Application Form	the application form attached to this document for use in connection with the Offer for Subscription
Articles	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part VI of this document
Audit Committee	the Company's audit committee
Board	the directors of the Company from time to time
Business Day	a day other than a Saturday, Sunday or other day when banks in the City of London are not generally open for business
Capita Asset Services	a trading company of Capita Registrars Limited, a company incorporated in England and Wales with registered number 2605568
Cash Consideration	the element of the consideration payable under the Acquisition Agreements which is to be satisfied in cash, as described in paragraph 5.5 of Part I of this document
CDD Rules	has the meaning defined in paragraph 2.3 of Part X of this document
Circular	the circular dated on the date of this document and sent to the Initial Property Portfolio Investors and containing details of the proposed Acquisition and the Resolutions

COB Rules	the Conduct of Business Rules contained in the FCA Handbook
Company	Custodian REIT Plc, a company incorporated in England and Wales with registered number 8863271
Compound Annual Total Return	the annualised change in property value plus rental income
Consideration Shares	the Ordinary Shares to be issued as part consideration for the transfer of the properties comprised in the Initial Property Portfolio pursuant to the Acquisition
Corporate Governance Code	the UK Corporate Governance Code as published by the Financial Reporting Council in September 2012
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear
CTA 2009	the UK Corporation Tax Act 2009
CTA 2010	the UK Corporation Tax Act 2010
Custodian Capital	Custodian Capital Limited, a company incorporated in England and Wales with company number 6504305
Directors	the directors of the Company whose names are set out on page 33 of this document
Disclosure and Transparency Rules	the disclosure and transparency rules made by the Financial Conduct Authority under Part VI, section 72 of FSMA, as amended from time to time
Distribution	any dividend or other distribution by the Company (“distribution” being construed in accordance with Part 23 of the CTA 2010)
EEA States	the member states of the European Economic Area
ERISA	the US Employee Retirement Income Security Act of 1974, as amended from time to time
EU or European Union	the member states of the European Union
Euroclear	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738, being the operator of CREST
Excluded Territory	the United States of America, Canada, Australia, Japan, the Republic of Ireland and the Republic of South Africa and any other jurisdiction where the extension or availability of the Issue or the Placing Programme would breach any applicable law
FATCA	the US Foreign Account Tax Compliance Act
FCA	the UK Financial Conduct Authority
FSMA	the UK Financial Services and Markets Act 2000, as amended from time to time
General Meeting	a general meeting of the Company convened in accordance with the Articles

Group	the Company, its wholly owned subsidiaries and its 75 per cent. subsidiaries from time to time (as defined in section 606 of CTA 2010)
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standards as adopted by the European Union
Initial Property Portfolio	the properties owned by the Initial Property Portfolio Funds which the Company has conditionally agreed to acquire pursuant to the Acquisition Agreements in return for, <i>inter alia</i> , the allotment of Consideration Shares to the Initial Property Portfolio Investors
Initial Property Portfolio Funds	the Limited Partnerships and the SPVs
Initial Property Portfolio Investors	the persons who are beneficially interested in the property held on trust by the SPVs and/or who are limited partners in the Limited Partnerships
Investment Company Act	the United States Investment Companies Act of 1940, as amended
Investment Management Agreement	the investment management agreement dated on or around the date of this document between the Company and the Investment Manager, a summary of which is set out in paragraph 8.4 of Part VI of this document
Investment Manager or Custodian Capital	Custodian Capital Limited, a company incorporated in England and Wales with registered number 6504305
Investment Objective	the investment objective of the Company as detailed in paragraph 2 of Part I of this document
Investment Policy	the investment policy of the Company as detailed in paragraph 3 of Part I of this document
ISA	an investment plan for the purposes of section 694 of Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 and the Individual Savings Account Regulations 1998 (SI 1998/1870), as amended
Issue	the issue of the Ordinary Shares pursuant to the Placing, the Offer for Subscription and to the Initial Property Portfolio Investors in accordance with the terms of the Acquisition
Issue Costs	the costs, commissions, fees and expenses incidental to the formation of the Company and the Issue which will be borne by the Company and paid on or around Admission
Issue Price	100p per Ordinary Share
Issue Shares	the Ordinary Shares issued pursuant to the Placing and the Offer for Subscription
Limited Partnerships	the limited partnerships in which certain of the Initial Property Portfolio Investors are limited partners and which own certain of the properties comprising the Initial Property Portfolio
Listing Rules	the listing rules made by the FCA under Section 73A of Part VI of FSMA, as amended from time to time

Loan Facility Agreement	the revolving credit facility agreement between the Company and Lloyds Bank plc entered into on the date of this document described in more detail in paragraph 8.7 of Part VI of this document
London Stock Exchange	London Stock Exchange plc
Main Market	the main market of the London Stock Exchange for listed securities
NAV or Net Asset Value	in relation to the Company or its Ordinary Shares as a whole, means the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies; and in relation to an Ordinary Share, means the net asset value of the Company on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares then in issue
Net Debt	has the meaning given to that term in paragraph 8.2 of Part VI of this document
Net Initial Yield or NIY	rent expressed as a percentage of gross value
Non-PID Dividends	a dividend paid by the Company that is not a PID
Numis	Numis Securities Limited, a company incorporated in England and Wales with registered number 2285918
Offer for Subscription	the offer for subscription of Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in this document
Official List	the Official List of the FCA
Ordinary Shares	ordinary shares of 1p each in the capital of the Company designated as such and having the rights and being subject to the restrictions specified in the Articles
Panel	the Panel on Takeovers and Mergers
PID or Property Income Distribution	a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Qualifying Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Qualifying Property Rental Business
Placees	any person subscribing for Ordinary Shares pursuant to the Placing and/or a Subsequent Placing
Placing	the conditional placing by Numis of Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in this document and the Placing Agreement
Placing Agreement	the conditional placing agreement between the Company, the Investment Manager, the Directors and Numis, a summary of which is set out in paragraph 8.3 of Part VI of this document
Placing Programme	the programme pursuant to which Ordinary Shares will be issued as described in Part IV of this document

Placing Programme Price	the issue price Ordinary Share agreed by the Company and Numis in respect of each Subsequent Placing made pursuant to the Placing Programme
Property Rental Business	a business within the meaning of section 205 of the CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business (as per section 519(3) of the CTA 2010)
Prospectus Directive	the Directive of the European Parliament and of the European Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (No 2003/71/EC)
Prospectus Rules	the prospectus rules made by the Financial Conduct Authority under Part VI of FSMA, as amended from time to time
Qualifying Property Rental Business	a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010
Receiving Agent	Capita Asset Services
Receiving Agent Agreement	the receiving agent agreement between the Company and the Receiving Agent a summary of which is set out in paragraph 8.6 of Part VI of this document
Registrar	Capita Asset Services
Registrar Agreement	the registrar agreement between the Company and the Registrar a summary of which is set out in paragraph 8.5 of Part VI of this document
Regulations	the UK Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
Regulatory Information Service or RIS	a regulatory information service that is on the list of regulatory information services maintained by the Financial Conduct Authority
REIT	a company or group to which Part 12 of the CTA 2010 applies
REIT Group	a group UK REIT within the meaning of Part 12 of the CTA 2010
REIT Regime	Part 12 of the CTA 2010
Residual Business	the business of the Group which is not Qualifying Property Rental Business
Resolutions	the resolutions in writing of limited partners of the Limited Partnerships and written directions of the beneficial owners of the property held on trust by the SPVs to be proposed for the purposes of the approval of the sale and purchase of the relevant property as part of the Acquisition, in each case, by the required majority of such limited partners or (as the case may be) beneficial owners
Restricted Jurisdiction	any jurisdiction where local law or regulations may result in a risk of civil, regulatory or criminal exposure or prosecution if information or documentation concerning the Issue or this document is sent or made available to a person in that jurisdiction
RICS	Royal Institute of Chartered Surveyors

RICS Red Book	the Royal Institution of Chartered Surveyors Valuation – Professional Standards Incorporating the International Valuation Standards, Global and UK edition January 2014
SDRT	Stamp Duty Reserve Tax
Securities Act	the United States Securities Act of 1933 (as amended)
Shareholder	a holder of Ordinary Shares
SIPP	Self-Invested Personal Pension
Sponsor	Numis
SPVs	the private limited companies which own certain of the properties comprising the Initial Property Portfolio and which hold such properties on trust for the Initial Property Portfolio Investors who are beneficiaries under such trust
SSAS	Small Self Administered Scheme
Sterling	pounds sterling, the lawful currency of the UK
Subsequent Placing	all placings of Ordinary Shares made after Admission pursuant to the Placing Programme described in this document
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 the CTA2010 as a “holder of excessive rights”)
Substantial Shareholding	the holding of Shares by a Substantial Shareholder
Takeover Code	the City Code on Takeovers and Mergers
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK GAAP	generally accepted accounting standards, policies, principles and practices in the United Kingdom
UKLA or UK Listing Authority	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA, as amended from time to time
United States or US	the United States of America (including the District of Columbia), its territories and possessions, any state of the United States of America and all other areas subject to its jurisdiction or any political sub-division thereof
US Person	a “US Person” as defined in Regulation S of the Securities Act
Valuer	Lambert Smith Hampton, a trading name of Lambert Smith Hampton Group Limited, a company incorporated in England and Wales with registered number 2521225

PART I

THE COMPANY

1. Introduction

- 1.1 Custodian REIT Plc is a newly incorporated closed-ended investment company that has been established with an indefinite life.
- 1.2 The Company will invest in a diversified portfolio of UK commercial real estate properties to achieve its investment objective of providing Shareholders with an attractive level of income together with the potential for capital and income growth.
- 1.3 The Company has entered into arrangements to acquire the Initial Property Portfolio in consideration for the allotment of Ordinary Shares to the Initial Property Portfolio Investors, conditional upon, *inter alia*, (i) the approval by the Initial Property Portfolio Investors of the sale to the Company of properties comprised in the Initial Property Portfolio with a minimum aggregate value of £75 million; and (ii) Admission occurring. Further information regarding the Acquisition is set out in paragraph 5 of this Part I below.
- 1.4 Under the Placing and Offer for Subscription, the Company is proposing to issue up to 55 million Ordinary Shares to raise gross proceeds of up to £55 million.
- 1.5 The Placing and Offer for Subscription are not being underwritten and the Placing will not proceed unless, *inter alia*, valid subscriptions are received for Ordinary Shares with an aggregate Issue Price of at least £15 million. The Offer for Subscription is not subject to this condition.
- 1.6 Upon Admission, the Company will have a single class of Ordinary Shares in issue, which will be listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market.
- 1.7 Custodian Capital Limited is the discretionary investment manager of the Company and will deal with the acquisition of real estate assets to add to the Company's investment portfolio and will decide upon and manage the development and disposal of assets in that portfolio.
- 1.8 The Company has entered into the Loan Facility Agreement and intends, following Admission to draw down an amount thereunder to fund the Cash Consideration under the Acquisition Agreements (which the Initial Property Portfolio Funds will use, *inter alia*, to discharge debt currently secured on the properties in the Initial Property Portfolio acquired by the Company). The Company then intends to use the net proceeds of the Placing and Offer for Subscription to repay this initial loan, with further draw downs in line with the Company's gearing policy expected only once the net proceeds of the Placing and Offer for Subscription are substantially invested.
- 1.9 Immediately after Admission, the Company's assets will comprise those properties in the Initial Property Portfolio agreed to be transferred to the Company, associated rental deposits and cash, being the net proceeds of the Placing and the Offer for Subscription. These net proceeds (save for an amount required by the Company for working capital purposes) are expected to be invested within a period of 6 to 12 months after Admission (depending on the amount of net proceeds of the Placing and the Offer for Subscription) by the Company in additional UK commercial real estate properties to complement the properties in the Initial Property Portfolio acquired by the Company. It is intended that the Company will qualify as a Group REIT from Admission. In order to qualify as a Group REIT a number of conditions need to be fulfilled as described in Part VIII.
- 1.10 The Company will hold those properties in the Initial Property Portfolio which it acquires and its other assets directly.

2. Investment Objective and Target Return

- 2.1 The Company's investment objective is to provide Shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK.
- 2.2 The Company anticipates that income will constitute the majority of the return to Shareholders. However, in line with its investment objective, the Company will seek to invest in properties with the potential for capital growth and believes that this approach will enhance Shareholders' total return over the long term.
- 2.3 On the basis of market conditions as at the date of this document the Company will target* an annualised dividend yield, payable quarterly, of:
- (a) 5.25 per cent. in respect of the financial year ending 31 March 2015; and thereafter
 - (b) 6.25 per cent. in respect of each financial year;

each by reference to the Issue Price.*

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

3. Investment Policy

- 3.1 The Company's investment policy is to invest in a diversified portfolio of UK commercial real estate properties.
- 3.2 The target portfolio will be a UK, commercial property portfolio, characterised by small lot sizes with individual property values of less than £7.5 million at acquisition. The target portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50 per cent.
- 3.3 The Company will pursue its investment policy as follows:
- (a) The Company intends to hold a portfolio of UK commercial property, diversified by sector, location, tenant and lease term.
 - (b) The portfolio will be diversified by location across the UK with a focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers.
 - (c) The Company will target a portfolio with no one tenant or property accounting for more than 10 per cent of the total rent roll of the Company's portfolio at the time of purchase, except:
 - (i) in the case of a single tenant which is a governmental body or department, where no percentage limit to proportion of the total rent roll shall apply; or
 - (ii) in the case of a single tenant rated by ICC with a credit rating of less than 60 in which case the exposure to such single tenant may not exceed 5 per cent of the total rent roll (a credit rating in the range of 51-60 represents "normal, limited risk potential, normal terms").
 - (d) The Company will seek to maintain an average unexpired lease term of over 5 years across the portfolio secured against low risk tenants and to minimise rental voids.
 - (e) The Company will not undertake speculative development (that is, development of property which has not been leased or pre-leased), save for refurbishment of existing holdings, but may (provided that it shall not exceed 20 per cent of the gross assets of the Company) invest in

forward funding agreements or forward commitments (these being, arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments, where the Company intends to own the completed development.

- (f) The Company may use gearing, including to fund the acquisition of property and cash flow requirements. Over the medium term, the Company is expected to target borrowings of 25 per cent of the aggregate market value of all the properties of the Company at the time of borrowing.
- (g) The Company reserves the right to use efficient portfolio management techniques, such as interest rate hedging and credit default swaps, to mitigate market volatility.
- (h) Uninvested cash or surplus capital or assets may be invested on a temporary basis in:
 - (i) cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or
 - (ii) any “government and public securities” as defined for the purposes of the FCA rules.
- (i) Any material change to the Company’s investment policy will require the prior approval of Shareholders.

4. Investment Opportunity

The Company is being launched to offer potential investors the opportunity to access a diversified portfolio of UK commercial real estate properties, including, subject to certain conditions being satisfied, the Initial Property Portfolio. By targeting smaller lot size properties, the Company intends to provide investors with a differentiated source of long-term income at a level representing an attractive dividend yield relative to that currently available from existing closed and open ended funds investing in UK commercial real estate properties. The smaller lot size segment of the property sector has attracted increased investor demand over the preceding six months but the Directors believe it continues to represent a potentially attractive investment opportunity.

5. The Acquisition

- 5.1 The Company has entered into the Acquisition Agreements with the Initial Property Portfolio Funds pursuant to which the Company has conditionally agreed to acquire the Initial Property Portfolio, further information on which is set out in Part V of this document. The Initial Property Portfolio Funds comprise 7 Limited Partnerships and 46 SPVs, each holding (or in some cases holding jointly with another Limited Partnership or SPV) one of the commercial properties comprised in the Initial Property Portfolio.
- 5.2 The Acquisition of each property comprised in the Initial Property Portfolio is conditional upon the approval of the required majority of Initial Property Portfolio Investors of the relevant Initial Property Portfolio Fund being given by Resolutions in writing. Further, and in respect of the properties held by Initial Property Portfolio Funds whose Initial Property Portfolio Investors approve the transfer of the property attributable to that entity only, the transfer to the Company of properties comprised in the Initial Property Portfolio is also subject to a minimum aggregate value of properties being transferred as well as Admission occurring, as further explained below.

5.3 *Background to and reasons for the Acquisition*

In June 2013 the FCA issued a policy statement entitled “Restrictions on the retail distribution of Unregulated Collective Investment Schemes and close substitutes”. Under the policy statement, arrangements such as the Initial Property Portfolio Funds are characterised as Non-Mainstream Pooled Investments (NMPs) with effect from 1 January 2014. Under the relevant FCA regulation,

NMPIs have historically been permitted to be promoted to clients who are advised by an appropriately authorised financial adviser. As a result of the policy statement, promotion of NMPIs to retail customers will not be permitted and advised clients will no longer be eligible to receive an NMPI promotion unless they satisfy certain specific criteria. As such, the ability to use structures such as the Limited Partnerships and the SPVs to facilitate direct investment in property is reduced. The Investment Manager therefore considers that the establishment of the Company as a REIT provides an attractive alternative structure for investment in commercial property, both for existing investors in the Limited Partnerships and the SPVs, and for new investors through the Placing, Offer for Subscription, and Placing Programme.

5.4 *Details of the Acquisition*

Each Acquisition Agreement is conditional upon: (a) the passing of a Resolution to approve the transfer of that property to the Company by (in the case of Limited Partnerships) limited partners holding at least 50 per cent. of the percentage interests in the relevant Limited Partnership or (in the case of the SPVs) beneficiaries holding between them at least 51 per cent. of the beneficial shares in the trust of property declared by the SPV; (b) the passing of Resolutions to approve the transfer of properties comprised within the Initial Property Portfolio having an aggregate value (on the basis of the property valuations set out in the Valuation Report in Part V of this document) of not less than £75 million; (c) the amount of any increase in Net Debt of the relevant Initial Property Portfolio Fund between 31 January 2014 and Admission not exceeding £100,000; and (d) Admission.

An explanatory circular containing the Resolutions will be posted on the same date as this document to each of the Initial Property Portfolio Investors. Initial Property Portfolio Investors will have until 5.00 p.m. on 19 March 2014 (or such later time notified to the Initial Property Portfolio Investors being not later than 5.00 p.m. on 25 April 2014) to signify their agreement to the relevant Resolution(s) by signing the Resolution and returning it to Custodian Capital. Admission and completion of the Acquisition are expected to occur on or around 26 March 2014.

- 5.5 Completion of the Acquisition will occur upon Admission. Upon the Acquisition becoming unconditional and being completed, the Initial Property Portfolio Investors shall, to the extent that a property comprised in the Initial Property Portfolio in which they are interested is being transferred to the Company, be allotted and issued with new Ordinary Shares in the Company. The consideration payable by the Company for the transfer of each property will also include an element of cash equal to the net liabilities (including, where applicable, debt secured on the property) of the Initial Property Portfolio Fund (“**Cash Consideration**”). Further details of the consideration payable in connection with the transfer of properties in the Initial Property Portfolio and the issue of new Ordinary Shares in the Company is set out in the summary of the Acquisition Agreements in paragraph 8.2 of Part VI of this document.

5.6 *Re-financing of the Initial Property Portfolio and financing of the Company*

The relevant Limited Partnerships or SPVs are responsible for discharging any debt secured on the properties which transfer to the Company under the Acquisition Agreements on Admission, which shall be funded from the Cash Consideration. The Company ultimately intends to use the net proceeds of the Placing and Offer for Subscription to fund the Cash Consideration. Due to the fact that such net proceeds may not be settled and available to the Company until up to three days after Admission, the Company intends to draw down such amount of the Loan Facility as is required to fund the Cash Consideration and arrangements will be put in place to procure the release of the associated security upon Admission. Once the net proceeds of the Placing and Offer for Subscription are available to the Company, it intends to use the net proceeds to repay amounts drawn down under the Loan Facility. Details of the Loan Facility are set out in paragraph 8.7 of Part VI of this document.

6. The Initial Property Portfolio

6.1 The Initial Property Portfolio of 48 freehold and leasehold properties, located across the UK, is split by geographic region as shown in Figure 1 below. Further details of the properties comprised in the Initial Property Portfolio are set out in the valuation report at Part V of this document.

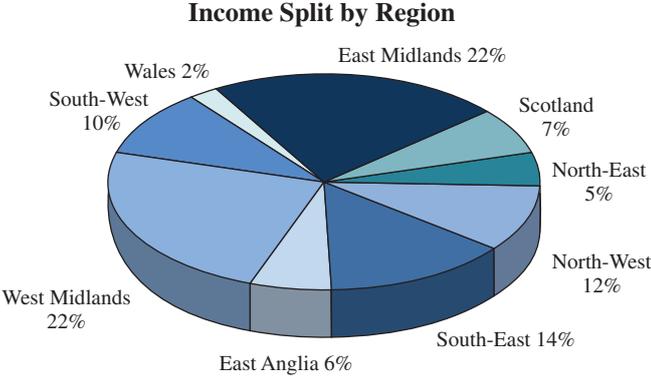


Figure 1

6.2 The Initial Property Portfolio is diversified between the main commercial property sectors: Industrial 37 per cent, Retail 20 per cent, Office 18 per cent and Other 25 per cent. A more detailed split by sub-sector is shown in Figure 2.

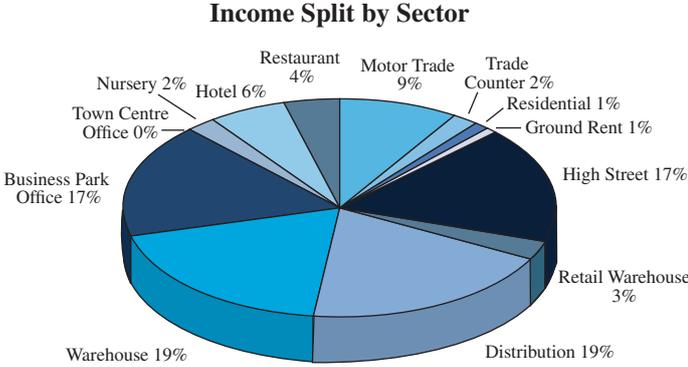
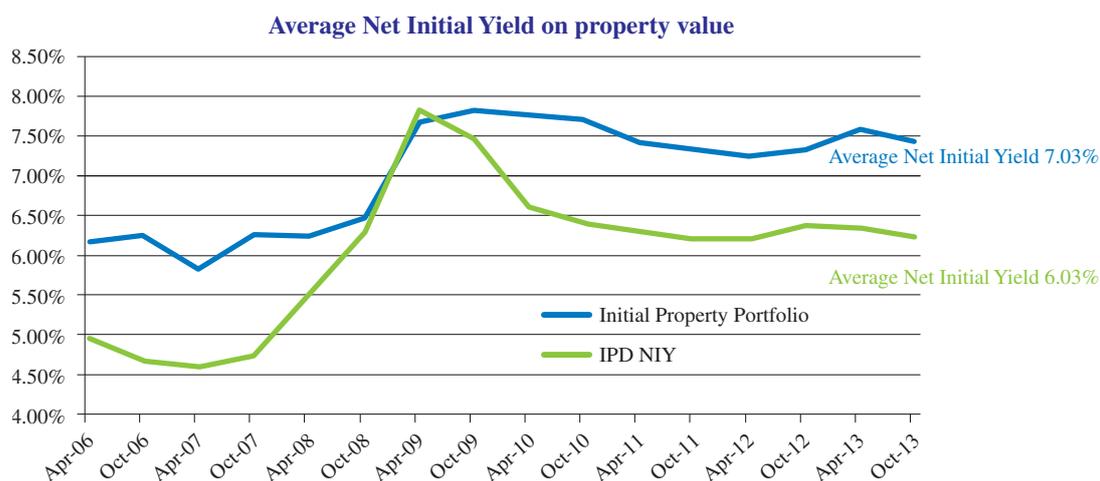


Figure 2

6.3 To illustrate the performance of the properties comprised in the Initial Property Portfolio prepared under GAAP, Figure 3 below shows the average Net Initial Yield on the prevailing property value during the period from April 2006 to October 2013 for those properties owned by the Initial Property Portfolio Funds during that time (in respect of each property, from the time of acquisition of that property) as compared against the average Net Initial Yield on Investment Property Databank (“IPD”) NIY benchmark for the same period)¹.

¹ Average Net Initial Yield is calculated as rent divided by gross value and therefore takes no account of property management or the historic costs incurred by the Initial Property Portfolio Funds. The annual running costs of the Company (which are estimated to be 1.5 per cent of NAV based on the Placing and the Offer for Subscription being fully subscribed) will be deducted from the Company’s gross income.

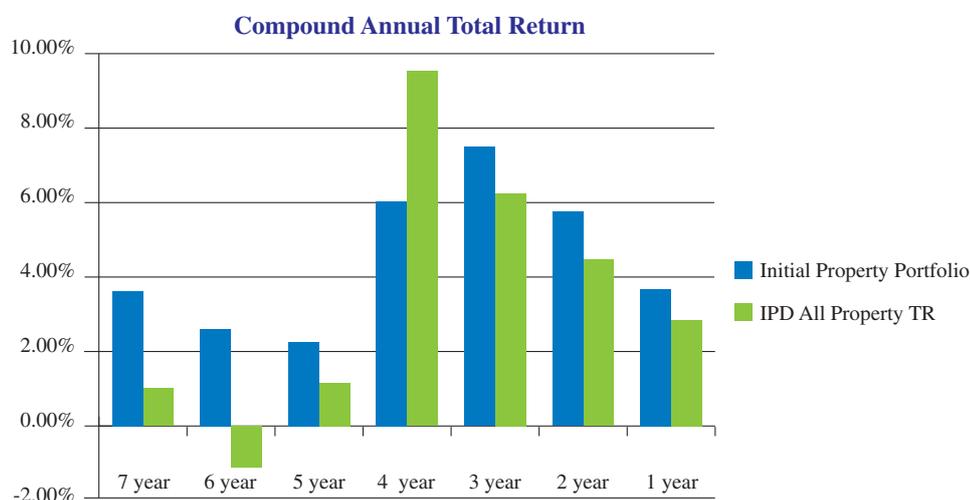


<i>Year to</i>	<i>Apr-06</i>	<i>Oct-06</i>	<i>Apr-07</i>	<i>Oct-07</i>	<i>Apr-08</i>	<i>Oct-08</i>	<i>Apr-09</i>	<i>Oct-09</i>
Initial Property Portfolio	6.17%	6.24%	5.82%	6.26%	6.23%	6.47%	7.68%	7.82%
IPD NIY	4.94%	4.66%	4.59%	4.73%	5.49%	6.29%	7.83%	7.46%
<i>Year to</i>	<i>Apr-10</i>	<i>Oct-10</i>	<i>Apr-11</i>	<i>Oct-11</i>	<i>Apr-12</i>	<i>Oct-12</i>	<i>Apr-13</i>	<i>Oct-13</i>
Initial Property Portfolio	7.76%	7.70%	7.41%	7.32%	7.25%	7.33%	7.58%	7.42%
IPD NIY	6.60%	6.41%	6.32%	6.20%	6.20%	6.37%	6.34%	6.23%

Figure 3

Source: Initial Property Portfolio – Custodian Capital Limited; IPD Monthly Index, 31 October 2013

Figure 4 below shows the Compound Annual Total Returns for the 7 year period to April 2013 comparing the Compound Annual Total Return for the properties acquired by the Initial Property Portfolio Funds (including such properties from the time at which they were acquired) and which are now comprised in the Initial Property Portfolio (and compared against the Compound Annual Total Returns shown in the IPD All Property Total Return statistics for the relevant years).



	<i>Initial Property Portfolio</i>	<i>IPD All Property TR</i>
7 year	3.62%	1.01%
6 year	2.61%	-1.12%
5 year	2.25%	1.16%
4 year	6.03%	9.53%
3 year	7.49%	6.25%
2 year	5.75%	4.47%
1 year	3.68%	2.84%

Figure 4

Source: Initial Property Portfolio – Custodian Capital Limited; IPD Monthly Index, 30 April 2013

7. Dividend policy

- 7.1 The Company intends to pay interim dividends on a quarterly basis in cash. Subject to market conditions and the level of the Company's net income, the first interim dividend is expected to be declared in July 2014 in respect of the period from launch to 30 June 2014.
- 7.2 On the basis of market conditions as at the date of this document the Company will target* an annualised dividend yield, payable quarterly, of:
- (a) 5.25 per cent. in respect of the financial year ending 31 March 2015; and thereafter
 - (b) 6.25 per cent. in respect of each financial year;
- each by reference to the Issue Price.

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

- 7.3 The target dividend is lower in respect the Company's first financial year, reflecting the expectation that the Investment Manager will invest the net proceeds of the Placing and Offer for Subscription within a period of six to twelve months following Admission.
- 7.4 The Company will seek to maintain the dividend over the long term.
- 7.5 The Company may offer Shareholders the opportunity to elect to receive dividends in the form of further Ordinary Shares.
- 7.6 After the Company attains REIT status, the Company will be required to meet a minimum distribution test for each accounting period that it is a REIT. This minimum distribution test requires the Company to distribute an amount equal to a corresponding PID from a REIT and a minimum of 90 per cent of the Company's UK income profits for each accounting period to be paid within 12 months of the end of the accounting period, as adjusted for tax purposes. Further details of the tax treatment of an investment in the Company are set out in Part VII of this document.

8. Gearing policy

- 8.1 The Company intends to operate with a conservative level of gearing, with a target over the medium term of borrowings of 25 per cent of the aggregate market value of all properties of the Company as at the time of drawdown (market value to be determined in accordance with the most recent valuation of the properties at that time). Following Admission it is expected that gearing will be reduced to zero (as described in paragraph 5.6 of this Part I) in order to minimise cash drag on investment returns, and the Company reserves the right to operate with zero or lower than target gearing at other times.
- 8.2 The borrowings will be secured by way of a first charge over a discrete number of those properties in the Initial Property Portfolio acquired by the Company, leaving as many properties unencumbered as possible. Additional properties will be added to the charged portfolio, as required, to maintain the minimum loan-to-value ratio of the Company's borrowings.
- 8.3 The Company has entered into the Loan Facility Agreement with Lloyds Bank PLC to provide a £25 million revolving credit facility, which will be secured by way of a first charge over a discrete portfolio of properties, providing the lender with a minimum loan-to-value ratio of 49 per cent. on those properties specifically charged to it, and a floating charge over all the of the Borrower's assets and undertaking. The Company has also entered into a duty of care deed with Lloyds Bank PLC and the Investment Manager in connection with the Investment Manager's managing agent duties under the Investment Management Agreement. Further details of the Loan Facility Agreement are set out in paragraph 8.7 of Part VI of this document.

9. Capital structure

9.1 *Share capital*

At the date of this document the share capital of the Company consists of Ordinary Shares and Redeemable Ordinary Shares.

The Redeemable Ordinary Shares were issued to Mattioli Woods plc on incorporation of the Company and shall be redeemed by the Company immediately upon Admission in consideration of the payment of a sum equal to the amount received by the Company in payment up of the amount due on the Redeemable Ordinary Shares.

In all other respects the rights of the Redeemable Ordinary Shares are the same as, and rank *pari passu* with, the Ordinary Shares.

At any General Meeting each Shareholder has on a show of hands one vote and on a poll one vote in respect of each Ordinary Share held.

9.2 *Duration and continuation vote*

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

9.3 *Further issues of Ordinary Shares*

- (a) Further issues of shares, of whatever class, for cash will be subject to pre-emption rights conferred on existing Shareholders, save to the extent these rights have been dis-applied by special resolution of the Company. The Directors currently have authority to issue on a non-preemptive basis up to 155 million Ordinary Shares in connection with the Issue and up to 240 million Ordinary Shares in connection with the Placing Programme provided that the aggregate number of Ordinary Shares pursuant to both the Issue and the Placing Programme shall not exceed, in aggregate, 300 million Ordinary Shares. This authority expires on the earlier of the date of the first AGM of the Company and 18 months after the date of this document. Further issues of Ordinary Shares will, subject to the limitations described above, be made under the Placing Programme entirely at the Directors' discretion provided that Ordinary Shares will only be issued at prices that represent a premium to the prevailing Net Asset Value per Ordinary Share.
- (b) The Directors currently intend to seek annual renewal of the authority to issue Ordinary Shares on a non-pre-emptive basis from Ordinary Shareholders in respect of a number of Ordinary Shares deemed at the Board's discretion as appropriate.
- (c) Ordinary Shares issued under the Placing Programme may be issued under this document provided that this document is updated by a supplementary prospectus (if required) under section 87G of FSMA.
- (d) The Prospectus Rules also currently allow for the issue of shares representing, over a period of 12 months, less than 10 per cent. of the number of shares of the same class already admitted to trading on the same regulated market, provided that such issue is not made by way of an offer of the Company's securities to the public.
- (e) The proceeds from the issue of Ordinary Shares will be used in accordance with the Company's investment objective and policy, as described in paragraphs 2 and 3 above.

9.4 *Repurchase of Ordinary Shares*

- (a) The Company's Articles allow the Company to purchase Ordinary Shares in the market at prices which represent a discount to the prevailing NAV per Ordinary Share. On 24 February 2014, the Company passed a special resolution granting the directors authority to make market purchases of up to 8 million Ordinary Shares.
- (b) The Board will consider whether the Company should purchase Ordinary Shares where such Ordinary Shares are quoted in the market at a significant discount to Net Asset Value per Ordinary Share. The making and timing of any share buybacks is at the absolute discretion of the Board and is expressly subject to the Board determining that the Company has sufficient surplus cash resources available (excluding borrowed monies), as well as the provisions of the Act (including the requirement for distributable reserves).
- (c) The Board intends to seek Shareholder approval to renew its authority to make market purchases of its own issued Ordinary Shares once its existing authority has expired or at subsequent annual general meetings.
- (d) Under the Listing Rules, the maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of (i) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. In any event, Ordinary Shares will only be repurchased at prices below the last published NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.
- (e) Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board and only in accordance with the Act, the Listing Rules, and the Disclosure and Transparency Rules. Any purchase of Ordinary Shares would be made out of the available cash or cash equivalent resources of the Company or from borrowings.
- (f) Ordinary Shares bought back by the Company may, to the maximum extent permitted by law, be retained in treasury to be reissued at a future date and resold by the Company. Such Ordinary Shares will not be sold from treasury at a discount to the prevailing Net Asset Value per Ordinary Share unless approved by Shareholders in accordance with the Listing Rules.
- (g) At the date of this document, the Company does not hold any Ordinary Shares in treasury.

PART II

DIRECTORS, INVESTMENT MANAGER AND ADMINISTRATION OF THE COMPANY

1. Directors

1.1 The Board comprises four Directors, all of whom are non-executive and, save for Ian Mattioli, are independent of the Investment Manager. The Directors are responsible for managing the Company's business in accordance with its Articles and investment policy and have overall responsibility for the Company's activities, including its investment activities and reviewing the performance of the Company's portfolio.

1.2 The Directors may delegate certain functions to other parties such as the Investment Manager and the Registrar. In particular, the Directors have delegated responsibility for management of the investments comprised in the Company's portfolio to the Investment Manager. The Directors have responsibility for exercising overall control and supervision of the Investment Manager.

1.3 The Directors are as follows:

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

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

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

Barry is an international property consultant with more than 40 years' experience advising on property. He has been an adviser to the Bank of England since 2003, and is a former global President of the Royal Institution of Chartered Surveyors (RICS). He was the first Chartered Surveyor to become a full equity partner in any firm of Chartered Accountants, worldwide, in 1996 when he joined the Coopers & Lybrand (now PricewaterhouseCoopers) partnership. Barry has been a non-executive consultant to Knight Frank LLP, and currently holds independent non-executive directorships of two quoted companies - Granite REIT which is quoted on the NYSE, and Rona Incorporated, which is quoted on the TSX.

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

Ian has worked in the pensions industry since 1983 advising on all aspects of establishing and running pension schemes. Ian is a former director of Pointon York and, together with Bob Woods, he founded Mattioli Woods plc in 1991. Ian is now CEO of the Mattioli Woods group which has over £4 billion of assets under management, administration and advice. In 2002, Ian established the property business in the group, which in 2011 was rebranded as Custodian Capital.

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

Matthew qualified as a chartered accountant in 1978 with Price Waterhouse. He is an independent director of Bankers Investment Trust Plc, including the role of chair of the audit committee, and has been an advisor since May 2007 to Consensus Business Group (led by Vincent Tchenguiz). He is also an Advisory Board and Panel member of Greenwich Hospital and Governor and Chair of the Finance and Executive Committee of the Cheltenham Ladies College. Matthew's previous executive roles have included Group Finance Director of McCarthy & Stone plc from 1993 to 2007, Finance Director of Ricardo plc from 1991-1992 and Investment Director of Beazer PLC from 1983 to 1991.

2. The Investment Manager

- 2.1 The Company has appointed Custodian Capital Limited as its investment manager and AIFM. The Investment Manager is a private company limited by shares and comprises a team of experienced individuals with expertise in the operation of and investment in UK commercial real estate.
- 2.2 Custodian Capital is a subsidiary of Mattioli Woods plc, a provider of specialist pensions consultancy and administration, employee benefits and wealth management. Custodian Capital has an established market presence in the small property sector and a proven track record of property syndication for clients and staff and asset management. Mattioli Woods plc was established in 1991 and has grown organically and by acquisition. Mattioli Woods plc was admitted to the AIM market operated by London Stock Exchange in 2005 and, as at 10 February 2014, had a market capitalisation of circa. £83 million. Mattioli Woods plc has under management, administration or advice over £4 billion of assets.
- 2.3 The Investment Manager is authorised and regulated by the FCA.
- 2.4 Ian Mattioli is beneficially interested in the share capital of Mattioli Woods Plc, which is the parent company of the Investment Manager and therefore has an indirect interest in the Investment Manager.

3. Key personnel of the Investment Manager

- 3.1 The Investment Manager's key personnel are:

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

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

(b) **Nathan Imlach CA FCSI CF** (*Finance Director*)

Nathan qualified as a chartered accountant in 1993 with Ernst & Young. He joined Johnston Carmichael Corporate Finance in 2003, becoming a director specialising in mergers and acquisitions. In 2006, Nathan joined the Mattioli Woods group as its finance director. From 2011, Nathan has also been the finance director of Custodian Capital and oversees the reporting and accounting framework of the company.

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

Ian's biography is set out at paragraph 1.6 of this Part II above.

4. Investment Management Agreement

- 4.1 The Company has entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed as AIFM with responsibility for the property management of the Company's assets, subject to the overall supervision of the Directors. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Board (including, without limitation, the investment policy of the Company) and in accordance with the investment restrictions referred to in the Investment Management Agreement.
- 4.2 The Investment Management Agreement provides that the Company will pay to the Investment Manager on a quarterly basis in arrears (on 1 January, 1 April, 1 July and 1 October each year) a fund and asset management fee calculated by reference to the NAV of the Company each quarter as follows:
- (a) 0.9 per cent of that amount of the NAV of the Company as at the relevant quarter day being less than or equal to £200 million divided by 4; plus

- (b) 0.75 per cent of that amount of the NAV of the Company as at the relevant quarter day in excess of £200 million divided by 4.
- 4.3 The Investment Manager is also appointed under the Investment Management Agreement to provide company secretarial, financial and administrative services to the Company, as described below in paragraph 6 of this Part II. Details of the fee payable for such services are set out below in paragraph 6 of this Part II.
- 4.4 The Investment Management Agreement is for an initial term of three years (the “Initial Term”), terminable by either party by giving not less than twelve months’ prior written notice to the other, which notice may only be given after the expiry of the Initial Term.
- 4.5 Further details of the Investment Management Agreement are set out in paragraph 8.4 of Part VI of this document.

5. Conflicts of interest

- 5.1 The Investment Manager and its officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company, save that the Investment Manager has undertaken in the Investment Management Agreement not to provide such services to any other company or other collective vehicle with a similar investment objective or policy to the Company without first having received the prior written consent of the Company. The Investment Manager will have regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise.

6. Administration and secretarial arrangements

- 6.1 Custodian Capital has also been appointed to provide company secretarial, financial and administrative services to the Company pursuant to the Investment Management Agreement, as described above in paragraph 4 of this Part II. In such capacity, Custodian Capital is responsible for general secretarial functions required by the Act and for ensuring that the Company complies with its Articles and its continuing obligations as a company listed on the premium segment of the Official List. Custodian Capital will provide the services of Nathan Imlach to act as company secretary of the Company. Custodian Capital is also responsible for the Company’s general administrative functions as provided for in the Investment Management Agreement.
- 6.2 The Investment Management Agreement provides that the Company will pay to Custodian Capital an administrative fee equal to 0.125 per cent of the NAV of the Company at the end of the last accounting period of the Company (or, in relation to the first accounting period, the NAV of the Company at Admission), subject to a minimum of £40,000 per quarter in the first year (such minimum amount being increased each year in line with the retail price index). The administrative fee is payable in quarterly instalments in advance.
- 6.3 The Investment Management Agreement is for an initial term of three years (the “Initial Term”), terminable by either party by giving not less than twelve months’ prior written notice to the other, which notice may only be given after the expiry of the Initial Term.
- 6.4 Further details of the Investment Management Agreement are set out in paragraph 8.4 of Part VI of this document.

7. Registrar, Receiving Agent and Depository

- 7.1 Capita has been appointed as the Company's Registrar and Capita will act as the Company's Receiving Agent pursuant to the Registrar Agreement and the Receiving Agent Agreement (further details of which are set out in paragraphs 8.5 and 8.6 of Part VI of this document).
- 7.2 Langham Hull UK LLP has been appointed the Company's Depository (which the Company is required to appoint as an AIFM). Further details of the agreement entered into between Langham Hull UK LLP and the Company are set out in paragraph 8.8 of Part VI of this document.

8. Auditor

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

9. Net Asset Value publication and calculation

- 9.1 The properties acquired by the Company will be valued by an external valuer quarterly in accordance with the RICS Red Book. The Net Asset Value attributable to the Ordinary Shares will be published quarterly based on the most recent valuation of the Company's portfolio and in accordance with IFRS. The Net Asset Value will be calculated by the Investment Manager and published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter. It is expected that the first Net Asset Value of the Ordinary Shares will be published as at 30 June 2014.
- 9.2 The calculation of the Net Asset Value per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

10. Shareholder meetings, reports and accounts of the Company

- 10.1 All General Meetings shall be held in the UK. The first annual general meeting is expected to be held in July 2015. Thereafter, the Company will hold an annual general meeting each calendar year.
- 10.2 The Company's annual report and accounts will be prepared up to 31 March each year and it is expected that copies will be sent to Shareholders by the following June. Shareholders will also receive an unaudited half yearly report covering the six months to 30 September each year, expected to be despatched in the following November. For so long as it is required to by the Disclosure and Transparency Rules, the Company will also issue interim management statements within the meaning of the Disclosure and Transparency Rules during the period commencing ten weeks after the beginning, and six weeks before the end, of each six month period of the financial year, covering the period between the beginning of such six month period and the date of publication of such statement.

11. Accounting policies

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

12. Annual expenses

- 12.1 The principal annual running costs of the Company will be the fees payable to the Investment Manager, the Directors, the Valuer, the Registrar and the Depositary. The Company will also incur regulatory fees, insurance costs, professional fees, audit fees and other expenses. It is estimated that the total running costs of the Company for the period ending 31 March 2015 (excluding the Issue Costs and irrecoverable property costs) will be approximately £2 million.
- 12.2 The irrecoverable property costs for the first year of the Company's operation are expected to be approximately £120,000.

13. Corporate Governance

- 13.1 The Listing Rules require that the Company must "comply or explain" against the UK Corporate Governance Code (the "**Corporate Governance Code**"). In addition, the Disclosure and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.
- 13.2 As a newly incorporated company, the Company does not comply with the Corporate Governance Code or the AIC Code as at the date of this document. However, the Directors recognise the value of the Corporate Governance Code and have taken appropriate measures to ensure that, from Admission, the Company will comply with the Corporate Governance Code, so far as is possible given the Company's size and nature of business. The areas of non-compliance by the Company with the Corporate Governance Code will be as follows:
- (a) There is no chief executive position within the Company, which is not in accordance with provision A.2.1 of the Corporate Governance Code. As an investment company the Company has no employees and therefore no requirement for a chief executive.
 - (b) The Company has not established a nomination committee, which is not in accordance with Code Provision B.2.1 of the Corporate Governance Code. As all of the Directors are non-executive, the Company considers (and the AIC Code recognises) that the Board as a whole can fulfil the role otherwise undertaken by such committees.
 - (c) The Company has not established a remuneration committee, which is not in accordance with Code Provision D.2.1 of the Corporate Governance Code. As all of the Directors are non-executive, the Company considers that the Board as a whole can fulfil the role otherwise undertaken by such committees.
- 13.3 *AIC Code*
- 13.4 The Board has agreed to comply with the AIC Code of Corporate Governance (the "**AIC Code**") produced by the Association of Investment Companies ("**AIC**"). The Company intends to become a member of the AIC following Admission.

13.5 *Board Committees*

(a) *Audit Committee*

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

The Audit Committee will meet representatives of the Investment Manager and its compliance officers who will report as to the proper conduct of business in accordance with the regulatory

environment in which the Company and the Investment Manager operate. The Company's auditor will also attend the Audit Committee at its request and report on its work procedures, the quality and effectiveness of the Company's accounting records and its findings in relation to the Company's statutory audit. The Company will meet with the auditors, without representatives of the Investment Manager being present, at least once a year.

(b) *Management Engagement Committee*

The Management Engagement Committee comprises the independent Directors and is chaired by Barry Gilbertson. On a regular basis, it will review the appropriateness of the Investment Manager's continuing appointment together with the terms of conditions thereof and make recommendation on any proposed amendment to the Investment Management Agreement (including in relation to the administration and secretarial services provided pursuant to the Investment Management Agreement) or any other agreement entered into with the Investment Manager. The Management Engagement Committee will also perform a review of the performance of other key service providers to the Company.

13.6 *Directors' Share dealings*

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

PART III

THE ISSUE AND THE CONSIDERATION SHARES

1. The Issue – Introduction

The Issue comprises the Placing, the Offer for Subscription and the issue of Ordinary Shares to Initial Property Portfolio Investors in accordance with the terms of the Acquisition. The Company is offering up to 135 million Ordinary Shares under the Issue, which will first be allocated to Initial Property Portfolio Investors pursuant to the terms of sale of those properties in the Initial Property Portfolio acquired by the Company and thereafter may be allocated at the Board's discretion to Placees under the Placing or to subscribers under the Offer for Subscription. The total number of Ordinary Shares issued under the Placing and Offer for Subscription will be determined by the Company, the Sponsor and the Investment Manager after taking into account demand for the Ordinary Shares, subject to a maximum of 55 million Ordinary Shares being issued under the Placing and Offer for Subscription in aggregate. The Placing is conditional upon Placees subscribing for Ordinary Shares for an aggregate subscription price of not less than £15 million. The actual number of Ordinary Shares to be issued pursuant to the Issue is not known as at the date of this document but will be notified by the Company via an RIS announcement and the Company's website, prior to Admission.

- 1.1 No commission is payable by the Company to new investors under the Issue. The Ordinary Shares will be issued at a price of 100 pence per share. The Issue Costs are not expected to exceed 2 per cent. of the aggregate Issue Price of the aggregate number of Issue Shares and Consideration Shares (assuming the Placing and the Offer for Subscription are subscribed in full and all properties comprised in the Initial Property Portfolio are acquired by the Company).
- 1.2 The proceeds of the Issue are intended to be used by the Company to: (a) pay the Issue Costs; (b) fund the Cash Consideration under the Acquisition Agreements (which the Initial Property Portfolio Funds will use, *inter alia*, to discharge debt currently secured on properties in the Initial Property Portfolio); and (c) purchase a diversified portfolio of additional properties in accordance with the Company's Investment Policy.
- 1.3 The Issue, which is not underwritten, is conditional upon:
 - (a) the Placing Agreement having become unconditional (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission;
 - (b) Admission becoming effective not later than 8.00 a.m. on 26 March 2014 or such later time and/or date as Numis and the Company may agree in writing, being not later than 8.00 a.m. on 30 April 2014; and
 - (c) the value of those properties in the Initial Property Portfolio acquired by the Company being equal to or exceeding £75 million or such lesser amount as the Company, the Investment Manager and Numis may agree).
- 1.4 The Placing is conditional upon the aggregate Issue Price of the Ordinary Shares subscribed by Placees being not less than £15 million in aggregate.
- 1.5 If the conditions in paragraph 1.3 are not met, the Issue will not proceed and, in such an event, subscription monies will be returned without interest at the risk of the applicant to the bank account from which the money was received. If the condition in paragraph 1.4 is not met (but the conditions in paragraph 1.3 are met) Admission will take place and the Consideration Shares will be issued but the Placing will not proceed and, in such event, subscription monies received from prospective Placees will be returned without interest at the risk of the applicant to the bank account from which the money was received.

1.6 The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised individual who is seeking an attractive level of income with the potential for income and capital growth from investing in a diversified portfolio of UK commercial real estate properties and who understands and accepts the risks inherent in the Company's investment policy.

2. The Placing

2.1 Up to 55 million Ordinary Shares are available to be placed on behalf of the Company at the Issue Price to raise up to £55 million before expenses.

2.2 The Company, the Investment Manager, the Directors and Numis have entered into the Placing Agreement pursuant to which Numis has agreed subject to certain conditions to use reasonable endeavours to procure placees in the Placing in return for the payment by the Company of placing commissions to Numis. Further details of the Placing Agreement are set out in paragraph 8.3 of Part VI of this document.

2.3 Payment for the Ordinary Shares, in the case of the Placing, should be made in accordance with settlement instructions to be provided to Placees by the Sponsor.

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

2.5 The independent Directors have agreed to participate in the Placing by each subscribing for 10,000 Ordinary Shares at the Issue Price. Ian Mattioli intends to subscribe for 650,000 Ordinary Shares at the Issue Price under the Placing. In addition, Ian Mattioli has a beneficial interest in a number of the Initial Property Portfolio Funds (and as such may receive Consideration Shares pursuant to the terms of the Acquisition Agreements) as set out in Part VI of this document. In addition, the independent Directors will, upon Admission, be paid an amount in cash equal to (after deduction of tax) £10,000 which they each intend to apply in the subscription of further Ordinary Shares at the Issue Price.

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

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

3. The Offer for Subscription

3.1 The Directors are also proposing to offer Ordinary Shares under the Offer for Subscription (to certain categories of investors) at 100p per Ordinary Share.

3.2 Investors (save for overseas investors) may apply for Ordinary Shares through the Offer for Subscription. The aggregate subscription price is payable in full on application. Applications under the Offer must specify a fixed sum in sterling, being the aggregate subscription price for the Ordinary Shares for which they wish to apply at the Issue Price. Individual applications must be for Ordinary Shares with a minimum aggregate value at the Issue Price of £5,000.

3.3 The procedure for, and the terms and conditions of, application under the Offer for Subscription are set out at Part X of this document and an application form for use under the Offer for Subscription is attached. These terms and conditions should be read carefully before an application is made. Investors should consult their respective stockbrokers, bank managers, solicitors, accountants or other independent financial advisers if they are in any doubt.

3.4 Completed application forms accompanied by a cheque or banker's draft in relation to the Offer for Subscription must be posted to or delivered by hand (during normal business hours) to Capita Asset

Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received by 11.00 a.m. on 18 March 2014.

4. Scaling back

- 4.1 A maximum of 135 million Ordinary Shares are available under the Issue. Ordinary Shares will first be allocated to Initial Property Portfolio Investors as the Consideration Shares required to be issued as part of the consideration payable by the Company for the acquisition by the Company of properties comprised in the Initial Property Portfolio. In the event that commitments under the Placing and valid applications under the Offer for Subscription are such that the aggregate number of Ordinary Shares to be issued under the Placing and Offer for Subscription reaches 55 million Ordinary Shares, further commitments may not be accepted and the Placing and Offer for Subscription may be closed. Numis reserves the right in its sole and absolute discretion but after consultation with the Company, to scale back applications in such amounts as it considers appropriate. The Company reserves the right to decline in whole or in part any application for Ordinary Shares pursuant to the Placing or Offer for Subscription.
- 4.2 Accordingly, applicants for Ordinary Shares may, in certain circumstances, not be allotted the number of Ordinary Shares for which they have applied.
- 4.3 The result of the Placing and Offer for Subscription (and any scaling back) will be announced immediately prior to Admission through a Regulatory Information Service. The balance of subscription moneys in the event of scaling back (or unsuccessful applications) will be posted to applicants by cheque, without interest, at the applicant's own risk.

5. Fractions

Fractions of Ordinary Shares will not be issued. To the extent that (other than on a scaling back) the fixed sum specified in relation to any applications for Ordinary Shares exceeds the aggregate value, at the Issue Price, of the Ordinary Shares issued pursuant to such application, the balance of such sum (which will never exceed the Issue Price per Ordinary Share) will be retained for the benefit of the Company.

6. Consideration Shares to be issued on completion of the Acquisition

- 6.1 On today's date, the Company entered into the Acquisition Agreements pursuant to which the Company proposes to acquire the Initial Property Portfolio. The Acquisition is conditional on, *inter alia*, the approval by Initial Property Portfolio Investors of the sale to the Company of properties comprised in the Initial Property Portfolio having a value, in aggregate of not less than £75 million and upon Admission occurring.
- 6.2 The consideration payable on completion of the sale and purchase of each property comprised in the Initial Property Portfolio will comprise: (a) an amount in cash equal to the amount required to satisfy the net liabilities (including, where applicable, borrowings) which the Limited Partnership or SPV (as applicable) has incurred in relation to the property; and (b) Consideration Shares allotted and issued to the relevant Initial Property Portfolio Investors.

6.3 *Background to and reasons for the Acquisition*

In June 2013 the FCA issued a policy statement entitled "Restrictions on the retail distribution of Unregulated Collective Investment Schemes and close substitutes". Under the policy statement, arrangements such as the Initial Property Portfolio Funds are characterised as Non-Mainstream Pooled Investments (NMPs) with effect from 1 January 2014. Under the relevant FCA regulation, NMPs have historically been permitted to be promoted to clients who are advised by an appropriately authorised financial adviser. As a result of the policy statement, promotion of NMPs to retail customers will not be permitted and advised clients will no longer be eligible to receive an NMP promotion unless they satisfy certain specific criteria. As such, the ability to use structures such as the Limited Partnerships and the SPVs to facilitate direct investment in property is reduced. The Board therefore considers that the establishment of the Company as a REIT provides an attractive alternative

structure for investment in commercial property. In establishing the Company as a REIT, the Board considers that the ability to acquire the Initial Property Portfolio presents a good opportunity for the Company to acquire an established portfolio of commercial property assets.

6.4 *Details of the Acquisition*

- (a) The Company has entered into the Acquisition Agreements today pursuant to which it has conditionally agreed to acquire each property comprised in the Initial Property Portfolio. The Acquisition is conditional upon: (a) in relation to each property comprised in the Initial Property Portfolio, the passing of the relevant Resolution by the required majority of Initial Property Portfolio Investors in the relevant Initial Property Portfolio Fund to approve the transfer of that property to the Company; (b) the passing of Resolutions to approve the transfer of properties comprised within the Initial Property Portfolio having an aggregate value (on the basis of the property valuations set out in the Valuation Report in Part V of this document) of not less than £75 million; and (c) Admission.
- (b) Upon the Acquisition becoming unconditional and being completed, the Initial Property Portfolio Investors shall, to the extent that a property comprised in the Initial Property Portfolio in which they are interested is being transferred to the Company, be allotted and issued with Consideration Shares. Upon the sale of a property in the Initial Property Portfolio by an SPV, the Consideration Shares to be issued in connection with that sale will be allotted and issued to the relevant Initial Property Portfolio Investors in that SPV as the beneficiaries under the trust of that property held by the SPV. Upon the sale of a property in the Initial Property Portfolio by a Limited Partnership, the Limited Partnership will be dissolved and the Consideration Shares to be issued in connection with that sale will be allotted and issued to the relevant Initial Property Portfolio Investors (who are limited partners in that Limited Partnership) in satisfaction of their respective entitlements on the dissolution of the Limited Partnership.

7. **Listing, dealing and settlement**

- 7.1 It is expected that the Ordinary Shares allotted pursuant to the Issue will be issued on 26 March 2014 and admitted to the Official List and to trading on the Main Market on 26 March 2014. No dealings will commence before this date.
- 7.2 Ordinary Shares issued pursuant to the Issue will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of the Ordinary Shares will, where requested or required by law, be despatched during the week commencing 31 March 2014. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the Company's register of members. The Issue cannot be revoked after dealings have commenced on 26 March 2014.
- 7.3 Numis intends to register as a market maker in the Company's shares. However, the Company is not able to guarantee that at any particular time Numis or other market makers will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share.

7.4 *Crest*

- (a) CREST is a paperless settlement procedure operated by Euroclear enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Upon Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission in respect of the Ordinary Shares issued under the Issue and it is expected that the Ordinary Shares will be admitted with effect from that time. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

- (b) It is expected that the Company will arrange for Euroclear to be instructed on 26 March 2014 to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Ordinary Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.
- (c) The transfer of Ordinary Shares out of the CREST system following the Issue should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form.
- (d) CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. An investor applying for Ordinary Shares in the Issue may elect to receive Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the Regulations) in relation to CREST. If a Shareholder or transferee requests Ordinary Shares to be issued in certificated form and is holding such Ordinary Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Ordinary Shares. Shareholders holding definitive certificates may elect at a later date to hold such Ordinary Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

8. Issue Costs

- 8.1 The costs and expenses of the Issue include the costs of incorporation of the Company, the fees and commissions payable to Numis, the fees payable to professional advisers and other related expenses. The Issue Costs to be borne by Shareholders are not expected to exceed 2 per cent. of the aggregate Issue Price of the Issue Shares and the Consideration Shares (assuming the Placing and the Offer for Subscription are subscribed in full and all properties compared in the Initial Property Portfolio are acquired by the Company).
- 8.2 The gross proceeds of the Placing and Offer for Subscription are therefore expected to be £55 million (on the assumption that the Placing and Offer for Subscription are fully subscribed) and, after payment of the Issue Costs and repayment of the Company's initial bank loan, they are intended to be used by the Company to purchase a diversified portfolio of additional properties in accordance with the Company's investment policy.

9. ISAs

- 9.1 Any person wishing to apply for Ordinary Shares under the Offer for Subscription through any ISA account should contact their ISA manager as soon as possible. Ordinary Shares acquired through the Placing are not eligible for inclusion in an ISA account.
- 9.2 The Ordinary Shares will be a qualifying investment for the stocks and shares component of an ISA, provided they are acquired by an ISA plan manager pursuant to the Offer for Subscription. Ordinary Shares issued pursuant to the Placing are not eligible for inclusion in an ISA. Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over and subject to applicable annual subscription limits (£11,520 for the 2013/14 tax year). A disposal of Ordinary Shares in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in the relevant tax year.
- 9.3 Shares in equities listed on the Main Market, such as the Company, only qualify for the stocks and shares component of an ISA where the investments of the REIT themselves continue to meet certain tests laid down by law. The intention of the Directors is to manage the Company in a way which will allow the Ordinary Shares to qualify as ISA investments.

10. SIPPs/SSAS

- 10.1 Any person wishing to apply for Ordinary Shares under the Offer for Subscription through a Self-Invested Personal Pension (“**SIPP**”) or a Small Self-Administered Scheme (“**SSAS**”) should contact their savings plan manager as soon as possible.
- 10.2 Ordinary Shares may be eligible for inclusion in a SIPP or SSAS, subject to the trustees/investment managers of the relevant SIPP or SASS having firstly satisfied themselves that the proposed investment falls within the permitted investment/non-taxable property rules that apply to UK registered SIPPs and SSASs.

11. Offshore Bonds

- 11.1 Ordinary Shares may be eligible for inclusion in offshore bonds. Any person wishing to apply for Ordinary Shares under the Offer for Subscription through offshore bonds should contact their investment manager or financial adviser as soon as possible.

12. Overseas investors

- 12.1 This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Manager.
- 12.2 The Company has elected to impose the restrictions described below on the Issue and on the future trading of the Ordinary Shares so that the Company will not be required to register the offer and sale of the Ordinary Shares under the Securities Act and will not have an obligation to register as an investment company under the Investment Company Act and related rules and also to address certain ERISA, Internal Revenue Code and other considerations.
- 12.3 These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Ordinary Shares to trade such securities. The Company and its agents will not be obligated to recognise any resale or other transfer of the Ordinary Shares made other than in compliance with the restrictions described below.
- 12.4 The Ordinary Shares have not been, nor will be, registered under the Securities Act or under the securities legislation of any state or other political sub-division of the United States and the Ordinary Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act). There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S under the Securities Act. Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S to: (i) a person outside the United States and not known by the transferor to be a US Person, by prearrangement or otherwise; or (ii) the Company or a subsidiary thereof.
- 12.5 The relevant clearances have not been and will not be, obtained from the securities commission of any province or territory of Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan and they may not, subject to certain exceptions, be offered or sold directly or indirectly in, into or within Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan or any national, citizen or resident of Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

12.6 Unless otherwise agreed by the Board, the Ordinary Shares will only be offered for subscription to potential investors who are resident in the United Kingdom. The making of the Offer for Subscription to overseas investors is at the discretion of the Board and may be affected by the laws or regulatory requirements of relevant jurisdictions. Overseas investors who wish to subscribe for Ordinary Shares under the Offer for Subscription are referred to paragraph 9 of the Terms and Conditions of Application under the Offer for Subscription set out in Part X of this document. Potential investors who are in any doubt as to their position in this respect are strongly recommended to consult their own professional advisers as soon as possible.

13. Money laundering

13.1 Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK, the Company and its agents, the Investment Manager, the Receiving Agent and Numis may require evidence in connection with any application for Ordinary Shares, including further identification of the applicant(s) before any Ordinary Shares are issued.

13.2 The Company and its agents, the Investment Manager, the Receiving Agent and Numis reserve the right to request such information as is necessary to verify the identity of the prospective Shareholder and (if any) the underlying prospective beneficial owner of the Ordinary Shares. In the event of delay or failure by the prospective Shareholder to produce any information required for verification purposes, the Directors, in consultation with Numis and the Investment Manager, may refuse to accept a subscription for Ordinary Shares.

14. Subscriber Warranties

14.1 Each subscriber of Ordinary Shares in the Issue and each subsequent investor in the Ordinary Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgments and agreements set out in paragraphs 4 and 5 in Part IX of this document.

14.2 The Company, the Investment Manager, the Sponsor, and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

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

PART IV

THE PLACING PROGRAMME

1. Introduction

The Company has made arrangements under which the Board has discretion to issue pursuant to the Placing Programme up to 240 million Ordinary Shares provided that such number of Ordinary Shares to be issued pursuant to the Issue and the Placing Programme may not exceed 300 million in aggregate. The maximum number of Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of Ordinary Shares finally to be issued. The Placing Programme is intended to be flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares over a period of time. The Placing Programme is intended to satisfy market demand for the Ordinary Shares and to raise further money for investment in accordance with the Company's investment policy.

2. Background to and reasons for the Placing Programme

2.1 The Company wishes to have the flexibility to issue further Ordinary Shares on a non-pre-emptive basis where there appears to be reasonable demand for Ordinary Shares in the market, for example if the Ordinary Shares trade at a premium to their Net Asset Value per Ordinary Share. In addition, as any Ordinary Shares issued under the Placing Programme will be issued at a price not less than the prevailing cum income Net Asset Value per Ordinary Share, nor more than the best offer price per Ordinary Share as quoted on the London Stock Exchange at the time that the proposed issue is agreed, as determined by the Directors, an issue of Ordinary Shares under the Placing Programme may be used by the Company to reduce any premium over NAV at which its Shares may be trading. Shareholder authority to issue further Ordinary Shares on a non-pre-emptive basis was granted on 24 February 2014.

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

3. Benefits of the Placing Programme

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

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

3.2 The Directors will consider the potential impact of the Placing Programme on the payment of dividends to Shareholders and intend to ensure that it will not result in any material dilution of the dividends per Ordinary Share that the Company may be able to pay. In the event that £165 million is raised under the Placing Programme and assuming that £55 million is raised pursuant to the Placing and Offer for Subscription before expenses, a Shareholder holding shares representing 1 per cent. of

the Company's issued Ordinary Share capital immediately following Admission on completion of the Placing and Offer for Subscription, who does not participate in the Placing Programme, would, following the completion of the Placing Programme, hold shares representing approximately 0.45 per cent of the Company's issued Ordinary Share capital.

4. The Placing Programme

- 4.1 The Placing Programme will open immediately following Admission and will close on 20 February 2015 (or any earlier date on which it is fully subscribed). The maximum number of Ordinary Shares to be issued pursuant to the Placing Programme is 240 million, provided that such number of Ordinary Shares to be issued pursuant to the Issue and the Placing Programme may not exceed 300 million in aggregate. Ordinary Shares issued under the Placing Programme will be issued pursuant to the existing authority granted to the Directors which expires on the earlier of the date of the first Annual General Meeting of the Company and the date which is 18 months after the date of this document (unless previously renewed, revoked or varied by the Company in a general meeting). Further details regarding the authority to allot on a non pre-emptive basis can be found in paragraph 3 of Part VI of this Document.
- 4.2 The allotment and issue of Ordinary Shares under the Placing Programme is at the discretion of the Directors. Allotments and issuances may take place at any time prior to the final closing date of 20 February 2015. An announcement of each allotment and issue pursuant to a Subsequent Placing will be released through an RIS, including details of the number of Ordinary Shares allotted and issued and the applicable Placing Programme Price for the allotment and issue. It is anticipated that dealings in the Ordinary Shares will commence three Business Days after the trade date for each Subsequent Placing. Whilst it is expected that all Ordinary Shares allotted and issued pursuant to a Subsequent Placing will be issued in uncertificated form, if any Ordinary Shares are issued in certificated form it is expected that share certificates would be despatched approximately one week after admission of the relevant Ordinary Shares to the Official List and to trading on the Main Market of the London Stock Exchange. No temporary documents of title will be issued.
- 4.3 The Directors' existing authority to issue Ordinary Shares on a non-pre-emptive basis under the Placing Programme is limited to 240 million Ordinary Shares provided that the maximum number of Ordinary Shares that can be issued under the Placing Programme when aggregated with the number of Consideration Shares and Ordinary Shares issued under the Placing and Offer for Subscription shall not exceed 300 million Ordinary Shares. The Directors' authority to issue the applicable Ordinary Shares on a non-pre-emptive basis will expire 18 months after the date of this document or, if earlier, at the end of the first annual general meeting of the Company (save that where the Company has, prior to such expiry, made an offer or agreement that would or might require Ordinary Shares to be allotted and issued after such expiry, the Directors may issue Ordinary Shares pursuant to such offer or agreement as if their authority to issue Ordinary Shares on a non pre-emptive basis had not expired).
- 4.4 Such Ordinary Shares will, subject to the Company's decision to proceed with a placing under the Placing Programme at any given time, be issued to Numis (or to places secured by Numis) at the Placing Programme Price. Where Numis is the placee, it will trade the Ordinary Shares in the secondary market. No Ordinary Shares will be issued at a discount to the Net Asset Value per Ordinary Share at the time of the relevant allotment. The Company will not issue any Ordinary Shares at a discount of 10 per cent. or more to the middle market price of the Ordinary Shares at the relevant time without further Shareholder approval.
- 4.5 The Placing Programme is not being underwritten and, as at the date of this document, the actual number of Ordinary Shares to be issued under the Placing Programme is not known. The number of Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of Ordinary Shares finally to be issued.
- 4.6 So far as the Directors are aware as at the date of this document, no major Shareholders or Directors intend to make a commitment for Ordinary Shares under the Placing Programme. In the event that a

related party (as defined in the Listing Rules) wished to make a commitment for Ordinary Shares under the Placing Programme, the Company would comply with its obligations under Chapter 11 of the Listing Rules including, if required, seeking Shareholder approval for the allotment and issue of Ordinary Shares to that related party.

- 4.7 Applications will be made to the FCA for the Ordinary Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such shares to be admitted to trading on its Main Market for listed securities. All Ordinary Shares issued pursuant to the Placing Programme will be issued conditionally on such Admission occurring. This document has been published in order to obtain admission to the Official List of any Ordinary Shares issued pursuant to the Placing Programme. This will include any Ordinary Shares issued under the Directors' existing authority to issue Ordinary Shares on a non-pre-emptive basis after the date of this document. Should the Board wish to issue Ordinary Shares in excess of the amount which it will then be authorised to issue, further authorities will be sought at an appropriate time by convening a general meeting of Shareholders for this purpose.
- 4.8 The Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant Ordinary Shares).
- 4.9 The Placing Programme will be suspended at any time when the Company is unable to issue Ordinary Shares pursuant to the Placing Programme under any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion. The Placing Programme may resume when such conditions cease to exist.

5. Conditions

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

6. Calculation of the Placing Programme Price

- 6.1 The Placing Programme Price will be calculated by reference to the estimated cum income Net Asset Value of each existing Ordinary Share together with a premium intended to cover the direct costs and expenses of the placing pursuant to the Placing Programme (including, without limitation, any placing commissions). The Directors will determine the Placing Programme Price on the basis described above so as to cover the costs and expenses of each Subsequent Placing under the Placing Programme and thereby avoid any dilution of the Net Asset Value of the existing Ordinary Shares held by Shareholders. By way of illustration, assuming an initial NAV of 98p, the Placing Programme Price would be expected to be approximately 100p, and the expenses indirectly borne by the investor would therefore be 2p.

6.2 Fractions of Ordinary Shares will not be issued and placing consideration will be allocated accordingly. Where Ordinary Shares are issued, the total assets of the Company will increase by that number of Ordinary Shares multiplied by the relevant Placing Programme Price. It is not expected that there will be any material impact on the earnings and Net Asset Value per Ordinary Share, as the net proceeds resulting from any issue are expected to be invested in investments consistent with the investment objective and policy of the Company and the Placing Programme Price is expected to represent a modest premium to the then prevailing Net Asset Value.

7. Settlement

7.1 Payment for Ordinary Shares issued under the Placing Programme will be made through CREST or through Numis, in any such case in accordance with settlement instructions to be notified to placees by Numis. In the case of those subscribers not using CREST, monies received by Numis will be held in a segregated client account pending settlement.

7.2 To the extent that any placing commitment is rejected in whole or in part, any monies received will be returned without interest at the risk of the placee.

7.3 CREST

(a) CREST is a paperless settlement procedure operated by Euroclear enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Upon Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST with effect from Admission in respect of Ordinary Shares issued under the Placing Programme and it is expected that the Ordinary Shares will be admitted with effect from that time. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

(b) It is expected that the Company will arrange for Euroclear to be instructed to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Ordinary Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

(c) The transfer of Ordinary Shares out of the CREST system following the issue of Ordinary Shares should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form.

7.4 CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. An investor applying for Ordinary Shares under the Placing Programme may elect to receive Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the Regulations) in relation to CREST. If a Shareholder or transferee requests Ordinary Shares to be issued in certificated form and is holding such Ordinary Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Ordinary Shares. Shareholders holding definitive certificates may elect at a later date to hold such Ordinary Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

7.5 Costs of the Placing Programme

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

Assuming that £165 million is raised under the Placing Programme before expenses and a Placing Programme Price of 100 pence per Ordinary Share, the gross proceeds of the Placing Programme would be £165 million, the costs of the Placing Programme are estimated to be equal to 2 per cent. of the gross proceeds and the net proceeds of the Placing Programme would therefore be £161.7 million.

8. Use of Proceeds

The total net proceeds of the Placing Programme will depend on the number of Ordinary Shares issued pursuant to the Placing Programme and the relevant Placing Programme Prices. The Directors intend to use the net proceeds of each Subsequent Placing, after costs, to acquire investments in accordance with the Company's investment objective and policy.

9. Placing Agreement

The Company, the Investment Manager, the Directors and Numis have entered into the Placing Agreement pursuant to which Numis has agreed, subject to certain conditions and as agent for the Company, to use reasonable endeavours to procure places in the Placing in return for the payment by the Company of placing commissions to Numis. Further details of the Placing Agreement are set out in paragraph 8.3 of Part VI of this document.

10. Overseas investors

- 10.1 This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares under the Placing Programme in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Manager.
- 10.2 The Company has elected to impose the restrictions described below on the Placing Programme and on the future trading of the Ordinary Shares so that the Company will not be required to register the offer and sale of the Ordinary Shares under the Securities Act and will not have an obligation to register as an investment company under the Investment Company Act and related rules and also to address certain ERISA, Internal Revenue Code and other considerations.
- 10.3 These transfer restrictions, which will remain in effect until the Company determines in its sole discretion to remove them, may adversely affect the ability of holders of the Ordinary Shares to trade such securities. The Company and its agents will not be obligated to recognise any resale or other transfer of the Ordinary Shares made other than in compliance with the restrictions described below.
- 10.4 The Ordinary Shares have not been, nor will be, registered under the Securities Act or under the securities legislation of any state or other political sub-division of the United States and the Ordinary Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act). There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S under the Securities Act. Moreover, the Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares and any beneficial interests therein may only be transferred in an offshore transaction in accordance with Regulation S to: (i) a person outside the United States and not known by the transferor to be a US Person, by prearrangement or otherwise; or (ii) the Company or a subsidiary thereof.
- 10.5 The relevant clearances have not been and will not be, obtained from the securities commission of any province or territory of Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan and they may not, subject to certain exceptions, be offered or sold directly or indirectly in, into or within Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan or any national, citizen or resident of Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. This document does not constitute an offer to sell or issue, or the solicitation of an

offer to purchase or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

- 10.6 Unless otherwise agreed by the Board, the Ordinary Shares will only be offered for subscription to potential investors who are resident in the United Kingdom. The ability of overseas investors to participate in the Placing Programme is at the discretion of the Board and may be affected by the laws or regulatory requirements of relevant jurisdictions. Overseas investors who wish to subscribe for Ordinary Shares under the Placing Programme are referred to paragraphs 4.10 to 4.12 of the Terms and Conditions of Application under the Placing and each Subsequent Placing set out in Part IX of this document. Potential investors who are in any doubt as to their position in this respect are strongly recommended to consult their own professional advisers as soon as possible.

11. Money laundering

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

12. Subscriber Warranties

- 12.1 Each subscriber of Ordinary Shares in the Placing Programme and each subsequent investor in the Ordinary Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgments and agreements set out in paragraphs 4 and 5 in Part IX of this document.
- 12.2 The Company, the Investment Manager, the Sponsor, and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.
- 12.3 If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

PART V

VALUATION REPORT ON THE INITIAL PROPERTY PORTFOLIO

The logo for Lambert Smith Hampton, featuring the company name in white text on a red rectangular background.

To
The Directors
Custodian Capital,
1 Penman Way,
Grove Park,
Enderby,
Leicester,
LE19 1SY

To
Numis Securities Limited
The London Stock Exchange Building,
10 Paternoster Street,
London

Lambert Smith Hampton
Interchange Place
Edmund Street
Birmingham
B3 2TA

25 February 2014

Dear Sirs

PROPERTY PORTFOLIO VALUATION

1. Introduction

In accordance with our instructions we have considered the properties currently owned by the Initial Property Portfolio Funds in order to advise you of our opinion of the Market Value of the freehold and leasehold interests of the properties held as investments as at 31 January 2014. We have not found it necessary to qualify the definition of Market Value, as stated below, within this report. We have also provided an estimate of net annual rents receivable as at 31 January 2014.

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

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

We understand that our valuation is required in connection with the prospectus to be published in connection with the proposed acquisition of the Initial Property Portfolio by the Company and the issue of new Ordinary Shares of 1p each in the capital of the Company as consideration for the acquisition (“**Consideration Shares**”) and under the Placing, the Offer for Subscription and the Placing Programme (the “**Prospectus**”) and the admission of the entire share capital (issued and to be issued) of the Company to the Official List of the Financial Conduct Authority and to trading on London Stock Exchange plc’s main market for listed securities.

The RICS consider it good practice to rotate the valuer responsible when a series of valuations is provided over a period of time and we confirm that Lambert Smith Hampton (“LSH”) follows this practice.

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

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

The properties have been inspected on various dates on a rolling basis over the course of the last 3 years by John Ewing MRICS and David Williams BSc (Hons) MRICS. David Williams has undertaken this Valuation Report with assistance from Lambert Smith Hampton’s regional network of offices and is qualified for the purposes of this instruction. David Williams will sign the valuation on behalf of Lambert Smith Hampton in conjunction with another senior director in the Valuation Division.

2. Basis of Valuation

General

In accordance with the Red Book and the Financial Conduct Authority’s Listing Rules (LR), our valuation has been prepared on the basis of Market Value which, under Practice Statements PS 3.2, the Red Book defines as:

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

We have had no reason to qualify this definition.

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

3. Scope of Report

The scope of this report extends to the freehold and long leasehold interests in properties owned as at 31 January 2014.

4. Tenure and Tenancies

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

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

5. Net Annual Rents

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

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

6. Floor Areas

Lambert Smith Hampton has carried out measured surveys in accordance with the RICS Code of Measuring Practice (6th Edition) of the properties within the portfolio where possible. Where properties have not been measured we have relied on floor areas provided by Custodian Capital which we have assumed have also been measured in accordance with the RICS Code of Measuring Practice (6th Edition).

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

We confirm that all of the properties within the portfolio have been inspected by Lambert Smith Hampton on a rolling basis over the course of the last 3 years.

7. Condition and Repair

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

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

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

8. Environmental Protection Act

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

9. Plant and Machinery

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

10. Town Planning

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

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

11. General Comments

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

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

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

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

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

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

12. Valuation

Subject to the comments and assumptions set out in this report and subject to the comments in the LSH "Terms of Engagement for Valuation Services", we are of the opinion that the aggregate Market Value of the freehold and long leasehold interests in the investment properties as at 31 January 2014 is:

£95,190,000

(Ninety five million, one hundred and ninety thousand pounds)

made up as follows:

Category of Property

FREEHOLD/HERITABLE

Properties held as investments £75,140,000

LEASEHOLD

Properties held as investments £20,050,000

PROPERTIES WHICH ARE IN THE COURSE OF CONSTRUCTION

Properties to be held as investments £0

PROPERTIES HELD FOR NON SPECIALISED DEVELOPMENT

Properties held for development £0

Total £95,190,000

There has not been any material change in the valuation between the date of the valuation and the date of this valuation report.

13. Geographical Split of Properties

<i>Total in number</i>	<i>Geographical region</i>	<i>Combined Net Annual Rent £pa</i>	<i>Combined Market Value £</i>
3	North East	342,230	4,335,000
5	North West	912,529	12,370,000
7	South East	1,076,398	13,425,000
6	South West	761,201	10,760,000
10	East Midlands	1,623,015	17,760,000
8	West Midlands	1,635,917	21,520,000
4	East Anglia	479,858	6,060,000
4	Scotland	505,340	7,040,000
1	Wales	150,000	1,900,000
<u>48</u>		<u>7,486,488</u>	<u>95,190,000</u>

This valuation has been prepared for inclusion in the Prospectus.

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

Yours faithfully



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



Tim Sandford, Director
For and on behalf of Lambert Smith Hampton

<i>Property</i>	<i>Type</i>	<i>Net Rent</i>	<i>ERV</i>	<i>Value</i>	<i>Totals</i>	<i>Init Yld</i>
Unit E/F, Reg's Way, Bardon 22, Coalville	Industrial	£147,120	£115,000	£1,230,000		11.31%
Phoenix Business Park, Brindley Road, Hinckley	Industrial	£70,538	£74,826	£840,000		7.94%
The Diamond, Diamond Way, Stone	Industrial	£322,000	£322,000	£2,840,000		10.72%
Unit M3, RD Park, Avonmouth	Industrial	£215,221	£215,221	£2,700,000		7.54%
Units 2, 7, 8 & 9 Shepcote Enterprise Park, Sheffield	Industrial	£105,525	£108,510	£1,065,000		9.37%
Howemoss Drive, Kirkhill Industrial Estate, Aberdeen	Industrial	£193,500	£193,500	£2,170,000		8.43%
Bedford, Units 1 & 2, Priory Business Park,	Industrial	£396,086	£329,996	£4,215,000		8.88%
Sytner Body Shop, Brades Road, Oldbury	Industrial	£209,310	£209,310	£2,510,000		7.88%
Coventry South Delivery Office, Orchard Business Park	Industrial	£232,535	£215,000	£3,500,000		6.28%
Lancaster Way, Ermine Bus. Park, Huntingdon	Industrial	£104,958	£90,000	£1,250,000		7.94%
Unit 4 The Furrows, Trafford Park	Industrial	£220,000	£225,000	£2,870,000		7.25%
Sheffield Parkway, 1 Parkway, Sheffield	Industrial	£136,705	£136,705	£1,940,000		6.66%
3 Queens Drive, Kilmarnock	Industrial	£94,500	£95,000	£1,110,000		8.05%
Unit A, 14-16 Verney Street, Bermondsey	Industrial	£200,052	£220,240	£3,120,000		6.06%
NHS Ambulance Centre, Opus Aspect, Erdington	Industrial	£151,483	£151,483	£2,375,000		6.03%
	Industrial Total			£33,735,000		7.84%
Abbeyfield Road, The Vision Express Com	Office	£189,200	£189,200	£1,400,000		12.77%
Pride Park, 1, Pride Place, Pride Park, Derby	Office	£257,000	£227,312	£2,630,000		9.24%
Unit C, Madison Place, Central Park, Manchester	Office	£119,905	£93,496	£1,465,000		7.74%
5 Kayes Walk, The Lace Market, Nottingham	Office	£0	£26,880	£300,000		0.00%
Grove Park, Penman Way, Leicester	Office	£479,642	£439,611	£5,450,000		8.32%
MW House, 1 Penman Way, Lakeside, Leicester	Office	£249,675	£243,600	£2,790,000		8.46%
	Office Total			£14,035,000		8.72%
Redcar, 59/65A, High Street, Redcar	Other	£100,000	£100,000	£1,350,000		7.00%
Knutsford, The Old Knutsford Library	Other	£50,000	£50,000	£645,000		7.33%
Chesham, 107, Bois Moor Road, Chesham	Other	£52,000	£52,000	£650,000		7.56%
10, Chequers Road, Basingstoke	Other	£63,000	£65,000	£750,000		7.94%

<i>Property</i>	<i>Type</i>	<i>Net Rent</i>	<i>ERV</i>	<i>Value</i>	<i>Totals</i>	<i>Init Yld</i>
Coventry Road, Elmdon, Solihull	Other	£145,000	£119,179	£1,600,000		8.56%
Lenton, Apartments 1-10, 1, Cottesmore Road, Lenton	Other	£81,840	£81,840	£1,155,000		6.70%
Grove Farm Triangle, Leicester	Other	£78,000	£80,000	£1,030,000		7.16%
The Dome Roundabout, Watford	Other	£85,260	£85,260	£1,310,000		6.15%
Crewe, Counterpoint, Weston Road, Crewe,	Other	£154,919	£120,100	£1,670,000		8.77%
Bentley Manchester, Knutsford	Other	£367,705	£370,000	£5,720,000		6.08%
Travelodge, Portishead	Other	£199,980	£200,000	£3,040,000		6.22%
Redhill Honda, 105-107, Brighton Road, Red	Other	£140,000	£140,000	£1,840,000		7.20%
Bath, Sawclose, Bath	Other	£122,500	£122,500	£2,050,000		5.65%
Premier Inn, Castlegate Way, Dudley	Other	£239,400	£239,400	£3,885,000		5.82%
	Other Total			£26,695,000		6.66%
Hinckley, 29/31, Castle Street, Hinckley	Retail	£70,000	£70,000	£935,000		7.08%
47B, George Street, Edinburgh	Retail	£97,340	£105,000	£1,880,000		4.89%
The Crystal Retail Centre, Stourbridge	Retail	£206,052	£206,052	£2,800,000		6.96%
85, High Street, Cheltenham	Retail	£42,000	£42,000	£550,000		7.22%
15, Abbeygate Street, Bury St Edmunds	Retail	£49,900	£55,000	£650,000		7.26%
6/8, Dyer Street, Cirencester	Retail	£58,000	£61,500	£860,000		6.38%
Penrhyn House, 101 Mostyn Street, Llandudno	Retail	£150,000	£110,000	£1,900,000		7.46%
9 White Lion Street, Norwich	Retail	£200,000	£185,000	£2,650,000		7.13%
27/29 High Street, Weston-Super-Mare	Retail	£123,500	£115,000	£1,560,000		7.48%
37-40A Frederick Street, Jewellery Quarter	Retail	£130,137	£139,887	£2,010,000		6.12%
109 Commercial Road, Portsmouth	Retail	£140,000	£140,000	£1,540,000		8.59%
43/44 High Street, Kings Lynn	Retail	£125,000	£100,000	£1,510,000		7.83%
98 Argyle Street, Glasgow, G2 9B	Retail	£120,000	£120,000	£1,880,000		6.03%
	Retail Total			£20,725,000		6.90%
Grand Total		£7,486,488	£7,196,608	£95,190,000		7.43%

PART VI

ADDITIONAL INFORMATION ON THE COMPANY

1. Responsibility

- 1.1 The Company and the Directors (whose names appear on page 33) accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The business address of each Director is MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY.
- 1.3 Each of the Director's respective functions are set out on page 33 of this document.

2. The Company

- 2.1 The Company is a closed-ended investment company and was incorporated with limited liability in England and Wales, under the Act, with registered number 8863271 on 27 January 2014. Its registered office and principal place of business is at MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY (telephone number: 0116 240 8740). The Company will be tax resident in the UK. The Company has an indefinite life. Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not an authorised or regulated entity. The Company's accounting reference date is 31 March.
- 2.2 The principal legislation under which the Company was formed and now operates (and under which the Ordinary Shares have been created) is the Act.
- 2.3 The Company's website address is: www.custodianreit.com.
- 2.4 The ISIN (International Security Identification Number) of the Ordinary Shares is GB00BJFLFT45 and the SEDOL code is BJFLFT4.
- 2.5 The Company is the holding company of the group and has one wholly owned subsidiary, Custodian Real Estate Limited, which was incorporated in England and Wales and is dormant.
- 2.6 The Investment Manager is a private company limited by shares and was incorporated in England and Wales under the Companies Act 1985 with the registered number 6504305 on 14 February 2008. The Investment Manager operates under the Act and has an indefinite life. Its registered office and principal place of business is MW House, 1 Penman Way, Grove Park, Enderby, Leicester LE19 1SY (telephone number: 0116 240 8700). The Investment Manager is authorised and regulated by the FCA.
- 2.7 The Valuer is a private company limited by shares and was incorporated in England and Wales under the Companies Act 1985 with the registered number 2521225 on 12 July 1990. The Valuer operates under the Act. Its registered office is at United Kingdom House, 180 Oxford Street, London W1D 1NN and its principal place of business is at Interchange Place, Edmund Street, Birmingham B3 2TA (telephone number: 0121 236 1623).
- 2.8 The Company has no employees.

3. Share capital

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

3.2 *History of share capital*

- (a) On incorporation, the Company issued one Ordinary Share and 4,999,999, Redeemable Ordinary Shares to Mattioli Woods plc.
- (b) The Redeemable Ordinary Shares shall be redeemed by the Company immediately upon Admission in consideration of the payment of a sum equal to the amount received by the Company in payment up of the amount due on the Redeemable Ordinary Shares.
- (c) The issued share capital of the Company (all of which is fully paid-up) as at the date of this document is one Ordinary Share and 4,999,999, Redeemable Ordinary Shares.

The issued share capital of the Company (all of which will be fully paid-up) immediately following Admission (on the assumption that all of the properties in the Initial Property Portfolio are transferred to and acquired by the Company and 55 million Ordinary Shares are issued pursuant to the Placing and Offer for Subscription) will be approximately 132 million Ordinary Shares (this figure is stated as an approximate figure because it is not possible to determine the exact number of Consideration Shares in advance of completion of the Acquisition since this will vary depending on the liabilities of the Initial Property Portfolio Funds as at completion of the Acquisition).

3.3 *Share authorities*

On 24 February 2014, at a general meeting of the Company's Shareholders, the Directors obtained the Shareholder authorities required to allot and issue the Issue Shares and the Consideration Shares and Ordinary Shares under the Placing Programme on a non pre-emptive basis, being:

- 3.3.1 authority under section 551 of the Act for the directors to allot Ordinary Shares of up to an aggregate nominal value of £3,000,000; and
- 3.3.2 authority under section 570 of the Act to allot Ordinary Shares for cash on the basis that the statutory pre-emption rights in section 561 of the Act do not apply to such allotment provided that this authority is limited to:
 - (a) the allotment of Ordinary Shares of up to an aggregate nominal value of £1,550,000 in connection with the Acquisition, the Placing and the Offer for Subscription;
 - (b) the allotment of Ordinary Shares of up to an aggregate nominal value of £2,400,000 in connection with the Placing Programme; and
 - (c) the allotment of Ordinary Shares in connection with a rights issue or open offer;

and provided that the maximum number of Ordinary Shares that may be allotted pursuant to the authorities at 3.3.2(a) and (b) shall not exceed such number of Ordinary Shares with an aggregate nominal value of £3,000,000;

- 3.3.3 authority under the Act to make market purchases of Ordinary Shares up to a maximum aggregate number of 8 million Ordinary Shares (further details of which are set out in paragraph 9.4 of Part I of this document).

- 3.4 As at 24 February 2014 (being the latest practicable date prior to the date of this document) the Company did not hold any Ordinary Shares in treasury and no Ordinary Shares were held by or on behalf of the Company itself or by subsidiaries of the Company.

- 3.5 Save for the subscription for the Ordinary Shares referred to above, since the date of incorporation no share or loan capital of the Company has been issued or (other than pursuant to the Acquisition, the Placing and Offer for Subscription) has agreed to be issued, is not proposed to be issued, for cash or any other consideration and no commissions (save pursuant to the Placing Agreement which is summarised in paragraph 8.2 of this Part VI), discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.

- 3.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.7 The Company does not have in issue any securities not representing share capital. No convertible securities, exchangeable securities or securities with warrants have been issued by the Company.
- 3.8 No Ordinary Shares are currently in issue with a fixed date on which entitlement to a dividend arises or within a time limit after which entitlement to a dividend will lapse in accordance with the Articles and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.9 No person has voting rights that differ from those of other Shareholders.
- 3.10 It is expected that the Ordinary Shares to be allotted pursuant to the Issue will be issued pursuant to a resolution of the Board on 21 March 2014 conditional only upon the UKLA having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application for the Admission of the Ordinary Shares arising under the issue to the premium segment of the Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (“**listing conditions**”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied and the London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the new Ordinary Shares will be admitted to trading.
- 3.11 The Ordinary Shares to be allotted pursuant to the Issue will be issued at the Issue Price of 100p. The Ordinary Shares have a nominal value of 1p each and therefore, will be issued at a premium of 99p per Ordinary Share. The currency of the Ordinary Shares is Sterling.
- 3.12 As at the date of this document, no person has any right to acquire or call for the issue of new shares and no undertaking exists to increase the capital of the company.

4. Summary of the Company’s Articles

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

4.1 Voting rights

- (a) Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative shall have one vote for every Ordinary Share of which he is the holder.
- (b) A Shareholder is not entitled to vote unless all calls or other sums due from him have been paid.
- (c) Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the default shares represent at least 0.25 per cent. of their class, 14 days)), is served with a disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

4.2 **General meetings**

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

4.3 **Dividends**

- (a) Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.
- (b) Subject to the Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.
- (c) Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.
- (d) The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.
- (e) The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 4.9(e) below.

4.4 **Substantial Shareholders**

- (a) The Articles contain provisions relating to Substantial Shareholders. The Company will following Admission be a company to which Part 4 of the Finance Act applies (a REIT). Under the REIT Rules a tax charge may be levied on the Company if it makes a distribution to a company beneficially entitled (directly or indirectly) to 10 per cent. or more of the Ordinary Shares or dividends of the Company or which controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company. If, however, the Company has taken "reasonable

steps” to prevent the possibility of such a distribution being made, then this tax charge may not arise. The Articles:

- (i) 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;
 - (ii) provide the Directors with powers to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
 - (iii) allow dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Ordinary Shares;
 - (iv) seek to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in 4.4(a)(iii) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend; and
 - (v) 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 4.4(a)(i); or (iii) a Shareholder who has provided materially inaccurate or misleading information in relation to the Substantial Shareholder provisions of the Articles, to dispose of such number of their shares as the Directors may specify, or to take such other steps as will cause the Directors to believe the Shareholder is no longer a Substantial Shareholder.
- (b) Ordinary Shares held as nominee are disregarded for this purpose.

4.5 ***Return of capital***

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

4.6 ***Continuation Vote***

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

4.7 ***Transfer of Shares***

- (a) The Articles provide for shares to be held in a system for holding shares in uncertificated form (for example CREST), such shares being referred to as “Participating Securities”. The Ordinary Shares are freely transferable although they are subject to such of the restrictions in the Articles relating to Substantial Shareholders, ERISA and the Investment Company Act.
- (b) In the case of shares represented by a certificate (“Certificated Shares”), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with

such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

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

suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the Code or FATCA) including as a result of the relevant shareholder failing to provide information concerning itself as requested by the Company in accordance with these Articles; or (vii) the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply. Failing any such transfer, the Board shall have the right to instruct that the relevant shares are converted into certificated form in order to allow the Company to transfer such shares.

- (h) In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.
- (i) The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 4.9(e) below) unless the Shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:
 - (i) a transfer in connection with a bona fide sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;
 - (ii) a transfer pursuant to the acceptance of an offer made to all the Company's Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or
 - (iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the UK on which the Company's shares are normally traded.

4.8 *Variation of rights*

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

4.9 *Share capital and changes in capital*

- (a) Subject to and in accordance with the provisions of the Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.

- (b) Subject to the provisions of the Articles and the Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.
- (c) The Company may by ordinary resolution alter its share capital, in accordance with the Act. The resolution may determine that, as between holders of shares resulting from a sub-division any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.
- (d) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.
- (e) Subject to the Act and the Listing Rules and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Ordinary Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.
- (f) The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law.

4.10 *Disclosure of interests in shares*

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

4.11 *Non-UK Shareholders*

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

4.12 *Untraced Shareholders*

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

4.13 *Borrowing powers*

- (a) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled

capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party provided that the Board shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company, so as to secure (so far as the Board is able) that the aggregate amount for the time being of all borrowings by the Group (excluding any money owed between members of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 50 per cent. of the Company's total assets.

- (b) These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the Shareholders.

4.14 *Directors*

- (a) Subject to the Act, and provided he has made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.
- (b) The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board's normal procedures, any requirement about the quorum of the meeting is met without including the Director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.
- (c) Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (d) A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company;
 - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning his being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company;
 - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

- (v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons, including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and
 - (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the Directors or for persons who include Directors, provided that for that purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, Directors.
- (e) The Directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees of all Directors shall not exceed £175,000. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.
 - (f) The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.
 - (g) The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Act. Subject to sections 205(2) to (4) of the Act, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.
 - (h) The Directors are obliged to retire by rotation and are eligible for re-election at the third annual general meeting after the annual general meeting at which they were elected. Any non-executive Director who has held office for nine years or more is subject to re-election annually. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.
 - (i) There is no age limit for Directors.
 - (j) Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two in number.

4.15 ***Redemption***

The Ordinary Shares are not redeemable.

4.16 ***Electronic communication***

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

The above is a summary only of certain provisions of the Articles, the full provisions of which are available for inspection as described in paragraph 18 below.

- 4.17 The provisions of section 561 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 1166 of the Act) will apply to the extent not dis-applied by a special resolution of the Company.
- 4.18 There is nothing contained in the Articles which governs the ownership threshold above which member ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 4.19 Save as set out above, there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.
- 4.20 There are no conversion rights attached to any of the shares in the Company pursuant to the Articles or otherwise.

5. Directors' and other interests

- 5.1 It is estimated that the aggregate remuneration to be paid and benefits in kind granted to Directors by the Company in respect of the first financial period of the Company to 31 March 2015 will not exceed £190,000.
- 5.2 Each of the Directors is engaged under a letter of appointment with the Company and does not have a service contract with the Company. Under the terms of their appointment, each Director is required to retire by rotation and seek re-election at least every three years. Each Directors' appointment under their respective letter of appointment is terminable immediately by either party (the Company or the Director) giving written notice and no compensation or benefits are payable upon termination of office as a director of the Company becoming effective. The Company has agreed to pay David Hunter, Barry Gilbertson, Ian Mattioli and Matthew Thorne an annual fee of £42,500, £28,000, £26,000 and £32,500 respectively. The Company has also agreed to pay on Admission to each of David Hunter, Barry Gilbertson and Matthew Thorne by way of remuneration for services supplied prior to the date of this document an amount (after deduction of tax) equal to £10,000 which each such Director has agreed to apply in the subscription of new Ordinary Shares at the Issue Price.
- 5.3 The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits. There is no amount set aside or accrued by the Company in respect of contingent or deferred compensation payments or any benefits in kind payable to the Directors.
- 5.4 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company since its date of incorporation or remain in any respect outstanding or unperformed.
- 5.5 No loan or guarantee has been granted or provided by any member of the Company for the benefit of any Director.
- 5.6 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected.
- 5.7 Save as disclosed at paragraph 5.8 below in relation to the arrangements in place with Ian Mattioli, there are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Company's securities.
- 5.8 On 25 February 2014, Ian Mattioli, the Company and Numis entered into a lock in agreement. Under the terms of the agreement, Ian Mattioli has undertaken not to dispose of any Ordinary Shares or any interest in Ordinary Shares for a period of twelve months commencing on Admission and for a further period of twelve months' thereafter not to dispose any Ordinary Shares or any interest in Ordinary Shares without the prior written consent of Numis.

- 5.9 As at the date of this document and immediately following Admission, other than as disclosed in paragraph 5.10 below, there are no interests of any Director, including any connected persons of any Director, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company or any options in respect of such capital.
- 5.10 The Directors do not have any options over Ordinary Shares. The Directors have confirmed that they intend to subscribe in the Placing and Offer for subscription for the following number of Ordinary Shares:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares following Admission⁽¹⁾</i>
David Ian Hunter	20,000 ⁽³⁾	0.01
Barry Gordon Gilbertson	20,000 ⁽³⁾	0.01
Matthew Wadman John Thorne	20,000 ⁽³⁾	0.01
Ian Thomas Mattioli⁽²⁾	650,000	0.5

Notes:

- (1) The percentages shown above are calculated on the assumption that all properties comprised in the Initial Property Portfolio are acquired by the Company and that the maximum number of Ordinary Shares are issued under the Placing and Offer for Subscription such that a total number of 135 million Ordinary Shares are issued.
- (2) Ian Mattioli together with his connected persons is beneficially interested in Initial Property Portfolio Funds with an aggregate value of approximately £1.923 million and will therefore also receive up to 1.923 million Consideration Shares pursuant to the terms of the Acquisition Agreements (dependent on how many of the Initial Property Portfolio Funds in which he is an Initial Property Portfolio Investor pass a Resolution to approve the sale and transfer of the relevant property to the Company and such property is acquired by the Company). Ian Mattioli has confirmed that he intends to vote in favour of the Resolutions proposed in respect of each Initial Property Portfolio Fund in which he is an Initial Property Portfolio Investor.
- (3) As stated in paragraph 5.2 of this Part VI, the independent Directors will receive remuneration (after deduction of tax) of £10,000 for services provided prior to the date of this document which they will apply in the subscription of new Ordinary Shares.
- 5.11 Details of those companies (other than the Company) and partnerships of which the Directors have been directors or partners at any time within the five years ending on 24 February 2014 (being the latest practicable date prior to the publication of this document) are as follows:

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
David Hunter	Gruinard Residential Limited Hunter Advisers Limited Hunter Capital Partners Limited Yatra Capital Limited South African Property Opportunities plc Saffron India Real Estate Fund K2B Retail Limited K2C Residential Limited K2A Private Equity Limited K2A Residential Limited K2F Residential Limited K2G Residential Limited K2A Retail Limited Longbow Real Estate Capital LLP The DALK Partnership LLP	Pearson Pension Property Fund Limited Treveria Properties Sarl Treveria Asset Management Ltd Treveria Asset Management GmbH Nordic & Russia Holdings No. 2 AB Fastighetsaktiebolaget Scapularum Fastighets AB Pectoralis Nordic & Russia Baltic AB Nordic & Russia Finland AB MorOst 171:2 167:3 AB Nordic & Russia Holdings No 3 AB NR Nordic & Russia Properties Cooperatief U.A. NR Nordic & Russia Properties Ltd British Property Federation Ingenious Film Partners 2 LLP CPT Land Development Partnership LLP ¹
Barry Gilbertson	Granite REIT Tigger Limited RONA Incorporated Young Dementia UK Homes College of Estate Management	PriceWaterhouseCoopers LLP Cranmer Court (Tenants) Limited
Matthew Thorne	Thirty Seven Gloucester Street Limited (dormant) The Bankers Investment Trust PLC CLC Services Limited CLC Sports Services Limited CLC Parabola Limited	Kapold 1 Limited Pegasus Retirement Homes PLC Lavender Cosmetics Limited
Ian Mattioli	Aktinson Bolton Consulting Limited Custodian Capital Limited John Bradley Financial Services Limited Kudos Independent Financial Services Limited Mainsforth Developments Ltd Mattioli Woods Plc MDL First Limited Pension Consulting Limited Professional Independent Pension Trustees Limited TCF Global Independent Financial Services Limited	Bank Street Trustees Limited C P SIPP Trustees Limited CP SSAS Trustees Limited G B Pension Trustees Limited Great Marlborough Street Pension Trustees Limited J B Trustees Limited M W Trustees Limited ² P C Pension Trustees Limited S L T Trustees Limited

¹ Mr Hunter resigned as a director of CPT Land Development Partnership LLP on 1 October 2010. The LLP was dissolved on 4 May 2011, being subsequent to Mr Hunter's resignation.

² M W Trustees Limited is the professional trustee for a number pension schemes and thereby a co-owner of the commercial property assets within those schemes. Some of these pension schemes have had receivers appointed by a lender to the property assets in order that action could be agreed in respect of that specific property. A receiver manager has not been appointed to M W Trustees Limited.

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Ian Mattioli <i>(continued)</i>	Thoroughbred Wealth Management Limited Urban Climb Limited Custodian Real Estate Limited	

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

- (a) save as disclosed in paragraph 5.11 above, has been a member of any administrative, management or supervisory body or partner of any company or partnership at any time during the five years preceding the date of this document;
- (b) has had any convictions in relation to fraudulent offences for the five years preceding the date of this document;
- (c) save as disclosed in paragraph 5.11 above, has been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 5.11 above for the five years preceding the date of this document; or
- (d) has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years (for this purpose “issuer” has the meaning ascribed to it by Appendix I to the Prospectus Rules).

5.13 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. Save for Ian Mattioli, who established the Investment Manager, all of the Directors are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

6. Related party transactions

6.1 Save for the Investment Management Agreement and the Acquisition Agreements (described in paragraphs 8.4 and 8.2 of this Part VI respectively) the Company is not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at any time since its incorporation on 27 January 2014.

7. Substantial Share interests

7.1 The Disclosure Rules and Transparency Rules provide that certain persons (including Shareholders) must notify the Company, following Admission, if the proportion of the Company’s voting rights which they then hold, directly or indirectly, as a Shareholder or through a direct or indirect holding of certain financial instruments reaches, exceeds or falls below thresholds of 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. As at the close of business on 24 February 2014 (being the latest practicable date prior to the publication of this document) the Company is not aware of any persons who, following Admission on the assumption that all of the properties comprised in the Initial Property Portfolio are acquired by the Company and that the maximum number of Ordinary Shares under the Placing and Offer for Subscription are subscribed, will be directly or indirectly interested in three per cent or more of the Company’s issued share capital.

7.2 As at the close of business on 24 February 2014 (being the latest practicable date prior to the publication of this document), the Directors are not aware of any person who could, directly or indirectly, jointly or severally, own or exercise control over the Company or of any arrangements, the operation of which may result in a change of control of the Company.

8. Material contracts of the Company

8.1 The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company since its incorporation or which are expected to be entered into prior to Admission and which are, or may be, material to the Company:

8.2 *The Acquisition Agreements*

On 25 February 2014 the Company entered into the Acquisition Agreements. There is a separate Acquisition Agreement between the Company and each of the Limited Partnerships and SPVs which comprise the Initial Property Portfolio Funds. Each Acquisition Agreement relates to one property comprised within the Initial Property Portfolio which is owned by the relevant counterparty Limited Partnership or SPV (or, in some cases, two such Initial Property Portfolio Funds).

Each Acquisition Agreement is conditional upon, *inter alia*, (a) the passing of a Resolution to approve the transfer of that property to the Company by (in the case of Limited Partnerships) limited partners holding between them at least 50 per cent. of the percentage interests in the relevant Limited Partnership or (in the case of the SPVs) beneficiaries holding between them at least 51 per cent. of the beneficial shares in the trust of property declared by the SPV; (b) the passing of Resolutions to approve the transfer of properties comprised within the Initial Property Portfolio having an aggregate value (on the basis of the property valuations set out in the Valuation Report in Part V of this document) of not less than £75 million; (c) the amount of any increase in “Net Debt” (as defined below) of the relevant Initial Property Portfolio Fund between 31 January 2014 and Admission not exceeding £100,000; and (d) Admission. Three of the properties comprised in the Initial Property Portfolio are leasehold properties where landlord’s consent to assign the leasehold property is required and has not yet been obtained. Completion of the Acquisition Agreement for the sale of these properties is, therefore, also conditional in obtaining landlord’s consent to assign.

The consideration payable under each Acquisition Agreement shall be equal to the value of the property as at 31 January 2014 (as derived from the Valuation Report in Part V of this document) (the “**Property Value**”) and shall be satisfied by:

- (a) the payment in cash to the SPV or the general partner of the Limited Partner (as applicable) of an amount in cash equal to the Net Debt (if any) of the Limited Partnership or SPV as at 31 January 2014 (the “**Cash Consideration**”); and
- (b) such number of Consideration Shares at the Issue Price as shall represent the Property Value less the Net Debt, which shall be allotted and issued fully paid to the Initial Property Portfolio Investors in proportion to (in the case of the LPs) their percentage interests in the relevant Limited Partnership and (in the case of the SPVs) their beneficial interest under the trust declared in respect of the Property and the trustee of which is the relevant SPV.

The “Net Debt” means the amount (if any) by which the current assets of the Limited Partnership or SPV as at 31 January 2014 are exceeded by the sum of: (i) the debt redemption value as at 31 January 2014 in respect of any borrowing secured on the property; (ii) an agreed contribution to any creditors of the Limited Partnership or SPV relating to the property as at 31 January 2014; and (iii) the transaction costs of the sale and transfer of the property to the Company (including SDLT).

The Acquisition Agreements provide that the relevant Limited Partnership or SPV shall remain responsible for liabilities incurred between 31 January 2014 and Admission, and shall retain the benefit of all income and debtors relating to the period prior to the date of Admission.

The Acquisition Agreements also provide that where, prior to Admission, the relevant Limited Partnership or SPV notifies the Company that the Net Debt as at the date of Admission will exceed the Net Debt as at 31 January 2014 (such excess being the “**Liability Amount**”) then the Company shall (in order to enable the relevant Limited Partnership or SPV to fund the additional Net Debt) increase the amount of the Cash Consideration under the relevant Acquisition Agreement by an amount equal to the Liability Amount, and shall reduce the number of Consideration Shares to

be issued under such Acquisition Agreement by a number equal to the amount of the Liability Amount divided by the Issue Price.

8.3 **Placing Agreement**

A placing agreement dated 25 February 2014 between the Company, Numis, Custodian Capital Limited and the Directors relating to Admission and pursuant to which Numis conditionally agrees to use its reasonable endeavours to procure Placees in the Placing and the Placing Programme for Ordinary Shares.

The Placing Agreement is conditional on, among other things, Admission occurring by 8.00 a.m. on 26 March 2014 (or such later date, not being later than 30 April 2014 as the Company and Numis may agree).

The Placing Agreement is further conditional upon, *inter alia*, the value of the Initial Property Portfolio acquired by the Company exceeding £75 million (or such lower amount as may be agreed between the Company and Numis). In the event that any of the conditions in the Placing Agreement are not met, Numis shall, amongst other things, not be under any obligation to complete the Placing, the Company shall withdraw its application for Admission (making such announcement as reasonably required by Numis) and appropriate arrangements for the return of Issues monies received shall be made.

The obligations of Numis to use its reasonable endeavours to procure Placees in the Placing are conditional upon the aggregate Issue Price of the Ordinary Shares subscribed for by Placees being not less than £15 million.

In consideration for their services under the Placing Agreement, Numis will receive from the Company reimbursement for all out-of-pocket expenses incurred by it in connection with the Placing and Placing Programme in addition to the following fees:

- (i) a corporate finance fee of £200,000;
- (ii) a placing commission equal to 1.75 per cent. of the proceeds attributable to the issue of Ordinary Shares pursuant to the Placing and Offer for Subscription; and
- (iii) a placing commission equal to 1.00 per cent. of the Placing Programme Price of a Subsequent Placing of the aggregate number of Ordinary Shares issued pursuant to that Subsequent Placing.

The Company, the Investment Manager and the Directors have in the Placing Agreement given certain customary representations and warranties to Numis (subject in the case of each Director to an agreed cap of two times his fee and to certain time limits), and the Company and (in the period prior to Admission only) the Investment Manager have agreed to provide customary indemnities to Numis.

8.4 **Investment Management Agreement**

The Company entered into the Investment Management Agreement with the Investment Manager on 25 February 2014, which is conditional upon Admission occurring. Pursuant to the Investment Management Agreement, the Investment Manager will have responsibility for:

- (a) general property management of the properties held by the Company, including ensuring the Company receives the necessary advice to comply with its lease and headlease obligations, managing tenant applications, supervising tenants and preparing a budget for the properties;
- (b) sourcing and assisting with the acquisition of properties that fall within the Company's investment policy;
- (c) implementing an asset management strategy to deliver added value;
- (d) obtaining buildings insurance for the properties;

- (e) arranging senior and subordinated debt (if required) to optimise the capital structure and support the acquisition process; and
- (f) coordinating with third parties providing services to the Company.

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

The Investment Management Agreement is for an initial term of three years (the "**Initial Term**"), and is terminable by either party by giving not less than twelve months' prior written notice to the other, which notice may only be given after the expiry of the Initial Term. The Investment Management Agreement may be terminated on the occurrence of an insolvency event in relation to a party, if the Investment Manager is fraudulent, grossly negligent or commits a material breach which, if capable of remedy, is not remedied within 3 months or on a force majeure event continuing for more than 90 days.

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

- (a) 0.9 per cent. of that amount of the NAV of the Company as at the relevant quarter day which is less than or equal to £200 million divided by 4; plus
- (b) 0.75 per cent. of that amount of the NAV of the Company as at the relevant quarter day which is in excess of £200 million divided by 4.

In addition, pursuant to the terms of the Investment Management Agreement, the Investment Manager has agreed to provide day-to-day administration of the Company and act as secretary to the Company, including maintenance of accounts and preparing annual accounts of the Company. The Company will pay to the Investment Manager an administrative fee equal to 0.125 per cent. of the NAV of the Company at the end of the last accounting period of the Company (or, in relation to the first accounting period, the NAV of the Company at Admission), subject to a minimum of £40,000 per quarter in the first year (such minimum amount being increased each year in line with the retail price index). The administrative fee is payable in quarterly instalments in advance.

8.5 **Registrar Agreement**

On 25 February 2014, the Company and Capita Registrars Ltd ("**Capita**") entered into a registrar's agreement ("**Registrar Agreement**"), pursuant to which the Company appointed Capita to act as its share registrar. For creation and maintenance of the share register, the Company has agreed to pay Capita a basic registration fee of £1.65 per holder of Ordinary Shares, subject to a minimum annual charge of £7,500 in year one and £5,000 in year two. The Company has also agreed to pay Capita, £1,000 per meeting for providing an online proxy voting service and £500 per annum for providing a shareholder web portal. The Registrar Agreement contains warranties and indemnities given by the Company in favour of Capita and warranties given by Capita in favour of the Company. Capita's liability is capped at the lower of £1,000,000 or an amount equal to ten times the annual fee payable for its services under the Registrar Agreement. Subject to earlier termination, the Registrar Agreement is for an initial term of three years and thereafter shall automatically renew for successive periods of twelve months until terminated by either party on six months' written notice.

8.6 **Receiving Agent Agreement**

On 25 February 2014, the Company and Capita entered into an agreement pursuant to which Capita agreed to act as receiving agent to the Company with effect from 21 February 2014. Pursuant to the terms of the agreement, Capita has agreed to provide receiving agency services in connection with the

Issue, and associated professional advisory services. The Company has agreed to pay Capita: (i) a professional advisory fee at a rate of £200 per hour (with a minimum charge of £2,000) and (ii) a receiving agent processing fee of £4.50 per holder of Ordinary Shares (subject to an aggregate minimum charge of £5,000). The agreement contains warranties and indemnities given by the Company in favour of Capita and warranties given by Capita in favour of the Company, which in each case are typical for an agreement of this nature. Capita's liability for any damage or other loss arising out of or in connection with the agreement or the provision of its services under the agreement is limited to the lower of £250,000 or an amount equal to five times the fee payable for its services under the agreement. Subject to earlier termination, the agreement will terminate on completion of the services.

8.7 ***Loan Facility Agreement***

On 25 February 2014, the Company and Lloyds Bank PLC entered into a revolving credit facility agreement pursuant to which Lloyds Bank PLC has agreed to provide the Company with a revolving credit facility of £25 million for a term of five years. The facility is conditional upon Admission and other customary conditions for a facility of this nature. Under the terms of the agreement, the Company will pay interest of 2.45 per cent above Libor per annum on the outstanding amounts utilised under the agreement from time to time. An initial arrangement fee of £62,500 (being 0.25 per cent. of the total facility amount) is payable on the date of first utilisation, and a further 0.75 per cent. is payable on the un-cancelled facility amount as at the six month anniversary. After the first anniversary of the date of first utilisation under the revolving credit facility agreement, the Company is required to pay a cancellation fee of 1 per cent., reducing by 0.25 per cent. per annum, on any amounts of the loan facility that it cancels.

The Company has given standard representations, warranties and covenants to Lloyds Bank PLC and the agreement contains events of default, including a solvent members' scheme of arrangements, and conditions precedent to funding which are normal for a transaction of this type. The agreement will terminate and the loan will be repayable on the earlier of the date that is five years after the date of first utilisation under the revolving credit facility agreement and 31 March 2019.

The revolving credit facility agreement contains a provision whereby the Company is not permitted to make any dividend or distribution payments to its shareholders at any time when the aggregate amount of the loans outstanding to the Company exceeds 50 per cent. of the then current value of the properties specifically charged to Lloyds Bank PLC or the rental income of the Company in respect of the properties specifically charged to Lloyds Bank PLC is less than 250 per cent. of the interest and other periodic fees payable by the Company under the revolving credit facility agreement. Pursuant to the terms of the revolving credit facility agreement, the Investment Manager is required to enter into a Duty of Care Agreement with Lloyds Bank PLC and the Company pursuant to which the Investment Manager agrees to owe certain duties to Lloyds Bank PLC in the performance of its duties as investment manager to the Company.

8.8 ***Depositary Agreement***

On 25 February 2014, the Company, Custodian Capital and Langham Hall UK LLP (the "**Depositary**") entered into a depositary agreement pursuant to which the Depositary (who is authorised and regulated by the FCA) will, *inter alia*, be responsible for ensuring the Company's cash flows are properly monitored, the safe keeping of property entrusted to it by the Company (including maintaining an assets register) and the oversight and supervision of the Company and Custodian Capital (as its AIFM). The Company has agreed to pay the Depositary an annual fee of £38,000 for its services and £10,000 as a set up fee. The agreement contains customary representations, warranties and undertakings from the Company and Custodian Capital in favour of the Depositary and warranties from the Depositary. The agreement also contains a joint and several indemnity from the Company and Custodian Capital in favour of the Depositary against, *inter alia*, any liability or loss suffered by the Depositary (and its officers, agents and employees) as a result of or in connection with the proper provision of services under the agreement. The agreement may be terminated by the Depositary, the Company and/or Custodian Capital by giving not less than six months' written notice.

9. Investment restrictions

- 9.1 In addition to those restrictions set out in Part I of this document and in accordance with the requirements of the Listing Rules, the Company will comply with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the UK Listing Authority:
- (a) neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of its group as a whole;
 - (b) the Company will avoid cross-financing between businesses forming part of its investment portfolio;
 - (c) the Company will avoid the operation of common treasury functions as between the Company and investee companies;
 - (d) not more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds other than closed-ended investment funds which themselves have published investment policies to invest no more than 15 per cent. of their total assets in other listed closed-ended investment funds; and
 - (e) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy.
- 9.2 In the event of any material breach of the Company's investment policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company and/or the Investment Manager (at the time of such breach) through an announcement via a Regulatory Information Service.

10. Financial information

- 10.1 Deloitte LLP of 2 New Street Square, London, EC4A 3BZ, United Kingdom which is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales has been the only auditor of the Company since its incorporation. The annual report and accounts of the Company will be prepared in pounds Sterling and in accordance with IFRS.
- 10.2 The Company's accounting period will end on 31 March of each year, with the first period ending on 31 March 2015.
- 10.3 The Company has not commenced operations since its incorporation on 27 January 2014 and no financial statements of the Company have been issued as at the date of this document.
- 10.4 The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.
- 10.5 As at the date of this document and save as disclosed in this document, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness.
- 10.6 There has been no significant change in the trading or financial position of the Company since its incorporation. The Company does not hold any capital in any undertakings which is likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.
- 10.7 Immediately following Admission, the Company's gross assets will increase by an amount equal to the gross proceeds of the Placing and Offer for Subscription and by the value of those properties in the Initial Property Portfolio acquired by the Company, being a minimum of approximately £75,000,000 (assuming no new funds are raised under the Placing and Offer for Subscription and only the minimum number of properties in the Initial Property Portfolio are acquired by the Company), less an amount representing the Issue Costs borne by the Company. It is not possible to quantify the effect of the Issue on the Company's earnings except that they should increase.

- 10.8 As at the date of the document, the Company has not made any firm commitments to any future investments.
- 10.9 Save as disclosed in the section of the document headed “Risk Factors”, as at the date of this document, the Company is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company’s prospects for at least the current financial year.
- 10.10 The estimated maximum amount of all material fees payable directly or indirectly by the Company for any services or arrangements entered into on or prior to the date of this document cannot be quantified as the fees payable under the material contracts disclosed in paragraph 8 of this Part VI are based, *inter alia* on the proceeds of the Issue and the subsequent growth in the NAV.

11. Litigation

There are no governmental, legal or arbitration proceedings (including, in so far as the Company is aware, any governmental, legal or arbitration proceedings which are pending or threatened) during the period since the Company’s incorporation on 27 January 2014 which may have, or have had in the recent past, a significant effect on the Company or the Company’s financial position or profitability.

12. Mandatory bids, squeeze-out and sell-out rules

12.1 *Mandatory bids*

- (a) The Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.
- (b) Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director or acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buy back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

12.2 *Squeeze-out*

Under the Act, if an offeror was to acquire 90 per cent. of the issued Ordinary Shares then, within four (4) months of making the offer, that offeror could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six (6) weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must (in general) be the same as the consideration that was available under the takeover offer.

12.3 *Sell-out rules*

The Act gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or

had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one (1) month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought but that period cannot end less than three (3) months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

12.4 *Takeover bids*

As at 24 February 2014 (being the latest practicable date prior to the date of this document), there have been no public takeover bids by third parties in respect of the Company's share capital since incorporation.

13. **Disclosure requirements and notification of interest in Ordinary Shares**

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

- (a) reaches, exceeds or falls below 3, 4, 5, 6, 7, 8, 9 or 10 per cent. and each 1 per cent threshold thereafter up to 100 per cent; or
- (b) reaches, exceeds or falls below an applicable threshold in paragraph 13.1(a) of this Part VI above as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

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

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

14. **Restrictions on Transfer**

14.1 *General*

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

14.2 *European Economic Area*

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

- (i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (ii) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million as shown in its last annual or consolidated accounts; or
- (iii) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

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

- (b) For the purpose of the expression an “offer of any Ordinary Shares to the public” in relation to any Ordinary Shares in any relevant member state means the communication, in any form and by any means, of sufficient information on the terms of the Issue and the terms of the Placing Programme relating to any Ordinary Shares, so as to enable a potential investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

15. Consents

- 15.1 Numis has given and not withdrawn its written consent to the issue of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 15.2 Lambert Smith Hampton has given and not withdrawn its written consent to the issue of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.

16. Third Party Information

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

17. Miscellaneous

The Company does not have any existing or planned material tangible fixed assets and thus is not aware of any environmental issues that may affect the Company’s utilization of such assets.

18. Documents available for inspection

- 18.1 Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Numis at The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT and at the Company’s registered office until close of business on 23 February 2015:
 - (a) the Company’s memorandum of association and Articles;
 - (b) the written consents referred to in paragraphs 15.1 and 15.2 of this Part VI; and
 - (c) this document.

19. Availability of the Prospectus

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

PART VII

UNITED KINGDOM TAXATION OF SHAREHOLDERS AFTER ENTRY INTO THE REIT REGIME

1. Introduction

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

2. UK Taxation of PIDs

2.1 *UK taxation of Shareholders who are individuals*

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

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

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

2.2 *UK taxation of UK tax resident corporate Shareholders*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a property business (as defined in Part 4 of CTA 2009) (“**Part 4 property business**”). A PID is, together with any property income distribution from any

other company to which Part 12 of the CTA 2010 applies, treated as a separate Part 4 property business. Income from any other Part 4 property business (a “different Part 4 property business”) carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder’s different Part 4 property business cannot be offset against a PID as part of a single calculation of the Shareholder’s property business profits.

The main rate of UK corporation tax on such profit is currently 23 per cent. (due to reduce to 21 per cent. from 1 April 2014 and to 20 per cent. from 1 April 2015).

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

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

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

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

Please see also 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.

3.2 *Shareholders solely resident in the UK*

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

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

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

3.4 *Exceptions to requirement to withhold income tax*

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

registered pension scheme, the sub-scheme Investment Manager of certain pension sub-schemes, the account manager of an Individual Savings Account (“ISA”), the plan manager of a Personal Equity Plan (“PEP”), or the account provider for a Child Trust Fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

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

4. UK taxation of Non-PID Dividends

4.1 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).

4.2 *UK taxation of Shareholders who are individuals*

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

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

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

4.4 *UK taxation of UK resident corporate Shareholders*

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

4.5 *UK taxation of other UK tax resident Shareholders*

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

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

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

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

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

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

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

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

Subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of Shares by a Shareholder within the charge to UK corporation tax will generally be subject to corporation tax at the current rate of 23 per cent. (due to reduce to 21 per cent. from 1 April 2014 and to 20 per cent. from 1 April 2015).

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

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

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

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

6. UK stamp duty and UK stamp duty reserve tax ("SDRT")

6.1 No UK stamp duty or stamp duty reserve tax will generally be payable on the issue, allotment and registration of the Ordinary Shares. UK legislation provides for a 1.5 per cent. stamp duty or SDRT charge where Shares are transferred (in the case of stamp duty) or issued or transferred (in the case of SDRT) (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts. However, following litigation, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares or securities into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares or securities into a clearance service or depositary receipt arrangement unless they are an

integral part of an issue of share capital. This view is currently being challenged in further litigation. Accordingly, it may be appropriate to seek specific professional advice before incurring a 1.5 per cent. stamp duty or SDRT charge.

- 6.2 Clearance services may opt, under certain conditions, for the normal rates of stamp duty or SDRT (being 0.5 per cent. of the amount or value of the consideration for the transfer) to apply to a transfer of shares into, and to transactions within, the service instead of the higher rate of 1.5 per cent. referred to above.
- 6.3 Transfers on sale of Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer rounded up to the next £5.00. The purchaser is liable for the stamp duty. An exemption from stamp duty will be available on an instrument transferring the Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. An agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.
- 6.4 Agreements to transfer Ordinary Shares within the CREST system will generally be liable to SDRT at the rate of 0.5 per cent, of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Ordinary Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration in money or money's worth.

PART VIII

THE REIT REGIME

1. The UK REIT Regime

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

2. Qualification as a REIT

A group becomes a group UK REIT by the principal company serving notice on HMRC before the beginning of the first accounting period for which it wishes the group members to become a REIT. In order to qualify as a REIT, the REIT Group must satisfy certain conditions set out in the CTA 2010. A non-exhaustive

summary of the material conditions is set out below. Broadly, the principal company must satisfy the conditions set out in paragraphs 2.1 to 2.4 and 2.6 below and the REIT Group as a whole must satisfy the conditions set out in paragraph 2.5.

2.1 *Company conditions*

The principal company must be solely UK resident for tax purposes, admitted to trading on a recognised stock exchange and it must not be an open-ended investment company. The principal company's shares must either be listed on a recognised stock exchange throughout each accounting period or traded on a recognised stock exchange in each accounting period. This listing/traded requirement is relaxed in the REIT Group's first three accounting periods but the REIT Group can benefit from this relaxation only once. The principal company must also not (apart from in circumstances where it is only a close company because it has as a participator an institutional investor as defined in section 528(4A) of the CTA 2010) be a "close company" (as defined in section 439 of the CTA 2010 as adapted by section 528(5) of the 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 participators for these purposes is defined in section 454 of the CTA 2010), subject to certain exceptions. The close company condition is relaxed for the REIT Group's first three years.

2.2 *Share capital restrictions*

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

2.3 *Borrowing restrictions*

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

2.4 *Financial Statements*

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

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

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

- (a) the Qualifying Property Rental Business must throughout the accounting period involve at least three properties;
- (b) throughout the accounting period no one property may represent more than 40 per cent. of the total value of the properties involved in the Qualifying Property Rental Business. Assets must be valued in accordance with international accounting standards and at fair value when international accounting standards offers a choice between a cost basis and a fair value basis;
- (c) 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 IAS, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items;

- (d) at the beginning of the accounting period the value of the assets in the Qualifying Property Rental Business must represent at least 75 per cent. of the total value of assets held by the REIT Group (the “**75 per cent. assets condition**”). Cash held on deposit and gilts 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 does not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice (subject to certain exceptions).

2.6 *Distribution condition*

The principal company of the REIT (which, for the purposes of this Part, will be 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 principal company’s tax return for the accounting period in question, at least 90 per cent. of the income profits (broadly, calculated using normal UK corporation tax rules) of the UK resident members of the REIT Group in respect of their Qualifying Property Rental Business and of the non-UK resident members of the REIT Group insofar as they are derived from their UK Qualifying Property Rental Business arising in each accounting period (the “**90 per cent. distribution condition**”). 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 the distribution condition, any dividend withheld in order to comply with the 10 percent. rule (as described below) will be treated as having been paid.

3. **Investment in other REITs**

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

4. **Effect of becoming a REIT**

4.1 *Tax exemption*

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

4.2 *Dividends*

- (a) When the principal company of a REIT pays a dividend, that dividend will be a PID to the extent necessary to satisfy the 90 per cent. distribution condition. If the dividend exceeds the amount required to satisfy that test, 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 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 distributions.

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

4.3 *Interest cover ratio*

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

4.4 *The "10 per cent rule"*

- (a) The principal company of a REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a person beneficially entitled, directly or indirectly, to 10 per cent. or more of the principal company's dividends or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in the principal company. Shareholders should note that this tax charge only applies where a dividend is paid to persons that are companies or are treated as bodies corporate in accordance with the law of an overseas jurisdiction with which the UK has a double taxation agreement, or in accordance with such a double taxation agreement. It does not apply where a nominee has such a 10 per cent. or greater holding unless the persons on whose behalf the nominee holds the shares meets the test in their own right.
- (b) This tax charge will not be incurred if the principal company has taken reasonable steps to avoid paying dividends 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 association to address this requirement. The Articles (as summarised in paragraph 4 of Part VI of this document) are consistent with the provisions described in the HMRC guidance.

4.5 *Property development and property trading by a REIT*

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

Property Rental Business for the purposes of calculating any profit arising on disposal of the property. Any profit will be chargeable to corporation tax.

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

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

4.7 *Joint ventures*

- (a) The REIT Regime also make certain provisions for corporate joint ventures. If one or more members of the REIT Group are beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company (or its subsidiaries) is carrying on a Qualifying Property Rental Business which satisfies the 75 per cent. profits condition and the 75 per cent. assets condition (the “**JV company**”) and certain other conditions are satisfied, the principal company may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Qualifying Property Rental Business for tax purposes (on a proportionate basis). In such circumstances, the income and assets of the JV company will count towards the 90 per cent. distribution condition and the 75 per cent. profits condition, and its assets will count towards the 75 per cent. assets condition (on a proportionate basis).
- (b) 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 at least 20 per cent. of the profits and assets of the relevant tax transparent vehicle. The REIT Group’s share of the Property Rental Business profits arising will also count towards the 90 per cent. distribution condition.

4.8 *Acquisitions and takeovers*

- (a) If a REIT is taken over by another REIT, the acquired REIT does not necessarily cease to be a REIT and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Qualifying Property Rental Business and capital gains on disposal of properties in the Qualifying Property Rental Business.
- (b) The position is different where a REIT is taken over by an acquiror which is not a REIT. In these circumstances, the acquired REIT is likely in most cases to fail to meet the requirements for being a REIT (unless the acquirer qualifies as an institutional investor under Section 528(4A) CTA 2010 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 recharacterised retrospectively as normal dividends.

4.9 *Certain tax avoidance arrangements*

If HMRC believes that a member of the REIT Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. 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.

5. **Exit from the REIT Regime**

- 5.1 The principal company of the REIT Group can give notice to HMRC that it wants to leave the REIT Regime at any time. The Board retains the right to decide that the REIT Group should exit the REIT Regime at any time in the future without shareholder consent if it considers this to be in the best interests of the REIT Group.
- 5.2 If the REIT Group (or a member of the REIT Group) voluntarily leaves the REIT Regime within ten years of joining and 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.
- 5.3 It is important to note that it cannot be guaranteed that the Company or the REIT Group will comply with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances. HMRC may require the REIT Group to exit the REIT Regime if:
- (a) it regards a breach of the conditions relating to the REIT Regime (including in relation to the Qualifying Property Rental Business), or an attempt to obtain a tax advantage, as sufficiently serious; or
 - (b) the REIT Group or the Company has committed a certain number of breaches of the conditions in a specified period; or
 - (c) 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.
- 5.4 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, or (in certain circumstances) ceases to satisfy the close company condition (as described above) or ceases to be listed or traded, 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.
- 5.5 Shareholders should note that it is possible that the REIT Group could lose its status as a REIT as a result of actions by third parties (for example, in the event of a successful takeover by a company that is not a REIT) or other circumstances outside the REIT Group's control.

PART IX

TERMS AND CONDITIONS OF APPLICATION UNDER THE PLACING AND EACH SUBSEQUENT PLACING

1. Introduction

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

2. Agreement to Purchase Ordinary Shares

- 2.1 Conditional on: (i) in respect of the Placing only, Admission occurring and becoming effective by 8.00 a.m. on or prior to 26 March 2014 (or such later time and/or date, not being later than to 30 April 2014, as the Company, the Investment Manager and Numis may agree); (ii) in respect of a Subsequent Placing only, admission of the Ordinary Shares issued pursuant to the relevant Subsequent Placing occurring and becoming effective by 8.00 a.m. on or prior to the date agreed by the Company, the Investment Manager and Numis in respect of that Subsequent Placing; (iii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before the date of the Placing or the relevant Subsequent Placing (as applicable); and (iv) Numis confirming to the Placees their allocation of Ordinary Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Ordinary Shares allocated to it by Numis at the Issue Price or Placing Programme Price (as applicable). To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.
- 2.2 Applications under the Placing and each Subsequent Placing under the Placing Programme must be for a minimum subscription amount of £50,000.

3. Payment for Ordinary Shares

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

4. Representations and Warranties

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

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

- 4.11 in the case of any Ordinary Shares acquired by an investor as a financial intermediary within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive; (i) the Ordinary Shares acquired by it in the Placing and/or Subsequent Placings have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant EEA State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Numis has been given to the offer or resale; or (ii) where Ordinary Shares have been acquired by it on behalf of persons in any relevant EEA State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 4.12 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing or any Subsequent Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares pursuant to the Placing or any Subsequent Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Ordinary Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.13 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares and it is not acting on a non-discretionary basis for any such person;
- 4.14 if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for Ordinary Shares under the Placing or relevant Subsequent Placing and will not be any such person on the date any such Placing or Subsequent Placing (as applicable) is accepted;
- 4.15 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the Issue, the Placing Programme or the Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- 4.16 it acknowledges that none of Numis nor any of their respective affiliates nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or any Subsequent Placing or providing any advice in relation to the Placing or any Subsequent Placing and participation in the Placing or relevant Subsequent Placing is on the basis that it is not and will not be a client of Numis and that Numis does not have any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Placing or Subsequent Placing (as applicable) nor, if applicable, in respect of any representations, warranties, undertaking or indemnities contained in the Placing Letter;
- 4.17 that, save in the event of fraud on the part of Numis, none of Numis, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Numis' role as sponsor, broker and financial adviser or otherwise in connection with the Placing or any Subsequent Placing and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
- 4.18 it acknowledges that where it is subscribing for Ordinary Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Ordinary Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing or Subsequent Placing (as applicable) in

the form provided by the Company and/or Numis. It agrees that the provision of this paragraph shall survive any resale of the Ordinary Shares by or on behalf of any such account;

- 4.19 it irrevocably appoints any Director of the Company and any director of Numis to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Ordinary Shares for which it has given a commitment under the Placing or Subsequent Placing (as applicable), in the event of its own failure to do so;
- 4.20 it accepts that if the Placing or relevant Subsequent Placing does not proceed or the relevant conditions to the Placing Agreement are not satisfied or the Ordinary Shares for which valid application are received and accepted are not admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities for any reason whatsoever then none of Numis or the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 4.21 in connection with its participation in the Placing or Subsequent Placing (as applicable) it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering ("**Money Laundering Legislation**") and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 4.22 it acknowledges that due to anti-money laundering requirements, Numis and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Numis and the Company may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify Numis and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;
- 4.23 that they are aware of, have complied with and will at all times comply with their obligations in connection with money laundering under the Proceeds of Crime Act 2002;
- 4.24 it acknowledges and agrees that information provided by it to the Company, Registrar or Investment Manager will be stored on the Registrar's and the Investment Manager's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection Act 1998 (the "**Data Protection Law**") and other relevant data protection legislation which may be applicable, the Registrar and the Investment Manager are required to specify the purposes for which they will hold personal data. The Registrar and the Investment Manager will only use such information for the purposes set out below (collectively, the "**Purposes**"), being to:
- (a) process its personal data (including sensitive personal data) as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
 - (b) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
 - (c) provide personal data to such third parties as the Investment Manager or Registrar may consider necessary in connection with its affairs and generally in connection with its holding

of Ordinary Shares or as the Data Protection Law may require, including to third parties outside the United Kingdom or the European Economic Area;

- (d) without limitation, provide such personal data to the Company, Numis or the Investment Manager and their respective Associates for processing, notwithstanding that any such party may be outside the United Kingdom or the European Economic Area; and
 - (e) process its personal data for the Investment Manager's internal administration.
- 4.25 In providing the Registrar and the Investment Manager with information, it hereby represents and warrants to the Registrar and the Investment Manager that it has obtained the consent of any data subjects to the Registrar and the Investment Manager and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the purpose set out in paragraph (v) above). For the purposes of this document, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection Law;
- 4.26 Numis and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them;
- 4.27 the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that Numis and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Ordinary Shares are no longer accurate, it shall promptly notify Numis and the Company;
- 4.28 where it or any person acting on behalf of it is dealing with Numis, any money held in an account with Numis on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Numis to segregate such money, as that money will be held by Numis under a banking relationship and not as trustee;
- 4.29 any of its clients, whether or not identified to Numis, will remain its sole responsibility and will not become clients of Numis for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.30 it accepts that the allocation of Ordinary Shares shall be determined by Numis and the Company in their absolute discretion and that such persons may scale down any Placing or Subsequent Placing commitments for this purpose on such basis as they may determine;
- 4.31 time shall be of the essence as regards its obligations to settle payment for the Ordinary Shares and to comply with its other obligations under the Placing or Subsequent Placing (as applicable); and
- 4.32 authorises Numis to deduct from the total amount subscribed under the Placing or Subsequent Placing (as applicable) the aggregation commission (if any) (calculated at the rate agreed with the Placee) payable on the number of Ordinary Shares allocated under that Placing or Subsequent Placing.

5. United States Purchase and Transfer Restrictions

- 5.1 By participating in the Placing and/or a Subsequent Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Investment Manager and Numis that:
- (a) it is not a US Person, is not located within the United States, is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S and is not acquiring the Ordinary Shares for the account or benefit of a US Person;

- (b) it acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from registration under the Securities Act;
- (c) it acknowledges that the Company has not registered under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the Investment Company Act;
- (d) unless the Company expressly consents in writing otherwise, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the Internal Revenue Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Internal Revenue Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Internal Revenue Code. In addition, if an investor is a governmental, church, non-U.S. or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Internal Revenue Code, its purchase, holding, and disposition of the Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (e) that if any Ordinary Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

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

- (f) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act and under circumstances which will not require the Company to register under the Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;

- (g) it is purchasing the Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws;
- (h) it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person's status under the US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the US securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;
- (i) it acknowledges and understand the Company is required to comply with FATCA and that the Company will follow FATCA's extensive reporting and withholding requirements. The Placee agrees to furnish any information and documents which the Company may from time to time request, including but not limited to information required under FATCA;
- (j) it is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Manager, Numis or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Issue or its acceptance of participation in the Placing and/or Subsequent Placings (as applicable);
- (k) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Ordinary Shares to or within the United States or to any US Persons, nor will it do any of the foregoing; and
- (l) if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

6. Supply and Disclosure of Information

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

7. Miscellaneous

- 7.1 The rights and remedies of Numis, the Registrar, the Investment Manager and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.2 On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing and the Subsequent Placings will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.

- 7.3 Each Placee agrees to be bound by the Articles once the Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the Placing and/or the relevant Subsequent Placing, have been acquired by the Placee. The contract to subscribe for Ordinary Shares under the Placing or Subsequent Placing (as applicable) and the appointments and authorities mentioned in this document will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Numis, the Company, the Investment Manager and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.
- 7.4 In the case of a joint agreement to subscribe for Ordinary Shares under the Placing or a Subsequent Placing, references to a Placee in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 7.5 Numis and the Company expressly reserve the right to modify the Placing and/or any Subsequent Placing (including, without limitation, their timetable and settlement) at any time before allocations are determined. The Placing and each Subsequent Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in paragraph 8.3 of Part VI of this document.

PART X

TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION

1. Introduction

These Terms and Conditions of Application apply to any application made under the Offer for Subscription. If you apply for Ordinary Shares in the Offer for Subscription, you will by completion of the Application Form be thereby agreeing, warranting, confirming and acknowledging with the Company, the Investment Manager, Numis and the Receiving Agent (together, the “**Company and its agents**”) as follows.

2. Offer to acquire Ordinary Shares

- 2.1 Applications must be made on the Application Form attached at the end of this document or otherwise published by the Company. All applications in the Offer for Subscription must be for Ordinary Shares with a minimum aggregate subscription price of £5,000 and, if your application is for Ordinary Shares with an aggregate subscription price of more than £5,000, it must be for a sum which is a multiple of £500. Investors may make more than one application for Ordinary Shares under the Offer for Subscription.
- 2.2 By completing and delivering an Application Form, you, as the applicant, or, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:
- (a) offer to subscribe for the amount of Ordinary Shares that you have specified in your Application Form (or such lesser amount for which your application is accepted) at the Issue Price on the terms, and subject to the conditions, set out in this document, including these Terms and Conditions of Application, the guidance notes accompanying your Application Form, and the Company’s memorandum of association and the Articles, and agree to be bound by and adhere to the Company’s memorandum of association and the Articles as if you were directly a party to the same;
 - (b) agree that, in consideration of the Company agreeing that it will not, prior to the date of Admission, offer any Ordinary Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked until after 26 March 2014 (or such later date as the Company and its agents may agree). You agree that this paragraph constitutes an irrevocable collateral contract between you and the Company and its agents, which will become binding when your Application Form is posted or delivered by hand to the Receiving Agent, provided that you shall be entitled to revoke your application in the two working days following any publication by the Company of a supplementary prospectus relating to the Offer for Subscription in accordance with section 87Q(4) of FSMA;
 - (c) undertake to pay (by cheque or banker’s draft or such other method of payment as may be agreed with the Company) the Issue Price for the Ordinary Shares (payable in full on application) in respect of which your application is accepted and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and its agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) terminate the agreement to allocate Ordinary Shares to you, without liability to you, and may allocate them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your

- risk of any proceeds or remittance which accompanied your Application Form and which is received by the Receiving Agent in cleared funds, without interest);
- 2.3 agree that any share certificate to which you may become entitled and moneys returnable may be retained, without interest, by the Receiving Agent:
- (a) pending clearance of your remittance;
 - (b) pending investigation of any suspected breach of the warranties contained in paragraph 6 below or any other suspected breach of these Terms and Conditions of Application; or
 - (c) pending any verification of identity (to the satisfaction of the Company and its agents, including as may concern the manner in which its identification documents are to be certified) which is, or which the Company and its agents consider may be, required for the purposes of compliance with the prevailing anti-money laundering, anti-terrorism and contributing to the financing of criminal activities legislation, regulations and procedures in force from time to time in the United Kingdom (the “**CDD Rules**”);
- 2.4 agree that any error in the register of members of the Company arising as a result of your remittance not being honoured on first presentation or as a result of any other error in connection with your application for Ordinary Shares, or as a result of termination of any agreement to allocate Ordinary Shares pursuant to these Terms and Conditions of Application may be rectified and, in addition and without prejudice to the foregoing, you hereby irrevocably authorise the Company, or any person appointed by it for this purpose, to execute on your behalf any instrument of transfer which may be necessary to effect any re-allocation or sale of Ordinary Shares to any other person arising as a result of the foregoing. The right to rectify the register of members of the Company, and/or the power to re-allocate or sell Ordinary Shares contained in this paragraph, are in addition to any other rights, powers and remedies which would otherwise be available to the Company in the event of a breach by you of these Terms and Conditions of Application;
- 2.5 agree, on the request of the Company or any of its agents, to disclose promptly in writing to any of them such information as the Company or its agents may request in connection with your application and you agree that information relating to applications will be retained by the Receiving Agent in connection with the Offer for Subscription and may be disclosed as contemplated by the CDD Rules;
- 2.6 agree that if evidence of identity satisfactory to the Company and its agents is not provided to the Company or its agents within a reasonable time (in the opinion of the Company) following a request therefore, any agreement with you to allocate Ordinary Shares may be terminated and, in such case, the Ordinary Shares which would otherwise have been allocated to you may be re-allocated and your application monies will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn without interest;
- 2.7 warrant and confirm that:
- (a) you are not a person engaged in money laundering;
 - (b) none of the monies or assets transferred or to be transferred to (or for the account of) the Company and its agents for the purposes of the subscription are or will be the proceeds of criminal activities; and
 - (c) you are not a prohibited individual or entity or resident in a prohibited country or territory listed on the United States Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”) website and that you are not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programmes;
- 2.8 undertake to ensure that, in the case of your Application Form being signed by someone other than the applicant, the original of the relevant power of attorney or other authority (or a complete copy certified by a solicitor or a bank) is enclosed with your Application Form;

- 2.9 undertake to pay interest at the rate prescribed in paragraph 3.3 below if the remittance accompanying your Application Form is not honoured on first presentation;
- 2.10 authorise the Receiving Agent on behalf of the Company to send definitive certificates in respect of the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any monies returnable (without interest), by post to your address as set out in your Application Form;
- 2.11 confirm that you have read and complied with paragraphs 9.1 and 9.2; and
- 2.12 agree that your Application Form is addressed to the Company and its agents.
- 2.13 any application may be rejected in whole or in part at the sole discretion of the Company.

3. Acceptance of your offer

- 3.1 You agree that acceptance of your application, if it is validly received (or treated as valid), processed (and not rejected) and provided that it is not rejected subsequently as a result of a failure by you to comply with these Terms and Conditions of Application, shall be constituted at the election of the Company, after consultation with Numis, either:
 - (a) by notifying the London Stock Exchange of the basis of allocation (in which case the acceptance will be on that basis); or
 - (b) by notifying acceptance to the Receiving Agent.
- 3.2 The Company and its agents reserve the right to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. The Company and its agents reserve the right to waive in whole or in part any of the provisions of these Terms and Conditions of Application, either generally or in respect of one or more applications. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed in some other manner satisfactory to the Company and its agents to apply in accordance with these Terms and Conditions of Application.
- 3.3 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicants' cheques. The Company may require you to pay interest or its other resulting costs (or both) if the cheque accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Company to be the interest on the amount of the cheque from the date on which the basis of allocation under the Offer is publicly announced, until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Company plus two per cent. per annum.

4. Conditions

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon the Admission of the Ordinary Shares, issued and to be issued, to the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities and such admissions becoming effective by 8.00 a.m. on 26 March 2014 (or such later date, not being later than 30 April 2014, as the Company and Numis may agree). The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Offer for Subscription.
- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other rights you may have.

5. Return of application monies

- 5.1 If any application is not accepted, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest in Sterling by returning your cheque, or by crossed cheque in your favour, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

6. Warranties

- 6.1 By completing an Application Form, you:

- (a) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or a bank;
- (b) acknowledge that, if you are not resident in the United Kingdom, no action has been taken to permit a public offer in your jurisdiction and that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or its agents or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer for Subscription or your application;
- (c) confirm that in making an application you are not relying on any information or representations in relation to the Company and the Ordinary Shares other than that contained in this document (as may be supplemented by a supplementary prospectus) on the basis of which alone your application is made, and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representations;
- (d) acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document (as may be supplemented by a supplementary prospectus) and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or any of its agents;
- (e) warrant that you are either a company or other body corporate duly incorporated and validly existing with authority to sign the Application Form and to apply for Ordinary Shares or an individual who is not under the age of 18 on the date of your application;
- (f) agree that all documents and monies sent by post to you, by or on behalf of the Company or any of its agents will be sent at your risk and, in the case of documents and returned monies to be sent to you, may be sent to you at your address as set out in your Application Form;
- (g) confirm that you have reviewed the restrictions contained in the section entitled "*Overseas investors*" in paragraphs 9.1 and 9.2 and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions of such section;
- (h) warrant that you are not in the United States, or subscribing for the Ordinary Shares for the account of any person in the United States, and are not a Canadian person, or an individual, corporation or other entity resident in Japan or Australia; and
- (i) warrant that the details relating to you as set out in your Application Form are correct.

7. Miscellaneous

- 7.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer for Subscription.
- 7.2 The rights and remedies of the Company and its agents under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.3 You agree that Numis is acting for the Company in connection with the Issue and for no-one else and Numis will not treat you as its client by virtue of such application being accepted or owe you any duties concerning the price of Ordinary Shares or concerning the suitability of Ordinary Shares for you or otherwise in relation to the Issue.
- 7.4 You authorise the Receiving Agent or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed for by you in your name and authorise any representatives of the Receiving Agent to execute and/or complete any document required therefor.
- 7.5 You agree that it is a condition of application that any information supplied by an applicant or on his behalf or derived from the processing thereof may be used by the Receiving Agent or the Company and/or disclosed to the Company, its agents or advisers in connection with and for the purposes of the Issue and, for the purposes of the UK Data Protection Act 1998 (or any statutory modification or substitutions), you provide your consent to the use and disclosure of this information.
- 7.6 You agree that a failure to receive, process or accept your application for Ordinary Shares does not give rise to any right of action by any person against the Company, Numis, the Receiving Agent or any other person. You agree that the non-receipt by any person of this document or any other related document shall not invalidate the Issue in whole or in part or give rise to any right of action by any person against the Company, Numis, the Receiving Agent or any other person.
- 7.7 You agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with English law and that, for the benefit of the Company, Numis and the Receiving Agent, you submit to the non-exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company, Numis, the Receiving Agent or their agents or advisers to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.
- 7.8 Completed Application Forms, together with payment, must be returned so as to be received by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11.00 a.m. on 18 March 2014. An Application Form which is sent by post or delivered by hand (as described above) will be treated as having been received only when it is received by the Receiving Agent.

8. Money Laundering

- 8.1 You agree that, in order to ensure compliance with the CDD Rules, the Receiving Agent may at its absolute discretion require, and you will provide, evidence which is satisfactory to it to establish your identity or that of any person on whose behalf you are acting and/or your status. Without prejudice to the generality of the foregoing such evidence may be required if you either:
- (a) tender payment by way of banker's draft or cheque or money order drawn on an account in the name of another person or persons (in which case verification of your identity may be required); or

- (b) appear to the Receiving Agent to be acting on behalf of some other person (in which case verification of identify of any persons on whose behalf you appear to be acting may be required).
- 8.2 Failure to provide the necessary evidence of identity (in a manner satisfactory to the Company and its agents, including in respect of the manner of its certification) may result in application(s) being rejected or delays in the authorisation of documents.
- 8.3 Without prejudice to the generality of paragraph 8 above, verification of the identity of applicants may be required if the total subscription price of the Ordinary Shares applied for, whether in one or more applications, exceeds £10,000. If in such circumstances, you use a building society cheque, banker's draft or money order, you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and add its stamp. If in such circumstances, you use a cheque drawn by a third party, you may be requested to provide a copy of your passport or driving licence certified by a solicitor or a recent original bank or building society statement or utility bill in your name and showing your current address (which originals will be returned by post at the applicant's risk).

9. Overseas investors

- 9.1 If you receive a copy of this document or an Application Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements and the Board has, in its absolute discretion, approved your application under the Offer for Subscription. It is your responsibility, if you are outside the United Kingdom and wishing to make an application for Ordinary Shares under the Offer for Subscription, to satisfy yourself that you have fully observed the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Company reserves the right, in its absolute discretion, to reject any application received from outside the United Kingdom.
- 9.2 Without limiting the above, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia or in the United States except in reliance on, or in a transaction not subject to, the registration requirements under the Securities Act or other relevant legislation. If you subscribe for Ordinary Shares in the Offer you will, unless the Company agrees otherwise in writing, be deemed to represent and warrant to the Company and its agents that you are not in the United States. No application will be accepted if it bears an address in the United States or otherwise where there is cause to believe you are in the United States.

10. Allocations

The basis of allocation will, subject to the terms of the Placing Agreement, be determined at the sole discretion of the Company. The right is reserved notwithstanding such basis to reject in whole or in part and/or scale down any application.

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

Applications should be returned so as to be received by 11.00 a.m. on 18 March 2014. *All Applicants should read notes 1-5. Note 6 should be read by Joint Applicants.*

1. Application

Fill in (in figures) the aggregate subscription price for which your application is made. Your application must be for Ordinary Shares with a minimum aggregate subscription price of £5,000 or, if for more than £5,000, in multiples of £500.

2. Personal Details

Fill in (in block capitals) the full name, address and daytime telephone number of the applicant. If this application is being made jointly with other persons, please read Note 6 before completing Box 2.

3. Signature

The applicant named in Box 2 must date and sign Box 3.

The Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated.

4. Cheque/Banker's Draft Details

Attach a cheque or banker's draft for the exact amount shown in Box 1 to your completed Application Form. Your cheque or banker's draft must be made payable to "Capita Registrars Limited re: Custodian REIT Plc – OFSACC" and crossed "a/c Payee".

Your payment must relate solely to this application. No receipt will be issued.

Payments must be made by cheque or banker's draft in pounds Sterling drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "Capita Registrars Limited re: Custodian REIT Plc – OFS Acc". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers' draft to such effect.

The account name should be the same as that shown on the application.

Applications with a value of £10,000 or greater, which are to be settled by way of a third party payment, e.g. banker's draft, building society cheque or a cheque drawn by someone other than the applicant, will be subject to the United Kingdom's verification of identity requirements which are contained in the Money Laundering Regulations 2007. In order to ensure compliance with the CDD Rules, the Company (or any of its agents) may require at its absolute discretion such evidence in respect of any application which is satisfactory to it to establish your identity or that of any person on whose behalf you are acting and/or your status.

For UK applicants, this may involve verification of names and addresses (only) through a reputable agency. For non-UK applicants, verification of identity may be sought from your bankers or from another reputable institution or professional adviser in the applicant's country of residence.

If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event (unless the Offer for Subscription is extended) by 11.00 a.m. on 18 March 2014, your application may not be accepted.

Certificates, cheques and other correspondence will be sent to the address in Box 2.

5. Shares in Uncertificated Form (CREST)

If you wish your Ordinary Shares to be issued in uncertificated form you should complete the Application Form as above and must also complete Box 5.

6. Joint Applicants

If you make a joint application, you will not be able to transfer your Ordinary Shares into an ISA. If you are interested in transferring your Ordinary Shares into an ISA, you should apply in your name only.

If you do wish to apply jointly, you may do so with up to three other persons. Boxes 2 and 3 must be completed by one applicant. All other persons who wish to join in the application must complete and sign Box 6.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection.

Certificates, cheques and other correspondence will be sent to the address in Box 2.

7. Verification of Identity

Section 7 of the Application Form applies if the aggregate value of the Ordinary Shares which you are applying for, whether in one or more applications, exceeds £10,000 or the Company (or any of its agents), at its absolute discretion, deems it necessary to apply in order to ensure compliance with the CDD Rules. If section 7 applies to your application, you must ensure that section 7.1, 7.2 or 7.3 (as appropriate) is completed.

7.1 Professional Adviser or Intermediary

You should complete section 7.1 of the Application Form if you are a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised independent financial adviser acting on behalf of a client.

7.2 Reliable Introducer

If you are not a professional adviser or intermediary and the value of your application(s) exceed(s) £10,000 or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules, you will be required to provide the verification of identity documents listed in section 7.3 of the Application Form **unless** you can have the declaration set out in section 7.2 of the Application Form given and signed by a firm acceptable to the Receiving Agent and the Company. Section 7.2 of the Application Form details those firms acceptable to the Receiving Agent and the Company for signing the declaration. In order to ensure their Application Forms are processed timely and efficiently, all applicants who are not professional advisers or intermediaries and to whose applications section 7 of the Application Form applies are strongly advised to have the declaration set out in section 7.2 of the Application Form completed and signed by a suitable firm where possible.

7.3 Applicant Identity Information

Section 7.3 of the Application Form need only be completed where the aggregate value of the Ordinary Shares which you are applying for, whether in one or more applications, exceeds £10,000 or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure

compliance with the CDD Rules and neither sections 7.1 nor 7.2 of the Application Form can be completed.

Notwithstanding that the declaration set out in section 7.2 of the Application Form has been completed and signed, the Receiving Agent and the Company reserve the right to request of you the identity documents listed in section 7.3 of the Application Form and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, your application might be rejected or revoked.

Where certified copies of documents are requested in section 7.3 of the Application Form, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

Instructions for Delivery of Completed Application Forms

Completed Application Forms should be returned, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received by no later than 11.00 a.m. on 18 March 2014, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

APPLICATION FORM

CUSTODIAN REIT PLC

Please send the completed form by post to or delivered by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received no later than 11.00 a.m. on 18 March 2014.

Important – Before completing this form, you should read the accompanying notes.

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 3 (SEE NOTES 1-6 OF THE NOTES ON HOW TO COMPLETE THIS APPLICATION FORM).

If you have a query concerning completion of this Application Form please call Capita Asset Services on 0871 664 0300.

1. Application

I/We offer to subscribe for:

£

of new Ordinary Shares (minimum £5,000 and thereafter in multiples of £500) fully paid, at £1.00 per new Ordinary Share on the terms, and subject to the conditions set out in the Prospectus dated 25 February 2014 (including the Terms and Conditions of Application contained therein), the guidance notes accompanying this Application Form, and the memorandum of association and the Articles respectively, and attach a cheque or banker's draft for the amount payable.

2. Personal Details (PLEASE USE BLOCK CAPITALS)

I/We offer to subscribe for:

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

3. SIGNATURE

I/We hereby confirm that I/we have read the Prospectus and make this application on and subject to the Terms and Conditions of Application set out in the Prospectus.

Signature	Dated	2014
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4. Cheque/Banker's Draft Details

Attach your cheque or banker's draft for the exact amount shown in Box 1 made payable to "Capita Registrars Limited re Custodian REIT Plc – OFS ACC" and crossed "a/c Payee".



5. Shares in Uncertified Form (CREST)

Complete this section only if you require your Ordinary Shares to be credited to your CREST account.

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

BOX 6 MUST ONLY BE COMPLETED BY JOINT APPLICANTS (SEE NOTE 6).

6. Joint Applicants (PLEASE USE BLOCK CAPITALS)

Complete this section only if you require your Ordinary Shares to be credited to your CREST account.

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

Intermediary name, if applicable	Intermediary stamp, if applicable
Contact tel. no:	FSA No:

7. Verification of Identity (if the value of the Ordinary Shares which you are applying for, whether in one or more applications, exceeds £10,000 or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules, you must ensure that section 7.1, 7.2 or 7.3 (as appropriate) is completed.

7.1 Professional Advisers and Intermediaries *(This section 7.1 should be completed if an application for Ordinary Shares is being made on behalf of a client by a stockbroker, bank manager, solicitor, accountant or other independent financial adviser under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised independent financial adviser).*

<i>(Name of professional adviser or intermediary, in full)</i>	
<i>(Address, in full)</i>	
	<i>(Post code)</i>
<i>(Contact name)</i>	<i>(Telephone number)</i>

Declaration by the professional adviser or intermediary

To: Custodian REIT Plc

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

1. complete anti-money laundering verification of all relevant clients and to inform you of any unsatisfactory conclusion in respect of any such client;
2. to keep records to verify the name, identity, place of birth, residential address, occupation and signature of each relevant client; and
3. to supply copies of any such records to you as you may require.

We are governed in the conduct of our investment business and in respect of conducting anti-money laundering verification by the following regulatory or professional body (and our reference or other official number allocated to us by that body is included in the box below).

<i>(Full name and country of operation of regulatory or professional body)</i>	
	<i>(Reference of other official number)</i>

If you require further information about our procedures or any of our relevant clients, please contact the person named as the contact in the first box in this section 7.1.

7.2 **Reliable Introducer** *(If you are not a professional adviser or intermediary to whom section 7.1 applies, completion and signing of declaration in this section 7.2 by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 7.3 of this form)*

(The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “firm”) which is itself subject in its own country to operation of “know your customer” and anti-money laundering regulations which are, in the opinion of the Company in its absolute discretion, no less stringent than those which prevail in the United Kingdom).

Declaration by the firm

To: Custodian REIT Plc

With reference to the applicant(s) detailed in section(s) 2 and, in the case of joint applicants, 6 above, all persons signing sections 3 and 6 above and the payor identified in section 4 above if not also an applicant holder (collectively the “**relevant persons**”), we hereby declare that:

1. we operate in _____ and our firm is subject to anti-money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in the United Kingdom;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the relevant persons is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
4. we confirm the accuracy of the names and residential/business address(es) of the applicant(s) named in section(s) 2 and, in the case of joint applicants, 6 above and, if details of a CREST account are included in section 5 above, that the owner thereof is the applicant named in section 2 above;



5. having regard to all local anti-money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares to which this application relates; and
6. where the payor and applicant(s) are different persons we are satisfied as to the relationship; between them and the reason for the payor being different to the applicant(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of the firm of its officials.

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

having authority to bind the firm, the details of which are set out below:

<i>(Name of firm, in full)</i>	
<i>(Address, in full)</i>	
	<i>(Post code)</i>
<i>(Contact name)</i>	<i>(Telephone number)</i>

<i>(Full name of firm's regulatory authority)</i>	
<i>(Website address or telephone number of regulatory authority)</i>	<i>(Firm's registered, licence or other official number)</i>

- 7.3 **Applicant Identity Information** *(Only complete this section 7.3 if your application has a value greater than £10,000 and neither of sections 7.1 and 7.2 can be completed) (or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules).*

In accordance with internationally recognised standards for the prevention of money laundering, the relevant documents and information listed below must be provided (please note that the Receiving Agent and the Company reserve the right to ask for additional documents and information).

	Tick here for documents provided					
	Applicant				Payor	
	1	2	3	4		
A. For each applicant who is an individual enclose:						
(i)	a certified clear photocopy of one of the following identification documents which bears both a photograph and the signature of the person: (a) current passport; (b) Government or Armed Forces identity card; or (c) driving licence; and					
(ii)	certified copies of at least two of the following documents which purport to confirm that the address(es) given in section 2 and, in the case of joint applicants, section 6 is the applicant's residential address: (a) a recent gas, electricity, water or telephone (not mobile) bill; (b) a recent bank statement; (c) a council tax bill; or (d) similar bill issued by a recognised authority; and					
(iii)	if none of the above documents show their date and place of birth, enclose a note of such information; and					
(iv)	details of the name and address of their personal bankers from which the Receiving Agent or the Company may request a reference, if necessary.					
B. For each holder being a company (a "holder company") enclose:						
(i)	a certified copy of the certificate of incorporation of the holder company; and					
(ii)	the name and address of the holder company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; and					
(iii)	a statement as to the nature of the holder company's business. signed by a director; and					
(iv)	a list of the names and residential addresses of each director of the holder company; and					
(v)	for each director provide documents and information similar to that mentioned in A above; and					
(vi)	a copy of the authorised signatory list for the holder company; and					
(vii)	a list of the names and residential/registered addresses of each ultimate beneficial owner interested in more than 5% of the issued share capital of the holder company and, where a person is named, also enclose the documents and information referred to in C below and, if another company is named (a "beneficiary company"). also complete 0 below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.					
C. For each individual named in 8(vii) as a beneficial owner of a holder company enclose for each such person documents and Information similar to that mentioned in A(i) to (iv)						
D. For each beneficiary company named in 8(vii) as a beneficial owner of a holder company enclose:						
(i)	a certificated copy of the certificate of incorporation of that beneficiary company; and					
(ii)	a statement as to the nature of that beneficiary company's business signed by a director; and					
(iii)	the name and address of the beneficiary company's principal bankers from which the Receiving Agent or the Company may request a reference; and					
(iv)	enclose a list of the names and residential/registered address of each beneficial owner owning more than 5% of the issued share capital of that beneficiary company.					
E. If the payor is not an applicant and is not a bank providing its own cheque or banker's draft on the reverse of which is shown details of the account being debited with such payment (see note 4 on how to complete this form) enclose:						
(i)	if the payor is a person, for that person the documents mentioned in A(i) to (iv); or					
(ii)	if the payor is a company, for that person the documents mentioned in B(i) to (vii); and					
(iii)	an explanation of the relationship between the payor and the applicant(s).					

