

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this Listing Document you should consult your accountant, legal or professional adviser, financial adviser or a person authorised for the purposes of the Financial Services and Markets Act 2000, as amended ("FSMA"), who specialises in advising on the acquisition of shares and other securities if you are in the United Kingdom or, if not, from another appropriately authorised and independent adviser.

It is expected that an application will be made to the Channel Islands Securities Exchange Authority Limited (the "**Exchange**") for all of the Ordinary Shares issued and to be issued to be admitted to the Official List of the Exchange. It is expected that such admission will become effective, and that dealings in the Ordinary Shares will commence, at 8.00 a.m. on 17 December 2014. The Ordinary Shares are not dealt in on any other recognised investment exchanges and no applications for the Ordinary Shares to be traded on such other exchanges have been made or are currently expected.

Neither the admission of the Ordinary Shares to the Official List nor the approval of the Listing Document pursuant to the listing requirements of the Exchange shall constitute a warranty or representation by the Exchange as to the competence of the service providers to or any other party connected with the issuer, the adequacy and accuracy of the information contained in the Listing Document or the suitability of the issuer for investment or for any other purpose.

This Listing Document includes particulars given in compliance with the Listing Rules of the Exchange (the "**Listing Rules**") for the purpose of giving information with regard to the issuer. The directors, whose names appear on page 5, accept full responsibility for the information contained in this Listing Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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## **CLIPSTONE LOGISTICS REIT PLC**

*(incorporated in England and Wales under the Companies Act 2006 with registered number 9046897 and registered as an investment company under section 833 of the Companies Act 2006)*

### **ISSUE IN CONNECTION WITH THE ACQUISITION OF THE INITIAL PROPERTY PORTFOLIO**

**of up to 75 million Ordinary Shares of 1 penny each at an issue price of 100 pence per Ordinary  
Share**

### **ADMISSION TO THE OFFICIAL LIST OF THE CHANNEL ISLANDS SECURITIES EXCHANGE AUTHORITY LIMITED**

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This Listing Document has not been approved as a financial promotion by a person authorised by the Financial Conduct Authority for the purposes of section 21 of FSMA and therefore may only be communicated or caused to be communicated in the UK to persons to whom an exemption in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, applies.

No arrangement has been made with the competent authority in any state (or any jurisdiction) for the use of this Listing Document as an approved prospectus in such jurisdiction and accordingly no public offer is to be made in any jurisdiction. The distribution of this Listing Document and the offering of Ordinary Shares in certain jurisdictions may be restricted. Persons into whose possession this Listing Document comes are required to inform themselves about and observe any such restrictions. This Listing Document does not constitute an offer or solicitation to subscribe for Ordinary Shares by 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.

In particular, the Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction of the United States, or under any of the relevant securities laws of Canada, Australia, the Republic of South Africa, the Republic of Ireland, New Zealand or Japan or their respective territories or possessions. The Ordinary Shares may not (unless any exemption from such registration or laws is available) be offered or sold, 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 ("**Regulation S**")) or Canada, Australia, the Republic of South Africa, the Republic of Ireland, New Zealand or Japan or their respective territories or possessions. No public offering of the Ordinary Shares is being made in the United States. The Ordinary Shares are being offered and sold only outside the United States to non-US Persons in "offshore transactions" within the meaning of, and in reliance on, Regulation S. The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**") and, as such, investors will not be entitled to the benefits of the Investment Company Act. A US Person that acquires Ordinary Shares may be required to sell or transfer these Ordinary Shares to a person qualified to hold Ordinary Shares or forfeit the Ordinary Shares if the transfer is not made in a timely manner.

This Listing Document is dated 16 December 2014.

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## **IMPORTANT INFORMATION**

This Listing Document should be read in its entirety before making any application for Ordinary Shares. In assessing an investment in the Company, investors should rely only on the information in this Listing Document. No person has been authorised to give any information or make any representations other than those contained in this Listing Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the AIFM, the Property Manager, Clipstone Capital or any of their respective affiliates, directors, officers, employees or agents or any other person.

Without prejudice to any obligation of the Company to publish a supplementary document under the Listing Rules, neither the delivery of this Listing Document nor any subscription or purchase of Ordinary Shares made pursuant to this Listing Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this Listing Document.

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment, who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company and the Ordinary Shares, for whom an investment in the Ordinary Shares constitutes part of a diversified investment portfolio, who fully understand and are willing to assume the risks involved in investing in the Company and who have sufficient resources to bear any loss (which may be equal to the whole amount invested) which might result from such investment. The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised investor who is seeking an attractive level of income with the potential for income and capital growth from investing in a diversified portfolio of UK industrial real estate properties and who understands and accepts the risks inherent in the Investment Policy. Investors may wish to consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before making an investment in the Company.

It is intended that the Company be treated by HMRC as a real estate investment trust or a REIT, in which case the Company will not be deemed to be a non-mainstream pooled investment for the purposes of COBS 4.12 of the FCA Handbook.

### **Investment considerations**

The contents of this Listing Document or any other communications from the Company, the AIFM, the Property Manager and/or any of their respective affiliates, directors, officers, employees or agents are not to be construed as advice relating to legal, financial, taxation, investment or any other matter. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

The Ordinary Shares are designed to be held over the long term and may not be suitable as short term investments. There is no guarantee that any appreciation in the value of the Company's investments will occur or that the Company will achieve its distribution targets (which for the avoidance of doubt are targets only and not profit forecasts), and investors may not get back the full value of their investment.

Any investment objectives of the Company are targets only and should not be treated as assurances or guarantees of performance.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Articles of Association of the Company, which investors should review. A summary of the Articles of Association can be found in Part 6 of this Listing Document and a copy of the Articles of Association is on display at the offices of the Sponsor and available on request from the Company's registered office.

Statements made in this Listing Document are based on the law and practice currently in force and are subject to changes thereto.

### **Forward-looking statements**

This Listing Document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "forecasts", "plans", "projects", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company's and/or the Board's intentions, beliefs or current expectations.

All forward-looking statements address matters that involve risks and uncertainties and are not guarantees of future performance. Accordingly, there are or will be important factors that could cause the Company's actual results of operations, performance or achievement or industry results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in the part of this Listing Document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this Listing Document. Any forward-looking statements in this Listing Document reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and the liquidity of Ordinary Shares.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements.

These forward-looking statements apply only as at the date of this Listing Document. Forward-looking statements may and often do differ materially from actual results. Subject to any obligations under applicable law, Exchange requirements or UK regulatory requirements (including FSMA and the Listing Rules), the Company undertakes no obligation publicly to update or review any forward-looking statement whether as a result of new information, future developments or otherwise. Prospective investors should specifically consider the factors identified in this Listing Document which could cause actual results to differ before making an investment decision.

Nothing in this paragraph or in the preceding three paragraphs should be taken as limiting the working capital statement contained in paragraph 8.4 of Part 6 of this Listing Document.

The actual number of Ordinary Shares to be issued pursuant to the Issue will be determined by the Company (in consultation with Clipstone). In such event, the information in this Listing Document should be read in light of the actual number of Ordinary Shares to be issued in the Issue.

## **Presentation of information**

### ***Market, economic and industry data***

Market, economic and industry data used throughout this Listing Document is derived from various industry and other independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### ***Latest Practicable Date***

Unless otherwise indicated, the latest practicable date for the inclusion of information in this Listing Document is at close of business on 10 December 2014.

### ***Definitions***

A list of defined terms used in this Listing Document is set out at pages 146 to 153 of this Listing Document.

## EXPECTED TIMETABLE

|   |                                |
|---|--------------------------------|
| Latest time and date for receipt of Subscription Forms  | 3.00 p.m. on 15 December 2014  |
| Announcement of the results of the Issue  | 16 December 2014               |
| Issue and admission to the Channel Islands Securities Exchange Authority Limited of the Ordinary Shares | 17 December 2014               |
| Completion of the Acquisition   | 17 December 2014               |
| Share certificates despatched   | Week commencing 5 January 2015 |

**Each of the times and dates in the above timetable is subject to change and may, with the consent of the Sponsor, 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 News Service. References to times are to London time unless otherwise stated.**

## **DIRECTORS, MANAGEMENT AND ADVISERS**

|  |  |
|--|--|
| <b>Directors</b>   | Nicholas Lyons (Chairman)<br>Karl Sternberg<br>Toby Dean   |
| <b>Registered Office</b>   | 45 Albemarle Street<br>London W1S 4JL  |
| <b>AIFM</b>  | <b>Gallium Fund Solutions Limited</b><br>Suite A, 4th Floor, South Tower<br>Tubs Hill House<br>London Road<br>Sevenoaks<br>Kent TN13 1BL |
| <b>Property Manager and Company Secretary</b>                                | <b>Clipstone Land Limited</b><br>45 Albemarle Street<br>London W1S 4JL   |
| <b>Sponsor for the Channel Islands Securities Exchange Authority Limited</b> | <b>Carey Olsen Corporate Finance Limited</b><br>47 Esplanade<br>St Helier<br>Jersey JE1 0BD  |
| <b>Depository</b>  | <b>Gallium P E Depository Limited</b><br>Suite A, 4th Floor, South Tower<br>Tubs Hill House<br>London Road<br>Sevenoaks<br>Kent TN13 1BL |
| <b>Auditor and Section 593 Valuer</b>  | <b>Grant Thornton UK LLP</b><br>30 Finsbury Square<br>London EC2P 2YU  |
| <b>Valuer</b>  | <b>Colliers International Valuation UK LLP</b><br>50 George Street<br>London W1U 7GA   |
| <b>Legal Advisors to the Company (English Law)</b>                           | <b>Hogan Lovells International LLP</b><br>Atlantic House<br>Holborn Viaduct<br>London EC1A 2FG   |
| <b>Legal Advisors to the Company (Jersey Law)</b>                            | <b>Carey Olsen</b><br>47 Esplanade<br>St Helier<br>Jersey JE1 0BD  |

## PART 1: THE COMPANY

### INTRODUCTION

Clipstone Logistics REIT plc (the “**Company**”) is a closed-ended investment company, incorporated on 19 May 2014 in England and Wales with an indefinite life and registered as an investment company under section 833 of the Act. The Company has been established for the purpose of delivering income and capital returns to Shareholders through investment in good quality UK industrial property. The Investment Policy will concentrate on the distribution warehouse and multi-let industrial markets. Application will be made for the Ordinary Shares in issue and to be issued pursuant to this Listing Document to be admitted to the Official List of the Channel Islands Securities Exchange Authority Limited (the “**Exchange**”).

The Company believes that investment in UK industrial property has again become attractive. The gloom that, since 2008, has pervaded many property investment markets has lifted. Real estate markets are generally operating healthily again. Values are increasing, although the commercial property market has not recovered to its 2007 peaks. Tenant demand and rents are rising as the UK economy shows improvements. According to IPD, UK commercial rents in the first quarter of 2014 showed the highest rate of growth since 2007.

Clipstone Land Limited (“**Clipstone Land**”) or (“**Clipstone**”) has been appointed as Property Manager to the Company. Clipstone Land is a successful property management and investment firm that, since its formation in 2008, has specialised in the industrial sector. Since formation, Clipstone Land has acquired 32 industrial properties, all of which fall within the Investment Policy.

Gallium Fund Solutions Limited (“**Gallium**”) has been appointed as the Company's alternative investment fund manager (“**AIFM**”) and accordingly is responsible for the portfolio and risk management of the Company. Clipstone Land will provide property management advice to the Company and to Gallium in respect of the Company in order to assist Gallium to discharge its functions as AIFM.

The Company has through the Group agreed to acquire the Initial Property Portfolio, which is made up of five properties with an aggregate value of approximately £65 million and which are expected to produce rents of approximately £4.3 million per year immediately following their acquisition by the Group. The five properties consist of four single let distribution warehouses and one multi-let industrial estate, and will be acquired from a number of existing funds or companies managed by Clipstone Land.

Accordingly, the Company proposes, pursuant to the Issue to which this Listing Document relates, to raise equity capital to fund the Acquisition and further acquisitions in accordance with its Investment Policy.

It is intended that the Company will qualify as a REIT from Admission and the Company has applied for treatment of its group as a REIT Group. In order to qualify as a REIT Group a number of conditions need to be fulfilled as described in Part 8 of this Listing Document.

### BACKGROUND AND REASONS FOR THE ISSUE

The Company is proposing to issue up to 75 million Ordinary Shares under the Issue to raise gross proceeds of up to £75 million.

The Company has entered into arrangements to acquire the Initial Property Portfolio, through the Group, in consideration for approximately £32 million, to be satisfied by way of a combination of cash (the “**Cash Consideration**”) and the allotment of Ordinary Shares (the “**Consideration Shares**”) to the Initial Property Portfolio Investors (the “**Acquisition**”). The Initial Property



Portfolio will be acquired by the Group at the current open market value as established by the Valuer pursuant to the Valuation Report in the Appendix to Part 5 of this Listing Document.

The Net Issue Proceeds will be used to acquire the Initial Property Portfolio for a total consideration of approximately £32 million, and the balance of the Net Issue Proceeds after the Acquisition (approximately £42.6 million if the maximum Issue size is reached) is expected to be invested within a period of six months after Admission (depending on the amount of the Net Issue Proceeds and including borrowings) by the Group in additional UK properties to complement the properties in the Initial Property Portfolio acquired by the Company. The Company's maximum portfolio size is approximately £300 million (including borrowings).

## INVESTMENT OPPORTUNITY

The Directors believe that the two sectors in which the Company will invest complement each other. Investments in modern, substantial distribution warehouses let to strong covenants in core locations on long leases offer stability and continuity of income. On the other hand, multi-tenanted, well-located industrial estates can offer opportunities for improvement. An active and experienced manager can upgrade the quality and presentation of an estate. By re-cladding and refurbishing buildings, it is possible to secure better occupational terms and better calibre tenants on longer leases. These changes usually lead to an improvement in value. One sector will comprise well-selected passive investments, the other investments identified as being capable of value improvement beyond market forces.

The Directors believe the Company has a number of competitive advantages, including those set out below.

**Property manager with a strong track record.** Over 150 investors have participated in investments managed by Clipstone. The returns generated for investors in those vehicles are as follows:

- the average total return (net of fees and expenses) was 29.7 per cent. per annum (23.6 per cent. per annum average for realised investments);
- the internal rate of return or IRR (net of fees and expenses), was 27.3 per cent. per annum; and
- on average, quarterly distributions equalled 8.3 per cent. per annum.

The returns above are: (i) by reference to accounts for the relevant investment vehicles as at 5 April 2014 (or in some cases 31 March 2014) which are audited save in respect of Clipstone IX Limited, (ii) only in relation to investments undertaken prior to 1 January 2014, and (iii) by reference to independent professional valuations.<sup>1</sup>

**Specialist property manager, investing in its area of expertise.** The management team at Clipstone Land has extensive experience of successfully investing in and managing UK industrial real estate. Since its formation in 2008, Clipstone Land has overseen the acquisition of properties solely in the two sectors that fall within the Investment Policy and will continue to operate within its area of expertise.

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<sup>1</sup> Prospective investors should read the paragraph entitled "Past performance no guarantee" on page 136 in Part 10 of this Listing Document ("Risk Factors"). In particular, the past or current performance of the other funds or entities currently or previously managed by Clipstone Land or Clipstone Land's investment team is not indicative, or intended to be indicative, of future performance of the Company. Numerous factors, including but not limited to market conditions, can affect returns and limit the usefulness of performance comparisons. None of the historical information contained in this Listing Document is directly comparable to the Company's business or the returns that the Company may generate.

**High quality portfolio of properties acquired on Admission.** All five properties in the Initial Property Portfolio being acquired are of institutional quality in terms of location, build quality (including eaves height, yard space and date built), lot size, tenant covenant and lease profile. The Initial Property Portfolio provides the Company with: (a) an immediate expected income stream of approximately £4.3 million per annum; (b) a weighted average unexpired lease length for the distribution warehouses of 14.5 years (with 10.7 years to the first break date); and (c) the benefit of an approximate £2.8 million cost saving in connection with the Acquisition of the properties comprising the Initial Property Portfolio, including through the lack of agency fees. The overall net initial yield from the Initial Property Portfolio has been calculated by Clipstone Land as 6.74 per cent. (which assumes reduced costs for the Acquisition).

**Clipstone Land's existing investor base supporting the Company.** The Initial Property Portfolio Investors have agreed to subscribe for approximately £21 million in aggregate in the Company.

**Significant investment by Property Manager.** The management of Clipstone Land (and their families) and Clipstone Land itself have between them agreed to invest an aggregate amount of £4 million in the Company (including Consideration Shares).

**Strong sector dynamics and complementary asset classes.** As outlined in Part 2 of this Listing Document, the growth in online shopping in the UK, the lack of speculative development in the industrial sector and the current economic recovery may all combine to deliver returns for investors in the industrial sector. In addition, the secure income from distribution warehouses complements the capital growth potential from multi-tenanted estates.

**Neither the Company nor Clipstone Land has any legacy issues.** The Company is a newly formed entity and Clipstone Land commenced trading after the global financial crisis, meaning neither the Company nor its Property Manager is burdened by legacy issues and can focus purely on the creation of value and deployment of capital.

**Focused team with execution capability.** In the last five years, Clipstone's relatively small team of eight experienced individuals has overseen the acquisition of 32 industrial properties, and undertaken transactions with an approximate aggregate transaction value of £188 million. This includes seven properties acquired in 2014.

## **INVESTMENT OBJECTIVE**

The Company's Investment Objective is to generate secure income and capital returns for Shareholders by investing in a balanced portfolio of good quality industrial property in core UK locations.

## **INVESTMENT POLICY**

The Investment Policy is to acquire single let distribution warehouses located in the Warehouse Locations (defined below) and multi-let industrial estates located in the Multi-Let Locations (defined below).

The “**Warehouse Locations**” are the areas shaded dark blue in the following map:



The “**Multi-Let Locations**” are the areas shaded dark blue in the following map:



The Company intends to focus on property with the following characteristics:

**Single-let warehouses**

- located in the Midlands and the South of England, with a particular focus on the South East and the Golden Triangle (defined below);
- modern warehouses of good build quality, in particular with what the Property Manager considers to have adequate eaves height, yard space and parking;
- located in areas with good access to the national motorway network and to labour pools;
- properties that are or will be let by the Group to or guaranteed by entities that the Property Manager considers to be of sound financial health. In general, this includes avoiding tenants who are loss-making (save where they are part of a profitable group) or who have unsustainable levels of debt finance; and
- properties that are or will be let by the Group on leases with unexpired terms certain of at least four years, except where the Property Manager considers the tenant is likely to stay beyond lease expiry (or break date) or where the Property Manager has identified a new tenant for the property.

The “**Golden Triangle**” is a term used in the UK logistics market to mean an area in the centre of England close to the M1 and the M6 motorways. In particular, the area is within 4.5 hours’ drive (the legal drive time limit in the UK) from approximately 95 per cent. of the UK population.

### **Multi-let Industrial Estates**

- located in the South of England with a focus around London and the South East;
- having what the Property Manager considers adequate yard spaces for parking and loading; and
- located in areas with (in the opinion of the Property Manager) good tenant demand and no significant over-supply of vacant space.

The Group will only invest in leased or pre-leased assets and will not invest in speculative developments (save where units in a multi-let industrial estate are to be refurbished before being leased or pre-leased).

### **Corporate Structure and Portfolio**

The Company does not expect to acquire Portfolio Interests by way of joint ventures, nor does it expect to acquire less than 100 per cent. ownership in any single property. However, the Company is permitted to make investments through these types of investment structures provided (i) that the Company is able to exert a level of control over the underlying investment that the Board and the AIFM consider reasonable in the circumstances, and (ii) no more than 15 per cent. of the Gross Asset Value is attributable to investments where the Company (or its wholly owned subsidiaries) does not have 100 per cent. ownership. For the avoidance of doubt, the Company may make any investment through any type of holding entity it considers appropriate including the Group, and references to the Company making investments or holding assets should be construed accordingly.

The Company may acquire a number of properties constituting a single portfolio. Where such a portfolio contains properties that are not consistent with the Investment Policy (“**Other Property**”), the Company may still purchase the portfolio provided that (i) Other Property must comprise less than 5 per cent. of the Gross Asset Value of the Investment Portfolio at the time of acquisition (but calculated on the basis of the Group being Fully Invested), and (ii) the Company uses its reasonable endeavours to ensure that Other Property acquired as part of the portfolio is disposed of within 12 months of the date of acquisition of the portfolio.

### **Disposals of investments**

The Company intends to make investments with a view to holding the Portfolio Interests for the long term. However, the Property Manager will keep opportunities for disposals of Portfolio Interests under review and may make proposals to the AIFM and to the Board in respect of earlier disposals.

### **Investment Restrictions and Diversification Strategy**

The Group will acquire properties that together offer Shareholders diversification of risk by following a diversification strategy. Pursuant to this strategy the Investment Policy of the Company aims to ensure that, based on the Group being Fully Invested, the Investment Portfolio will be diversified as follows:

- no more than 20 per cent. of the Gross Asset Value of the Investment Portfolio invested in a single property;

- no more than 20 per cent. of the Group's income expiring in any one calendar year;
- at least 75 per cent. of single-let distribution warehouses (by Gross Asset Value) in the Midlands or the South East;
- at least 75 per cent. of multi-let industrial estates (by Gross Asset Value) in the South of England;
- at least 10 per cent. of the Gross Asset Value of the Investment Portfolio invested in multi-let industrial estates; and
- no more than 20 per cent. of the Gross Asset Value exposed to a single tenant.

**"Fully Invested"** means, for these purposes, that a total of £300 million, including borrowings (i.e., the maximum size of the Group's Investment Portfolio) is assumed as being invested or committed for investment in Portfolio Interests. It does not relate to the actual sum invested or committed for investment by the Group. If the Group does not in fact invest £300 million, it will be under no obligation to adjust the Investment Portfolio unless otherwise required by the Listing Rules or to qualify as a REIT Group.

The investment restrictions apply at the time of acquisition of a Portfolio Interest (but on the basis of being met by the Group being Fully Invested) and are targets only. The Group will not be required to dispose of Portfolio Interests and/or to rebalance its Investment Portfolio as a result of a change in the respective valuations of Portfolio Interests, except to the extent required by the Listing Rules or for the Group to continue to qualify as a REIT Group.

In addition, no more than 15 per cent. of the Gross Asset Value of the Investment Portfolio (based on the Group being Fully Invested) may at any time consist of property that is under development. For these purposes, **"development"** excludes refurbishment work and includes forward funding development and forward commitments. No speculative development will be undertaken. No more than 15 per cent. of the Gross Asset Value of the Investment Portfolio may consist of property where income in respect of such portion of the Investment Portfolio is dependent on the successful completion of refurbishment work.

Any acquisitions by the Group further to the Initial Property Portfolio will require the prior approval of the Investor Representative. Further information on the Investor Representative is contained in Part 3 of this Listing Document.

### **Borrowing and Gearing**

The Group will seek to use gearing to enhance equity returns. The Directors will target a maximum level of borrowings for the first five years from Admission of 55 per cent. of the Gross Asset Value of the Investment Portfolio, and thereafter will seek to reduce the Group's borrowings over time. The Group will be under no obligation to reduce borrowings to the extent that this target is exceeded for reasons outside of its control, for instance as a result of changes in property values. The Group's borrowings may not exceed 55 per cent. of the Gross Asset Value of the Investment Portfolio at the time of borrowing. The Directors expect that the Company will predominantly look to traditional lending sources such as banks for gearing.

As at 10 December 2014, being the latest practicable date before publication of this Listing Document, there is approximately £32.59 million of senior debt, lent by Barclays Bank plc, The Co-Operative Bank plc and Santander, and secured against the Initial Property Portfolio. These existing debt arrangements ("**Existing Debt Arrangements**") were entered into by the current holders of the properties making up the Initial Property Portfolio for the acquisition of those

properties, and will remain in place on Admission. All relevant consents for the Acquisition under such Existing Debt Arrangements have been obtained.

Shortly after Admission, the Company intends to re-finance the Existing Debt Arrangements. The Company has agreed term sheets with two banks (Barclays Bank plc and Aareal Bank AG), both of which envisage a five year term loan facility. The Barclays terms have been approved by Barclays' credit committee, although the Aareal terms remain subject to their credit committee approval. The key terms agreed with both banks are summarised in paragraph 7.5 of Part 6 of this Listing Document. It is intended that a facility agreement with Barclays Bank plc or Aareal Bank (or such other alternative lender, being a lending bank of international standing, as may be agreed by the Board) on substantially the same terms as are detailed in paragraph 7.5 of Part 6 will be entered into within three months of Admission.

The Group's borrowings are expected to be secured on one or more Portfolio Interests. For instance, the Facility Agreement will be secured against the Initial Property Portfolio generally.

As at the date of this Listing Document, there are no restrictions applicable to the Company on the use of its capital resources save that it must comply with the Investment Policy and save in respect of any obligations of the Company to apply cash in accordance with the Facility Agreement.

### **Hedging and use of derivatives**

Interest rate hedging may be carried out to seek to provide protection against increasing costs of servicing debt drawn down by the Group to finance investments, although there is no obligation to do so. This may involve the use of interest rate derivatives and similar instruments. The Group does not currently intend to enter into interest rate swaps, save that the Existing Debt Arrangement for the property at Newcastle under Lyme (TK Maxx) includes a swap at 0.89 per cent. which expires in February 2016 and which the Company will retain after refinancing. As at the date of this Listing Document, the Company intends instead, subject to the prevailing market conditions at the relevant time, to enter into interest rate caps over 70 per cent. of the Group's borrowings in order to protect against the risk of material interest rate rises. It is currently anticipated that such protection will cap the Group's exposure to LIBOR at approximately 3 per cent. per annum.

Hedging against inflation may be carried out and this may involve the use of derivative instruments.

It is intended that all hedging policies of the Company be reviewed by the Directors and the AIFM on a regular basis to ensure that the risks associated with the Group's investments are being appropriately managed. Any transactions carried out will only be undertaken for the purpose of efficient portfolio management and will not be carried out for speculative reasons.

### **Cash management**

Until the Company is fully invested and pending reinvestment or distribution of cash receipts, cash received by the Group will be invested in cash, cash equivalents, near cash instruments, money market instruments and money market funds and cash funds. The Group may also hold derivative or other financial instruments designed for efficient portfolio management or to hedge interest or inflation risks.

### **Amendments to and compliance with the Investment Policy**

Any material change to the Investment Policy will require the prior approval of Shareholders by way of Ordinary Resolution and (for so long as the Ordinary Shares are listed on the Official List)

in accordance with the Listing Rules. Minor changes to the Investment Policy must be approved by the Directors and will be notified to Shareholders through an announcement on an RNS.

Breaches of the Investment Policy (which for the avoidance of doubt excludes any restrictions which are described above as target limits only) will be notified to Shareholders through an announcement on an RNS.

## **RELATIONSHIP WITH CLIPSTONE LAND**

From the outset, Clipstone Land has invested in warehouses let to tenants with strong covenants in established warehouse parks in the South of England and the Midlands. Subsequently, Clipstone Land has extended its specialisation to include multi-tenanted industrial estates across the South of England, usually close to London.

The Company will seek to draw from Clipstone Land's expertise and success. Clipstone Land has established its track record in the distribution warehouse and multi-let industrial sectors, and it is therefore these two sectors that the Company has selected for investment.

Pursuant to the Property Management Agreement, the Company will be entitled to a right of first refusal over all Clipstone Land's investment opportunities that fall within the Investment Policy and which have an acquisition cost in excess of £10 million. Clipstone Land has estimated the value of its pipeline of potential investment opportunities, a number of which have not been widely marketed and are available on an off-market basis, as approximately £365 million as at the date of this Listing Document.

All further investments, whether originated by Clipstone Land or otherwise, will be subject to satisfactory due diligence and agreement on acquisition price. There can be no assurance that the Company will invest in any opportunities originated by Clipstone Land, or indeed that it will be able to make any further investments after the Acquisition at all.

Clipstone Land, its management and their families have agreed to subscribe for £4 million of Ordinary Shares pursuant to the Issue, including any Consideration Shares to which they may be entitled. On Admission, assuming the maximum size of the Issue is reached, it is therefore expected that Clipstone (and its management and persons connected to them) will represent at least 5.33 per cent. of the Company's total issued share capital.

## **Clipstone's Track Record<sup>2</sup>**

To date, Clipstone has overseen the acquisition of 32 industrial properties. All these properties fall within Clipstone's area of expertise (and would comply with the Investment Policy). The locations of these properties are shown on the map below.

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<sup>2</sup> Prospective investors should read the paragraph entitled "Past performance no guarantee" on page 136 in Part 10 of this Listing Document ("Risk Factors"). In particular, the past or current performance of the other properties, funds or entities currently or previously managed by Clipstone Land or Clipstone Land's investment team is not indicative, or intended to be indicative, of future performance of the Company. Numerous factors, including but not limited to market conditions, can affect returns and limit the usefulness of performance comparisons. None of the historical information contained in this Listing Document is directly comparable to the Company's business or the returns that the Company may generate.

### ***Location of properties acquired***

- Distribution warehouses
- Multi-let industrials



### **Returns on Clipstone-managed properties**

Over 150 investors have participated in investments managed by Clipstone. The returns generated for investors in those vehicles are as follows:

- the average total return (net of fees and expenses) was 29.7 per cent. per annum (23.6 per cent. per annum average for realised investments);
- the internal rate of return or IRR (net of fees and expenses), was 27.3 per cent. per annum; and
- on average, quarterly distributions equalled 8.3 per cent. per annum.

The returns above are: (i) by reference to accounts for the relevant investment vehicles as at 5 April 2014 (or in some cases 31 March 2014) which are audited save in respect of Clipstone IX Limited, (ii) only in relation to investments undertaken prior to 1 January 2014, and (iii) by reference to independent professional valuations.<sup>3</sup>

### **Case Studies**

Examples of how Clipstone generates returns for investors are set out below.

#### ***Single let distribution warehouses***

The Initial Property Portfolio asset in Bardon, Leicester (the “**Bardon Property**”), is a 115,000 square foot building that was acquired off-market for £9 million. Prior to its acquisition, the Bardon Property had a loss-making tenant on a ten year lease. Clipstone extended the lease to 20.5 years (without breaks), negotiated fixed rental uplifts, and obtained a guarantee from the tenant’s parent, improving the covenant strength. After completion of the acquisition, Clipstone also oversaw the extension of the building by 28,000 square feet. The current value of the asset is £14.46 million which, after construction costs, represents an increase of £3.2 million and a net asset value increase of approximately 82 per cent.

<sup>3</sup> Prospective investors should read the paragraph entitled “Past performance no guarantee” on page 136 in Part 10 of this Listing Document (“Risk Factors”). In particular, the past or current performance of the other properties, funds or entities currently or previously managed by Clipstone Land or Clipstone Land’s investment team is not indicative, or intended to be indicative, of future performance of the Company. Numerous factors, including but not limited to market conditions, can affect returns and limit the usefulness of performance comparisons. None of the historical information contained in this Listing Document is directly comparable to the Company’s business or the returns that the Company may generate.



### ***Multi-let industrial estates***

Optima Park, the multi-let industrial estate asset in the Initial Property Portfolio, was acquired for £8.57 million in June 2013 and is a 90,865 square foot estate located close to Dartford. Clipstone has extended two leases and let a vacant unit at £9 per square foot, leading to a valuation uplift of £1.58 million (18.4 per cent).

Another example, which does not form part of the Initial Property Portfolio, is at Enfield. This is a 41,822 square foot estate in North London which was acquired for £3.795 million. The estate was refurbished at a net cost of £180,000. After such refurbishment, three vacant units were let at rents that were 18 per cent. ahead of historic levels. The valuation uplift was £1.16 million or 29.1 per cent. after refurbishment costs.

*Photographs of the property at Enfield before and after refurbishment*



## **THE ACQUISITION AND THE INITIAL PORTFOLIO**

The Group has entered into the Acquisition Agreements with the Initial Property Portfolio Investors, pursuant to which the Group has conditionally agreed to acquire (directly or indirectly) the Initial Property Portfolio. The Initial Property Portfolio consists of five properties: four single-let distribution warehouses in the Midlands and one multi-let industrial estate within the M25. Further details are contained in Part 5 of this Listing Document.

The Acquisition Agreements are conditional, *inter alia*, upon Admission and completion of the Acquisition will occur upon Admission. Upon the Acquisition becoming unconditional and being completed, the Initial Property Portfolio Investors shall be allotted and issued with approximately 21 million Consideration Shares as part consideration for the transfer, directly or indirectly, of the properties comprised in the Initial Property Portfolio. The consideration payable by the Group will also include a total of approximately £10.4 million in Cash Consideration. Further details of the consideration payable in connection with the transfer of properties in the Initial Property Portfolio and the issue of Consideration Shares in the Company is set out in the summary of the Acquisition Agreements in paragraph 7.1 of Part 6 of this Listing Document.

The Existing Debt Arrangements will remain in place although as described above, the Company plans to refinance this on the terms described in paragraph 7.5 of Part 6 shortly after Admission.

The Section 593 Valuer has provided the Section 593 Valuation to the Company in respect of the consideration to be received by the Company in respect of the Consideration Shares. The total consideration for the Initial Property Portfolio has been agreed following a valuation of the Initial Property Portfolio by the Valuer at approximately £65 million, and a copy of the Valuation Report is included in the Appendix to Part 5 of this Listing Document.

The Initial Property Portfolio Investors will not provide any warranties or indemnities in respect of the Initial Property Portfolio Holders or the title and condition of the Initial Property Portfolio.

## **DIVIDEND POLICY**

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 April 2015 in respect of the period from Admission to 31 March 2015.

On the basis of market conditions as at the date of this Listing Document the Company will target an annualised dividend yield, payable quarterly from the end of March 2015, of 7 per cent. in respect of each financial year (based on the Issue Price)<sup>4</sup>.

The Company has the ability, subject to approval by Ordinary Resolution, to offer Shareholders the right to elect to receive further Shares, credited as fully paid, instead of cash in respect of all or any part of any dividend (a scrip dividend).

The Directors believe that the ability for Shareholders to elect to receive future dividends from the Company wholly or partly in the form of new Shares in the Company rather than cash is likely to benefit both the Company and certain Shareholders. The Company will benefit from the ability to retain cash which would otherwise be paid as dividends. To the extent that a scrip dividend alternative is offered in respect of any future dividend, Shareholders will be able to increase their Shareholdings without incurring dealing costs. The decision whether to offer such a scrip dividend alternative in respect of any dividend will be made by the Directors at the time the relevant dividend is declared and must be authorised by an Ordinary Resolution of the Company.

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 or Property Income Distribution 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 7 of this Listing Document.

## **CAPITAL STRUCTURE**

### **Share capital**

At the date of this Listing Document the share capital of the Company consists of Ordinary Shares. The Ordinary Shares will be in registered form and may be held in certificated form only. 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.

### **Duration and continuation vote**

As the Company is a long-term investment vehicle it does not have a fixed life. However, under the Articles, at the Company's fifth annual General Meeting, an Ordinary Resolution proposing that the Company should continue in its current form for a further two years will be put to the Shareholders. If such a resolution is not passed, the Directors must convene a General Meeting to be held within

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<sup>4</sup> These figures are targets only and not a profit forecast. There can be no assurance that the targets can or will be met and they should not be taken as an indication of the Company's expected or actual future results. The Company's actual return will depend upon a number of factors, including but not limited to the size of the Issue and the Company's ongoing charges percentage. Accordingly, potential investors should not place any reliance on these targets 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.

four months of the date on which the Ordinary Resolution was not passed in order to consider proposals to wind up or otherwise reconstruct the Company. If the resolution to continue the Company is passed, the Directors will convene a General Meeting to be held at or around the end of that two year extension period to consider proposals to wind up the Company.

### **Further issues of Ordinary Shares**

Pursuant to a Special Resolution of the sole member of the Company on 12 December 2014, the Board has been granted authority to allot, and pre-emption rights have been disapplied, for a period of five years commencing on the date on which the resolution was passed, in respect of Ordinary Shares with a maximum aggregate nominal capital of £2 million. Any issue under this authority must be at an issue price that is no lower than the Net Asset Value per Ordinary Share.

Further issues of Ordinary Shares will be made entirely at the Directors' discretion, provided that Ordinary Shares will only be issued at prices that equal, or represent a premium to, the prevailing Net Asset Value per Ordinary Share.

The proceeds from the issue of further Ordinary Shares will be used in accordance with the Company's Investment Objective and Investment Policy, as described above.

### **GROUP STRUCTURE**

The Company will acquire the Initial Property Portfolio by acquiring, directly or indirectly, the Initial Property Portfolio Holders.

A structure diagram for the Group after completion of the Acquisition is set out in Part 5 of this Listing Document.

## PART 2: THE UK INDUSTRIAL PROPERTY MARKET

The Company believes an opportunity exists for investors in both distribution warehouses across the South of England and in the Midlands and in multi-let industrial estates across the South of England. This opportunity is to combine the secure income that can be derived from these assets, with the potential for capital growth. Such growth could be derived from the current supply and demand dynamics in these sectors, any further economic recovery and the Property Manager's ability to enhance value through positive, hands-on management.

Further details relating to the two sectors in which the Company intends to operate are set out below.

### DISTRIBUTION WAREHOUSES

#### Secure Income Characteristics

Distribution warehouses can generate attractive income for investors due to the factors set out below.

(a) ***High Yielding Asset Class:***

Industrial property is generally higher yielding than shops and offices. This is because traditionally investors have anticipated greater potential for rental growth from shops and offices, although many observers believe the potential for rental growth from distribution warehouses in core locations is as strong, if not better, than other sectors. However, the higher yield still applies to industrial property.

(b) ***Low Capital Expenditure Risk:***

Distribution warehouses have low capital expenditure risk. Generally, the distribution warehouses that the Company will seek to acquire will be let on long, institutional quality leases to strong covenants. The upkeep of the building is the responsibility of the tenant, so during the term of the lease there is limited capital expenditure risk for the landlord. Clipstone Land has managed 12 distribution warehouses since 2009 and no capital expenditure has been required by the landlord for the upkeep of any of them (since all capital expenditure has been undertaken by the relevant tenants). In addition, distribution warehouses are simple structures built for the storage and movement of goods, and often at the end of the lease the capital expenditure required to return the building to a good and lettable condition is low compared to other sectors (and in any event may be covered by the outgoing tenant through the dilapidations mechanism in the lease).

(c) ***Long Leases with Secure Income:***

The sector is characterised by long leases, therefore providing secure income to investors. For example, the weighted average lease length of the four distribution warehouses within the Initial Property Portfolio is 14.5 years (10.7 years to break).

#### Strong sector dynamics

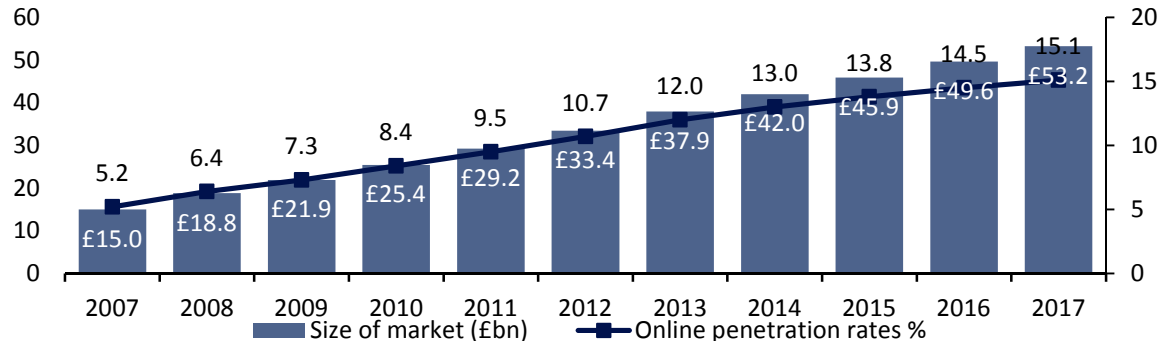
The Property Manager believes the distribution warehouse sector currently shows positive supply and demand dynamics for the reasons set out below.

(a) ***Online Retailing Driving Demand:***

The dynamic growth in online retailing in the UK is driving demand for distribution warehouses.

The UK has one of the world's most advanced online retailing markets, and it is growing rapidly, as shown in the chart below.

Figure 1: Online Retail Sales and Forecast



Source: CBRE

This growth is generating demand for distribution warehouses, both from traditional retailers who are re-organising their logistics operations to enhance returns from online retailing, but also from pure online retailers, such as Amazon.

(b) **Economic Recovery Enhancing Demand**

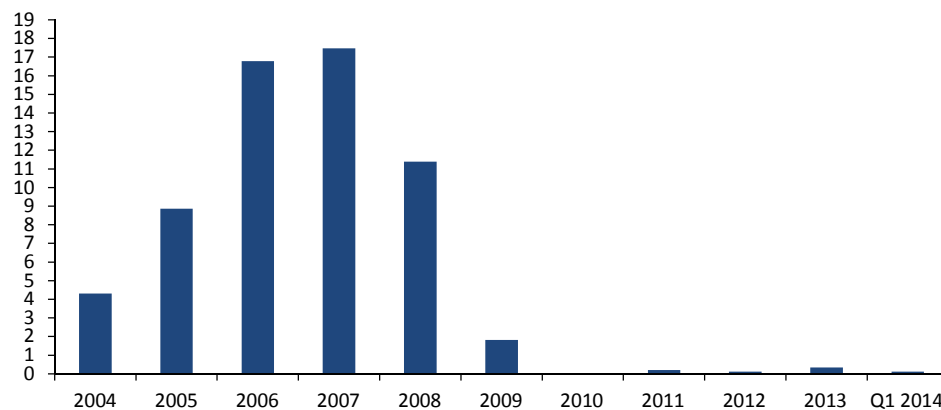
The Property Manager believes that further economic recovery may lead to greater demand for distribution warehouses. During the recession many tenants stalled logistics projects in order to conserve cash, and it is possible that such projects will now commence due to the economic recovery. In addition, an improved economy will increase retail activity, meaning more warehouse space will be required to store more goods.

(c) **Supply Constrained by Lack of Development**

Due to the weak economic environment there has been a virtual cessation of speculative development of distribution warehouses in the UK since 2009, as shown below.

Figure 2 – Speculative development of distribution warehouses in UK since 2004 (50,000 square feet and above)

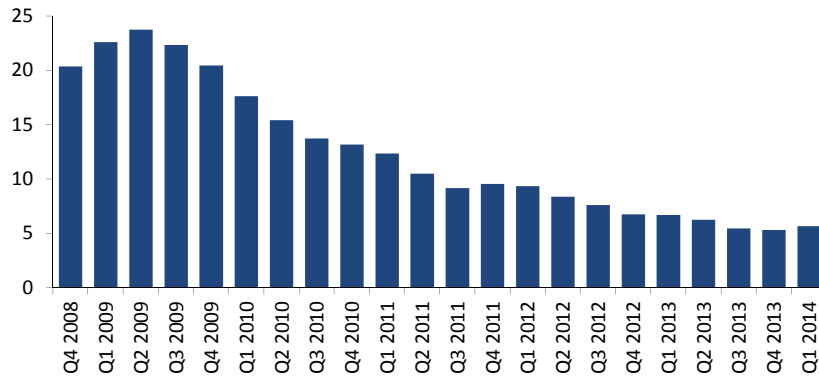
Million sq ft



Source: Gerald Eve

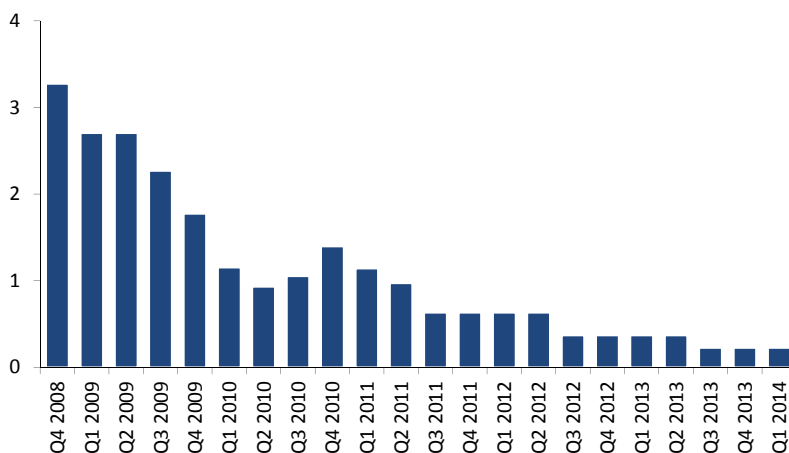
As few buildings have been built speculatively, demand has slowly filled up vacant space. The below graphs show the decline in new vacant distribution warehouses of 100,000 square feet or more.

*Figure 3 – UK logistics availability (ready-to-occupy new warehouses of 100,000 square feet or more)*



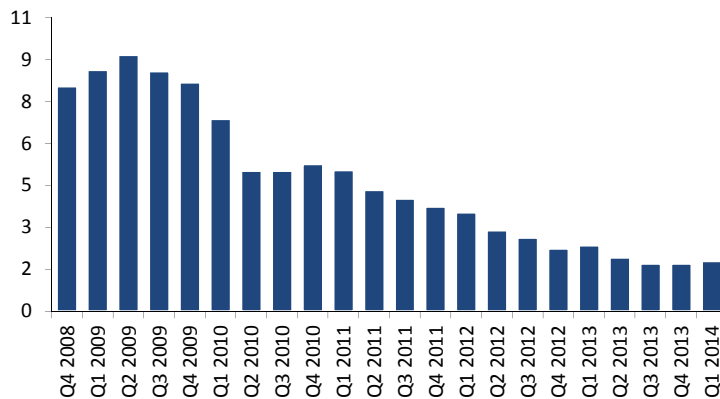
Source: CBRE

*Figure 4 – South East availability (ready-to-occupy new warehouses of 100,000 square feet or more)*



Source: CBRE

Figure 5 – Midlands availability (ready-to-occupy new warehouses of 100,000 square feet or more)



Source: CBRE

The single let distribution warehouse sector is expected to outperform standard industrials over the next five years (Source: JLL “*On Point, UK Industrial Property Trends Today, Issue 5, March 2014*”, estimates a 9.4 per cent. total return per annum against 8.1 per cent. for standard industrials).

The Property Manager believes the dynamics outlined above may benefit investors in this sector, particularly for the type of warehouses in the locations to be targeted by the Company. For example, CBRE has estimated that the supply of distribution warehouses in the UK is at its lowest for ten years (CBRE “*UK Logistics Availability 2004-Q1 2014*”).

## MULTI-LET INDUSTRIAL ESTATES

### Higher Yield and Diversified Risk

Multi-let industrial property is higher yielding than shops and offices. In addition, multi-let estates offer certain advantages over single let properties, in that there will usually be in excess of five tenants, all with varying lease termination dates. Therefore, an investment in a multi-let estate is not exposed to any one company and only part of the income is likely to terminate at any one particular time. Therefore, the risk is diversified.

### Supply and Demand Dynamics

Over recent years industrial property in and around the South East has diminished as industrial land has been converted into higher value uses, such as residential, leisure and retail (e.g. Westfield, Wembley, Crossrail and the London Olympics developments). The Company intends to target the markets where this is most pronounced, particularly around London. Research by the Office of National Statistics has shown that industrial space around London reduced by approximately 45 per cent. between 1984 and 2012.

In addition, since late 2007 the multi-let sector has had a period of limited speculative development as finance for such development has been restricted due to the recession.

### Low Capital Expenditure Cost of Refurbishment

Refurbishment of multi-let industrial property can be undertaken with significantly lower capital expenditure outlay than offices. The returns from such capital expenditure can be proportionately higher. For example, at its Enfield project the Property Manager undertook a refurbishment at a total net cost (including adviser fees) of £180,000 (£4.30 per square foot). This refurbishment led

to a number of lettings at the property at 18 per cent. higher headline rents than had previously been achieved and resulted in a capital value uplift (after refurbishment costs) of £1.16 million.

### **Opportunity for Property Manager to Enhance Value**

Multi-let industrial property offers a motivated and experienced manager the opportunity to enhance value. This can be achieved through refurbishment, improving signage, letting vacant space, negotiating lease extensions, removing tenant breaks, attracting better quality tenants, re-positioning an estate from standard industrial to trade counter (or other changes to higher value uses) and by increasing rents (either at rent review or by letting space at higher rents).

Clipstone Land has significant expertise in this area. David Hassard and Glenn Newson will be responsible for the day-to-day management of the Company's multi-let industrial estates and both individuals have many years of experience managing multi-tenanted industrial property. Further details about their background can be found in Part 3 of this Listing Document.

### **A Good Time in the Economic Cycle**

Whilst the values in the UK investment market have recovered significantly since 2008 (although they have not yet reached the 2007 peak), the occupational market for South East multi-let industrial property has only recently started to recover. Traditionally, industrial units on estates are let on 10 year leases with a break option at year five, and so many of the leases granted in the pre-crash economy have now been re-set.

The Property Manager believes that any further economic recovery in the UK may benefit investors in the South East multi-let sector. Due to the strong economic forces of London, the recovery may be strongest around London and the South East and any such economic recovery should lead to increased economic output, which should improve demand for industrial space in the South East.

### **RESPONSIBILITY**

Clipstone Land accepts responsibility for the information within this Part 2 only and declares that it has taken all reasonable care to ensure that the information contained in this Part 2 is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import. Clipstone Land has consented to the inclusion of the contents of this Part 2 in this Listing Document in the form and context in which it is included.



## **PART 3: DIRECTORS, MANAGEMENT AND ADMINISTRATION OF THE COMPANY**

### **DIRECTORS**

The Board comprises three Directors, all of whom are independent of Gallium, and two of whom are also independent of Clipstone Capital and Clipstone Land. 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.

The Directors may delegate certain functions to other parties such as the AIFM, the Property Manager and the company secretary. In particular, the Directors have delegated responsibility for the Company's risk and portfolio management to Gallium who will act as the Company's AIFM on the terms of the AIFM Agreement. Clipstone Land has been appointed by the Company and the AIFM to provide property management advice to the Company and to the AIFM in respect of the Company on the terms of the Property Management Agreement. The Directors have responsibility for exercising overall control and supervision of the activities of the AIFM and the Property Manager.

The Directors are as follows:

#### **Nicholas Lyons** (*Chairman and Independent Director*)

Nicholas previously held the position of Managing Director of Lehman Brothers in London where he was head of the European Financial Institutions group. In 2008 Nicholas was appointed Non-Executive Chairman of Miller Insurance Services LLP. He is also the Senior Independent Director and Chairman of the Audit Committee of Catlin Group Limited, a non-executive director and Chairman of the Remuneration Committee of Friends Life Holdings plc, and is Chairman of Longbow Capital LLP.

#### **Karl Sternberg** (*Independent Director*)

Karl served as the Chief Investment Officer at Deutsche Asset Management, and this included the UK property business. He is the non-executive director of three listed investment trusts, and is also a non-executive director and Chairman of the board Investment Committee of Friends Life Holdings plc.

#### **Toby Dean** (*Director*)

Toby is the managing director of Clipstone Land, the Property Manager, and a director of Clipstone Capital.

After completing an MA in History at Edinburgh University, Toby was employed as a trainee solicitor at SJ Berwin LLP in 1997 and in 1999 he qualified as a solicitor. From 1999 to 2008 Toby worked for SJ Berwin's corporate department, specialising in corporate real estate. At SJ Berwin Toby advised a number of the UK's leading real estate companies and funds on transactions ranging from fund formation, fundraisings, IPOs, public and private takeovers and general M&A work (including property acquisitions).

In October 2008 Toby left SJ Berwin and formed Clipstone Land, where he has been responsible for all aspects of Clipstone Land's 32 property acquisitions, including 12 distribution warehouses and 20 multi-let industrial estates.

## THE AIFM AND THE PROPERTY MANAGER

### The AIFM

The Company has appointed Gallium Fund Solutions Limited ("**Gallium**") to act as the AIFM of the Company pursuant to an agreement dated 28 November 2014 (the "**AIFM Agreement**"). Under the AIFM Agreement, Gallium will act as the Company's AIFM.

Gallium is part of the Gallium group, which has been providing fund management and administration services since 2008. It was incorporated on 1 July 2008 with number 6634506 in England and Wales as a company whose liability is limited by shares. It is authorised and regulated by the FCA with number 487176. Gallium's address is shown in the section of this Listing Document entitled "Directors, Management and Advisers" on page 5 and its telephone number is 01732 742 609.

The initial term of Gallium's appointment is 15 months from Admission and thereafter the appointment will continue unless it is terminated on three months' written notice expiring at any time after expiry of the initial 15 month period. Following the expiry of the initial 15 month term of the AIFM Agreement, and subject to Clipstone Capital receiving all necessary permissions and authorisations from the FCA to act as an alternative investment fund manager (which at the date of this Listing Document it has applied to the FCA for but not yet received), Clipstone Capital may, at its discretion, act as AIFM in substitution for Gallium as the Company's AIFM on the terms of the AIFM Agreement.

Further details of the AIFM Agreement are set out in paragraph 7.2 of Part 6 of this Listing Document.

### The Property Manager

The Company has also appointed Clipstone Land Limited ("**Clipstone Land**" or the "**Property Manager**") as property manager for the Company pursuant to a property management agreement dated 15 December 2014 (the "**Property Management Agreement**"). Under the Property Management Agreement, Clipstone Land has agreed to provide property management services and advice to the Company and the AIFM, such as locating, evaluating and negotiating investment opportunities in property for the Group, subject to the overall control and supervision of the Directors. As the AIFM is responsible for the Company's risk and portfolio management the AIFM will make investment and divestment decisions in respect of the Company's investment portfolio with the benefit of the Property Manager's property advice. Clipstone Land is not authorised by the FCA to carry on regulated activities. The members of the Company's Group will adhere to the Property Management Agreement following Admission.

Part 1 of this Listing Document describes Clipstone Land's experience and track record in the sectors in which the Company will invest. Clipstone Land was incorporated on 18 April 2008 in England & Wales with number 6570563 under the Act as a company whose liability is limited by shares. Its address is 45 Albemarle Street, London W1S 4JL and its telephone number is 020 7043 0270.

Clipstone Capital is a wholly owned subsidiary of Clipstone Land Limited and was incorporated on 2 April 2014, with number 8974700, in England & Wales under the Act as a company whose liability is limited by shares. Its address is shown in the section of this Listing Document entitled "Directors, Management and Advisers" on page 5 and its telephone number is 020 7043 0270.

Further details of the Property Management Agreement are set out in paragraph 7.3 of Part 6 of this Listing Document.

## **Key Clipstone Personnel**

The key members of the property investment team at Clipstone Land are as follows:

### **Toby Dean, *Managing Director***

Toby's biography is included above on page 23.

### **Marc Cowley, *Investment Director***

After qualifying as a chartered surveyor at Knight Frank, Marc joined CBRE Global Investors ("CBREGI") in 2006 as a fund manager. CBREGI are one of the world's largest real estate fund management houses with \$90.7 billion in assets under management, are the second largest holder of industrial property in the UK (after Segro) and are one of the most active fund management houses in the UK industrial sector.

At CBREGI Marc was responsible for buying, managing and selling industrial real estate for a variety of institutional clients and pension funds, including Heinz, Sun Alliance, Civil Aviation Authority, The Electricity Supply Pension Scheme and TRW. Marc was also heavily involved in the running of a series of closed ended pooled funds where the key investors included CalPers and CalSters. Marc joined Clipstone Land in 2013, and has already sourced and acquired 11 properties and overseen the sale of four warehouses.

### **Bill Arnold, *Finance Director***

Bill qualified as a chartered accountant in 1979. Following eleven years with an independent practice, he joined Merivale Moore plc as Financial Accountant in January 1987 and assisted with the assimilation and integration of Municipal Properties PLC. Bill was appointed Company Secretary of Merivale Moore in November 1987 and in October 1996 was appointed Finance Director, responsible for all financial and management accounting, budgets, forecasts and arranging finance. He has extensive experience of the legal and regulatory aspects of running a public company. In 2001 he implemented the takeover of Dunsterville Allen plc and in 2003 oversaw the privatisation of Merivale Moore. Bill then set up his own property company before joining Clipstone in February 2009.

### **Glenn Newson, *Asset Management***

Glenn Newson (together with David Hassard) is responsible for managing Clipstone's multi-let industrial estates on a day-to-day basis, including building up relations with the tenants. Glenn has over 25 years experience in the sector and was previously head of UK property at Credit Suisse and then Aberdeen Asset Management.

### **David Hassard, *Asset Management***

David Hassard (together with Glenn Newson) is responsible for managing Clipstone's multi-let industrial estates on a day-to-day basis, including building up relations with the tenants. David has over 30 years experience in the sector and was previously managing partner of Keningtons (a London firm of chartered surveyors).

### **Andrew Hynard, *Non-executive Chairman of Advisory Board***

Andrew Hynard chairs the advisory board and investment committee of Clipstone Land. Andrew started his property career in 1981 with Edward Erdman where he qualified as a Chartered Surveyor. In 1984 he joined what is now JLL, embarking on a 30 year to date career. Andrew has held various leadership roles within Jones Lang LaSalle and is currently UK Deputy Chairman.

Andrew led National Investment and prior to that headed the English Capital Markets Group, which included Retail, Office, Industrial and Portfolio Investment as well as Corporate Finance, Auctions and Residential. He sat on JLL's English Board. He founded the Retail Investment team and has spent over 20 years within this area of the business.

In 2008/2009, Andrew was Chairman of the Investment Property Forum, the leading UK Property Investment organisation for some 2,000 individual members who are senior professionals active in the property investment market. Andrew is a Fellow of the Royal Institution of Chartered Surveyors (FRICS) and Chairman of the RICS Commercial Forum. He has a BSc in Estate Management and an Honorary Doctorate from Oxford Brookes University.

## **COMPANY SECRETARIAL ARRANGEMENTS**

Clipstone Land has also been appointed to provide company secretarial services to the Company. The Group will not bear any fees or expenses payable to Clipstone Land in its capacity as company secretary. The statutory books of the Company are held at Clipstone Land's registered office, which is also the Company's registered office.

## **DEPOSITARY**

Gallium P E Depositary Limited has been appointed the Company's Depositary (which the Company as an AIF is required to appoint to ensure that its AIFM can comply with the AIFM Rules). Further details of the agreement entered into between the Depositary and the Company are set out in paragraph 7.4 of Part 6 of this Listing Document.

The Depositary will hold such of the Company's assets as constitute "financial instruments to be held in custody" under the AIFM Directive. This includes those financial instruments as are capable of physical delivery to the Depositary and limited other transferable securities. All other Group assets will be held by the Company, its holding subsidiaries or its or their nominees, and the Depositary will be required under the AIFM Directive to verify the Group's ownership of those assets.

The Depositary was incorporated as a company whose liability is limited by shares on 11 April 2011, with number 7599626, in England & Wales under the Act. Its address is shown in the section of this Listing Document entitled "Directors, Management and Advisers" on page 5 and its telephone number is 01732 742 609. The Depositary is authorised and regulated by the FCA with number 612479.

## **AUDITOR AND SECTION 593 VALUER**

Grant Thornton UK LLP, of 30 Finsbury Square, London EC2P 2YU, 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.

Grant Thornton UK LLP has also been engaged by the Company as the Section 593 Valuer to provide an independent valuation report to the Company for the purposes of section 593 of the Act on the value of the consideration to be received by the Company pursuant to the Acquisition for the allotment and issue of the Consideration Shares to the Initial Property Portfolio Investors (the "**Section 593 Valuation**").

## **FEES AND EXPENSES**

The Company will bear the Issue Costs, which are not expected to exceed £420,000 including an Exchange listing fee of £5,000. Further details of the Issue Costs are contained in Part 4 of this

Listing Document. The Company will not bear any broker or placement agent fees or commission on the Issue or any further issues of Ordinary Shares.

The Company will also bear the costs of the Acquisition, including any liability to pay stamp duty land tax. Such costs are estimated at 1.40 per cent. of the Initial Property Portfolio value as set out in the Valuation Report.

The principal annual running costs of the Company will be the fees payable to its service providers.

Clipstone Land will charge an annual Management Fee, paid quarterly in arrears, equal to the sum of 1.25 per cent. per annum of the Net Asset Value of the Group. In addition, it will charge a performance fee following the direct or indirect sale of the portfolio equal to 20 per cent. of surplus cash after a return to Shareholders of 9 per cent. per annum (non-compounded) on the Issue Price, as further described in paragraph 7.3 of Part 6. Clipstone Land will not charge any acquisition or administration fees.

The Company will bear the fees and expenses of the AIFM and the Depositary, which are also described in paragraph 7 of Part 6 of this Listing Document.

The Sponsor's fees under the Sponsor Agreement will also be borne by the Company and these include an initial fee of £15,000 plus an annual fee of £15,000. The Company will also pay a set-up fee of £5,000 and an annual fee of £10,000 to Ravenscroft Ltd as a market maker in the Ordinary Shares. An annual fee of £2,000 will also be payable by the Company to the Exchange.

The Group will bear certain costs associated with borrowing; those costs in respect of the Facility Agreement expected to be entered into after Admission are set out in paragraph 7.5 of Part 6.

The Group will also bear regulatory fees, insurance costs, professional fees, audit fees and other expenses.

All fees in this Part 3 are expressed exclusive of Value Added Tax, which if applicable will be payable in addition to the fees above.

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 Listing Document cannot be quantified as the fees payable are based, *inter alia* on the proceeds of the Issue and the subsequent growth in the Group's NAV.

Shareholders do not bear any fees, charges or expenses directly, other than any fees, charges and expenses incurred as a consequence of acquiring, transferring, redeeming or otherwise selling Ordinary Shares.

## **NET ASSET VALUE PUBLICATION AND CALCULATION**

The properties acquired by the Group will be valued by an external valuer (expected to be the Valuer) semi-annually in accordance with the RICS Red Book and the AIFM Rules. The unaudited Net Asset Value attributable to the Ordinary Shares will be calculated in respect of the close of business on 30 June and 31 December each year. It will be based on the most recent valuation of the Company's portfolio and be calculated in accordance with UK GAAP and the AIFM Rules. The Net Asset Value will be calculated by the AIFM. Valuations (of Net Asset Value) will be notified to the Exchange as soon as practicable after calculation. It is expected that the first Net Asset Value of the Ordinary Shares will be published in respect of the period ending 30 June 2015.

The AIFM expects that the methodology by which the valuer will value the properties as described above will address hard to value assets, to the extent that any are owned by the Group.

To the extent required by the AIFM Rules, the Group's assets and the Net Asset Value of the Company will be calculated when there is an increase or decrease in the Company's capital.

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 News Service.

## **SHAREHOLDER MEETINGS, REPORTS AND ACCOUNTS OF THE COMPANY**

All general meetings of the Company will be held in the UK. The first annual general meeting is expected to be held in no later than October 2015. Thereafter, the Company will hold an annual general meeting each calendar year.

The Company's annual report and accounts will be prepared up to 30 June each year, with the first period ending on 30 June 2015, and it is expected that copies will be sent to Shareholders by the end of the following October. Shareholders will also receive an unaudited half yearly report covering the six months to 31 December each year (excluding the period ending 31 December 2014), expected to be despatched in the following February.

The annual and interim accounts of the Company will be available via the Exchange's website (<http://www.cisx.com>) and the annual report and accounts will also be publicly available at Companies House.

## **ACCOUNTING POLICIES**

The audited accounts of the Company will be prepared under UK GAAP and in accordance with the Act, the AIFM Rules and the Listing Rules.

Financial statements prepared by the Company in accordance with UK GAAP will include a statement of comprehensive income, a statement of financial position, a statement of changes in equity and a cash flow statement. 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. 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 account.

## **INVESTOR REPRESENTATIVE**

The Investor Representative is an individual selected to represent the interests of Shareholders as a whole with respect to certain matters. The Investor Representative may be removed with immediate effect by a Special Resolution of Shareholders including the unanimous approval of the Initial Seed Investors or may resign on one month's notice. A replacement Investor Representative may be nominated by Shareholders holding at least 50 per cent. of Ordinary Shares and shall be subject to approval by a Special Resolution, including the unanimous approval of Initial Seed Investors.

The following matters require the prior written approval of the Investor Representative:

- (a) the premium (if any) to the latest Net Asset Value per Ordinary Share at which any new Ordinary Shares are to be issued;
- (b) any agreement that a member of the Group will bear any fees or commission in respect of new issues of Ordinary Shares (but excluding, for the avoidance of doubt, the professional costs and charges of legal advisers and accountants of the Company in respect of such issues);
- (c) any acquisition of a Portfolio Interest after the Acquisition of the Initial Property Portfolio; and
- (d) a proposal that the Company should continue and not be wound up after the seventh annual general meeting of the Company.

## **PART 4: THE ISSUE AND THE CONSIDERATION SHARES**

### **THE ISSUE – INTRODUCTION**

The Issue comprises a private placing (the "**Placing**") and the issue of Consideration Shares to Initial Property Portfolio Investors in accordance with the terms of the Acquisition. The Company is offering up to 75 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 (in consultation with Clipstone Land) to Placees.

No commission is payable by the Company to investors under the Issue. The Ordinary Shares will be issued at a price of 100 pence per Ordinary Share.

The Net Issue Proceeds will be used to acquire the Initial Property Portfolio and the balance of Net Issue Proceeds after the Acquisition is expected to be invested within a period of six months after Admission (depending on the amount of Net Issue Proceeds and including borrowings) by the Group in additional UK properties to complement the properties in the Initial Property Portfolio acquired by the Company.

The Issue, which is not underwritten, is conditional upon a minimum of £32 million being received by the Company (before payment of Issue Costs) pursuant to the Issue (including Consideration Shares). On or around 1 December 2014, the Initial Seed Investors signed irrevocable commitments to subscribe for a total of £11.5 million of Ordinary Shares at the Issue Price, and the Initial Property Portfolio Investors have signed commitment letters to acquire approximately £21 million in Consideration Shares, in each case conditional on Admission. Accordingly the Board expects that, provided the Initial Seed Investors and other Placees meet their obligations to remit subscription monies on or before Admission, the Issue will become unconditional and Admission will take place on or around 17 December 2014.

If the condition above in respect of the Issue as a whole is 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.

Dealings in the Ordinary Shares issued pursuant to the Issue will not be permitted prior to Admission.

### **THE PLACING**

The procedure for applying for Ordinary Shares under the Placing, and the terms and conditions of any such application, are contained in Part 9 of this Listing Document. Payment for the Ordinary Shares should be made in accordance with settlement instructions to be provided to Placees by the AIFM. Placees will be notified by the AIFM of the number of Ordinary Shares they will receive.

The total number of Ordinary Shares issued under the Placing will be determined by the Company and Clipstone after taking into account demand for the Ordinary Shares and prevailing economic and market conditions, subject to a maximum of 75 million Ordinary Shares being issued under the Issue in aggregate. The actual number of Ordinary Shares to be issued pursuant to the Issue will be notified by the Company via an RNS announcement prior to Admission. The balance of subscription monies in the event of unsuccessful applications will be posted to applicants by cheque (or, in the case of payment by electronic transfer, transferred to the bank from which payment was made), without interest, at the applicant's own risk.



Multiple applications or suspected multiple applications on behalf of a single client are liable to be rejected.

## **CONSIDERATION SHARES TO BE ISSUED ON COMPLETION OF THE ACQUISITION**

The Group has entered into the Acquisition Agreements pursuant to which it has agreed to acquire, directly or indirectly, the Initial Property Portfolio. The Acquisition is conditional on, *inter alia*, Admission occurring.

The consideration payable on completion of the Acquisition Agreements will comprise: (a) subject to (b), Consideration Shares allotted and issued to the relevant Initial Property Portfolio Investors; and (b) an amount in cash equal to the amount required to pay consideration to those Initial Property Portfolio Investors who do not want to take all or some of their consideration in the form of Consideration Shares.

## **LISTING, DEALING AND SETTLEMENT**

It is expected that the Ordinary Shares allotted pursuant to the Issue will be issued on 17 December 2014 and that application will have been made to the Exchange for such Ordinary Shares to be admitted to the Official List of the Exchange. It is expected that Admission will occur on 17 December 2014.

Ordinary Shares will be issued in registered form and may be held in certificated form only.

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 5 January 2015. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the Company's register of members.

The Ordinary Shares will not be capable of electronic settlement via CREST.

## **TRANSFERS**

The Ordinary Shares will be freely transferable.

The Company has appointed Ravenscroft Ltd ("**Ravenscroft**") to act as a market maker in respect of the Ordinary Shares. Ravenscroft will be responsible for corporate broking services consisting of making a market in the Company's securities on the Official List, acting in accordance with the obligations normally and ordinarily assumed by market makers and specifically as set out in rules 5.13 to 5.19 of Chapter V of the Exchange's Membership Rules for and on behalf of the Company. However, the Company is not able to guarantee that at any particular time Ravenscroft will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market may be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not reflect changes in their Net Asset Value. The Net Asset Value and the trading price of Ordinary Shares will be published via the Exchange's website, <http://www.cisx.com>.

Shareholders who wish to transfer their Ordinary Shares should contact the company secretary (Clipstone Land), who will arrange for registration of the transfer.

The Issue cannot be revoked after dealings have commenced on 17 December 2014. Any dealing in Ordinary Shares in advance of the issue of share certificates will be at the risk of the person concerned.

## ISSUE COSTS

The costs and expenses of the Issue include the costs of incorporation of the Company, the fees payable to the Sponsor, the fees payable to professional advisers and other related expenses, but exclude costs directly relating to the Acquisition. The Issue Costs to be borne by the Company (and thereby indirectly by Shareholders) are not expected to exceed £420,000. No expenses will be charged directly to Shareholders.

The Net Issue Proceeds of the Issue are therefore expected to be approximately £74.6 million (on the assumption that the Issue is fully subscribed) and they are intended to be used by the Company to fund the Acquisition and to purchase a diversified portfolio of properties in accordance with the Investment Policy.

## New ISAs (NISAs)

The Ordinary Shares will be a qualifying investment for the stocks and shares component of a New ISA, provided they are acquired by an New ISA plan manager after the Placing (as the Placing is not a public offer). The opportunity to invest in Ordinary Shares through a New ISA is restricted to certain UK resident individuals aged 18 or over and subject to applicable annual subscription limits.

Any person wishing to acquire Ordinary Shares after the Placing through any New ISA account should contact their New ISA manager as soon as possible.

From 1 July 2014, the New ISA subscription limit is £15,000 for the year ending 5 April 2015 (2014-15).

Between 6 April and 30 June 2014, the total amount that could be paid into a Cash ISA was £5,940, with an overall limit of £11,880 for subscriptions into Cash and Stocks and Shares ISAs. Any amounts that have been paid into a New ISA between 6 April and 30 June 2014 will count against the £15,000 New ISA subscription limit for 2014-15.

A disposal of Ordinary Shares in a New 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.

Shares in equities listed on the Official List, such as the Company, only qualify for the stocks and shares component of a New 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 New ISA investments.

## SIPPs/SSAS

Any person wishing to apply for Ordinary Shares under the Issue through a Self-Invested Personal Pension (“**SIPP**”) or a Small Self-Administered Scheme (“**SSAS**”) should contact their savings plan manager as soon as possible.

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.

## **OFFSHORE BONDS**

While it is not expected that Ordinary Shares will be eligible for inclusion in offshore bonds, prospective investors should contact their investment manager, financial adviser and/or tax adviser if they wish to hold Ordinary Shares in this manner.

## **OVERSEAS INVESTORS**

This Listing 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 AIFM.

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.

Transfer restrictions in the Company's Articles may adversely affect the ability of holders of the Ordinary Shares to trade such securities. The Company and its agents will not be obligated to recognise any resale or other transfer of the Ordinary Shares made other than in compliance with the restrictions described below.

The Ordinary Shares have not been, nor will be, registered under the Securities Act or under the securities legislation of any state or other political sub-division of the United States and the Ordinary Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (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.

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, New Zealand or Japan or their respective territories or possessions and they may not, subject to certain exceptions, be offered, sold or delivered directly or indirectly in, into or within Canada, Australia, the Republic of Ireland, the Republic of South Africa, New Zealand or Japan or their respective territories or possessions or any national, citizen or resident of Canada, Australia, the Republic of Ireland, the Republic of South Africa, New Zealand or Japan or their respective territories or possessions. This Listing Document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

Unless otherwise agreed by the Board, the Ordinary Shares will only be offered on a private placement basis to potential investors who are resident in the United Kingdom. The participation by overseas investors in the Issue 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 are referred to the Terms and Conditions of Application in Part 9 of this Listing

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.

### **MONEY LAUNDERING**

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

The Company, its agents, and the AIFM 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 Clipstone, may refuse to accept a subscription for Ordinary Shares.

### **SUBSCRIBER WARRANTIES**

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 their Subscription Form, which will include those representations and warranties in Part 9 of this Listing Document.

The Company, the AIFM, 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.

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 must immediately notify the Company.

## PART 5: THE INITIAL PROPERTY PORTFOLIO

As at the date of the Listing Document, the Initial Property Portfolio consists of four single-let distribution warehouses in the Midlands and one multi-let industrial estate inside the M25. The Directors believe that on completion of the Acquisition they will provide the Company with an immediate expected income stream from contracted tenants of approximately £4.3 million per annum.

### SUMMARY OF THE INITIAL PROPERTY PORTFOLIO

- The weighted average unexpired lease length for the five single-let distribution warehouses is 14.5 years (with 10.7 years to break).
- The overall net initial yield from the Initial Property Portfolio has been calculated by Clipstone Land as 6.74 per cent. (assuming the reduced costs expected for the Acquisition).
- On average, the total return on the Initial Property Portfolio for the period from acquisition for Clipstone's investors (until 31 March 2014/5 April 2014, as applicable) is 20.2 per cent. above the IPD All Property Index and 16.2 per cent. above the IPD All Industrial Index.<sup>5</sup>
- The Initial Property Portfolio is diversified by income and value.

The property valuation figures are taken from the Valuation Report in the Appendix to this Part 5 and the remainder of the figures have been provided by Clipstone Land. Unless expressly stated, financial information is unaudited.

The Company will make its investments in the Initial Property Portfolio by acquiring shares in Clipstone 7 Limited and Clipstone IX Limited, limited partnership interests in Clipstone Industrials V LLP and Clipstone VIII LP, and units in Clipstone Interlink Unit Trust.

Further details are shown diagrammatically under the heading "Structure Following the Acquisition" in this Part 5.

All of the shares, limited partnership interests and unit trust units that are being acquired are denominated in Sterling.

### DETAILS OF THE INITIAL PROPERTY PORTFOLIO

#### Brantano, Bardon, Leicester

|                             |  |
|-----------------------------|--|
| <i>Location</i>             | Bardon, Coalville, Leicester, LE67 1LD                           |
| <i>Type of property</i>     | Single let distribution warehouse                                |
| <i>Tenant and Guarantor</i> | Brantano (UK) Limited, guaranteed by Macintosh Retail Group N.V. |
| <i>Lease Expiry Date</i>    | 31 December 2031   |

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<sup>5</sup> These figures and the other figures relating to returns on the Initial Property Portfolio in this Part 5 are: (i) by reference to accounts for the relevant investment vehicles as at 5 April 2014 or in some cases 31 March 2014 which are audited save in respect of Clipstone IX Limited, (ii) only in relation to investments undertaken prior to 1 January 2014, and (iii) by reference to independent professional valuations.

|  |   |
|--|---|
| <i>Rent per annum (per square foot)</i>  | Current: £820,000 (£5.65 psf)<br><br>From November 2016: £931,818 (£6.43 psf).<br>The Headline Market Value assumes the rent is topped up to this level<br><br>From November 2021: £1,028,802 (£7.10 psf)<br>From November 2026: £1,135,881 (£7.83 psf) |
| <i>Date Built</i>  | 2001  |
| <i>Headline Market Value on the basis of the topped up rent (net of purchasers' costs)</i>                 | £14,691,443   |
| <i>Market Value payable on acquisition by the Company (net of top-up deductions and purchaser's costs)</i> | £14,460,000   |
| <i>Net initial yield</i>   | 6.00 per cent. (if the Acquisition were made with full costs)<br><br>6.35 per cent. (assuming the reduced costs expected for the Acquisition)   |
| <i>Total property return during Clipstone's management<sup>6</sup></i>                                     | 55.0 per cent.  |
| <i>IPD All Property Index Total Return</i>   | 21.4 per cent.  |
| <i>IPD All Industrial Index Total Return</i>   | 26.7 per cent.  |

## **Rhenus, Cannock**

|   |  |
|---|--|
| <i>Location</i>                         | Rhenus Logistics Unit, Gallan Park, Watling Street, Cannock WS11 0BJ |
| <i>Type of property</i>                 | Single let distribution warehouse                                    |
| <i>Tenant and Guarantor</i>             | Rhenus Logistics Limited, guaranteed by Rhenus AG & Co KG            |
| <i>Lease Expiry Date</i>                | 20 April 2024  |
| <i>Rent per annum (per square foot)</i> | Current: £667,680 (£9.44 psf)  |

<sup>6</sup> These figures in respect of returns in this Part 5 are net of fees and expenses. Prospective investors should read the paragraph entitled "Past performance no guarantee" on page 136 in Part 10 of this Listing Document ("Risk Factors"). In particular, the past or current performance of the other properties, funds or entities currently or previously managed by Clipstone Land or Clipstone Land's investment team is not indicative, or intended to be indicative, of future performance of the Company. Numerous factors, including but not limited to market conditions, can affect returns and limit the usefulness of performance comparisons. None of the historical information contained in these this Listing Document is directly comparable to the Company's business or the returns that the Company may generate.

|  |   |
|--|---|
|  | From July 2019: £755,419 (£10.68 psf)   |
| <i>Date Built</i>  | 2009                                    |
| <i>Market Value payable on acquisition by the Company (net of purchaser's costs)</i> | £8,415,000                              |
| <i>Net initial yield</i>   | 7.50 per cent. (full costs)             |
|  | 7.90 per cent. (assuming reduced costs) |
| <i>Total property return during Clipstone's management</i>                           | 38.5 per cent.                          |
| <i>IPD All Property Index Total Return</i>   | 15.4 per cent.                          |
| <i>IPD All Industrial Index Total Return</i>   | 20.1 per cent.                          |

### **Co-op Pharmacy, Meir Park, Stoke on Trent**

|  |  |
|--|--|
| <i>Location</i>  | Whittle Road, Meir Park, Stoke on Trent ST3 7UN  |
| <i>Type of property</i>  | Single let distribution warehouse  |
| <i>Tenant and Guarantor</i>  | The Co-operative Pharmacy National Distribution Centre Limited, guaranteed by The Co-operative Group plc |
| <i>Lease Expiry Date</i>   | 10 March 2034 (with break dates of 9 March 2019, 2024 and 2029)  |
| <i>Rent per annum (per square foot)</i>  | £920,743 (£4.84 psf)   |
| <i>Date Built</i>  | 2009   |
| <i>Market Value payable on acquisition by the Company (net of purchaser's costs)</i> | £13,400,000  |
| <i>Net initial yield</i>   | 6.50 per cent. (full costs)  |
|  | 6.59 per cent. (assuming reduced costs)  |
| <i>Total property return during Clipstone's management</i>                           | 40.8 per cent.   |
| <i>IPD All Property Index Total Return</i>   | 30.9 per cent.   |
| <i>IPD All Industrial Index Total Return</i>   | 35.1 per cent.   |

### **TK Maxx, Newcastle under Lyme**

|  |  |
|--|--|
| <i>Location</i>  | Dalewood Road, Lymedale Business Park,<br>Newcastle under Lyme ST5 9QH |
| <i>Type of property</i>  | Single let distribution warehouse                                      |
| <i>Tenant and Guarantor</i>  | TK Maxx, guaranteed by TJX Companies, Inc.                             |
| <i>Lease Expiry Date</i>   | 16 December 2026   |
| <i>Rent per annum (per square foot)</i>  | £1,198,406 (£4.60 psf)   |
| <i>Date Built</i>  | 2001   |
| <i>Market Value payable on acquisition by the Company (net of purchaser's costs)</i> | £18,125,000  |
| <i>Net initial yield</i>   | 6.25 per cent. (full costs)<br>6.55 per cent. (assuming reduced costs) |
| <i>Total property return during Clipstone's management</i>                           | 24.5 per cent.   |
| <i>IPD All Property Index Total Return</i>   | 13.9 per cent.   |
| <i>IPD All Industrial Index Total Return</i>   | 17.9 per cent.   |

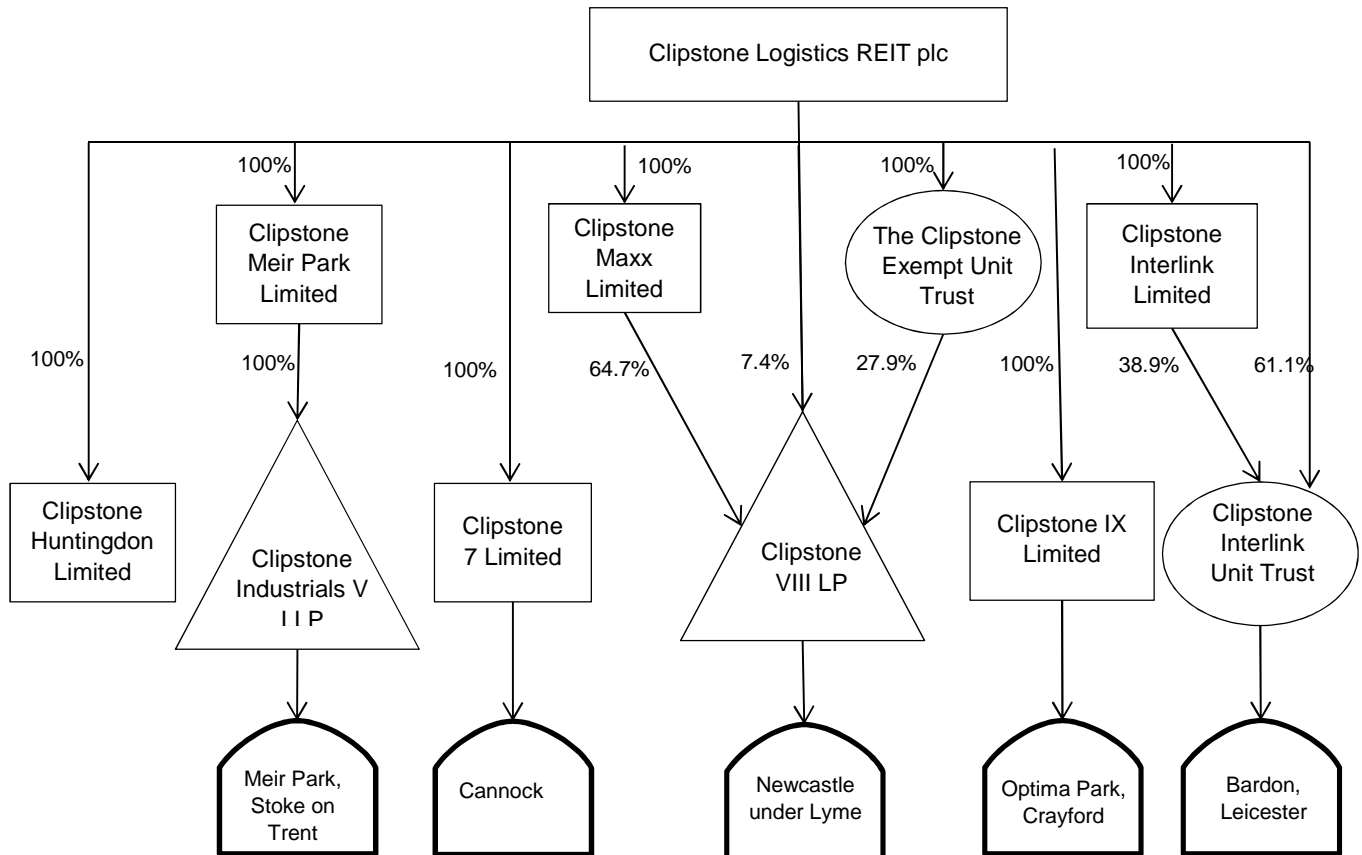
### **Optima Park, Crayford**

|  |  |
|--|--|
| <i>Location</i>  | Optima Park, Crayford DA1 4QX  |
| <i>Type of property</i>  | Multi-let industrial estate  |
| <i>Tenant</i>  | Various  |
| <i>Lease Expiry Date</i>   | Various  |
| <i>Rent per annum (per square foot)</i>  | £730,769 (£8.04 psf); valuation assumes a rent guarantee on two vacant units of £8.25 psf. The Headline Market Value assumes the rent is topped up to this level |
| <i>Date Built</i>  | 2005 – 2007  |
| <i>Headline Market Value on the basis of the topped up rent (net of purchaser's costs)</i> | £10,374,840  |
| <i>Market Value payable on acquisition by the Company (net of purchaser's costs)</i>       | £10,150,000  |



|  |   |
|--|---|
| Net initial yield  | 6.66 per cent. (full costs)             |
|  | 6.98 per cent. (assuming reduced costs) |
| <i>Total property return during Clipstone's management</i> | 24.1 per cent.                          |
| <i>IPD All Property Index Total Return</i>                 | 11.3 per cent.                          |
| <i>IPD All Industrial Index Total Return</i>               | 14.5 per cent.                          |

## STRUCTURE FOLLOWING THE ACQUISITION



### Notes to structure chart:

1. All entities are incorporated, established or registered under the laws of England & Wales except for Clipstone Interlink Unit Trust, which is a Guernsey unit trust.
2. Clipstone GP Limited is the general partner of Clipstone VIII LP and has no economic interest in Clipstone VIII LP. Clipstone GP Limited is wholly owned by Toby Dean. Clipstone Maxx Limited and The Clipstone Exempt Unit Trust are limited partners in Clipstone VIII LP. This means that although they have an interest in the profits of Clipstone VIII LP in the percentages shown above, they are not entitled to take part in the management of Clipstone VIII LP.
3. The Company will acquire interests in the Initial Property Portfolio by way of acquisition of the Initial Property Portfolio Holders. Except in the case of Clipstone VIII LP and Clipstone Industrials V LLP, this is so that the Initial Property Portfolio Investors may benefit from certain taxation relief. The structure is also efficient from an SDLT perspective. In the case of Clipstone VIII LP, the structure ensures that any change of control provisions in respect of its continuing debt obligations are not triggered by the acquisition. Debt may be incurred both at the level of the Company and the special purposes vehicles.
4. Clipstone Huntingdon Limited is a special purpose vehicle that the Company may use for future acquisitions.

## **THE VALUATION REPORT**

The Appendix to this Part 5 contains a valuation report on the Initial Property Portfolio prepared for the Company by the Valuer. No material changes have occurred since the date of valuation as set out in the Valuation Report. The Valuation is based on certificates of title dated July 2014.

The Valuer is a limited liability partnership and was incorporated in England and Wales under the Limited Liability Partnerships Act 2000 with registered number OC391629 on 4 March 2014. The Valuer's registered office and principal place of business is set out on page 5 of this Listing Document. Its telephone number is 020 7935 4499. The Valuer has 80 qualified surveyors and support staff in seven offices across the UK. The Valuer offers services in full compliance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards or equivalent local standards where required.

The Valuer has given and not withdrawn its written consent to the issue of this Listing Document and the inclusion herein of its name and the references to it in the form and context in which they appear.

## **APPENDIX TO PART 5: VALUATION REPORT**

1<sup>st</sup> December 2014

The Directors  
Clipstone Logistics REIT plc  
45 Albemarle Street  
London  
W1S 4JL  
United Kingdom

Dear Sirs

**CLIPSTONE LOGISTICS REIT PLC (THE “REIT”)**

- 1. SANTS PHARMACEUTICAL DISTRIBUTORS LTD, MEIR PARK, STOKE ON TRENT ST3 7UN**
  - 2. BRANTANO (UK) LTD, BEVERIDGE LANE, INTERLINK WAY, BARDON, COALVILLE LE67 1LD**
  - 3. RHENUS LOGISTICS LTD, GALLAN PARK, WATLING STREET, CANNOCK WS11 0BJ**
  - 4. TK MAXX, LYMEDALE BUSINESS PARK, NEWCASTLE UNDER LYME ST5 9QH**
  - 5. UNITS 10-18, 23, 25-26, 28 AND 29, OPTIMA PARK, CRAYFORD DA1 4QX**
- (THE “PROPERTIES”)**

## INSTRUCTIONS

In accordance with the terms of engagement dated on or around the date of this letter, Colliers International Valuation UK LLP (thereafter referred to as either “the Valuer” or “we”) have considered the Properties to be acquired by the REIT in order to provide you with our opinion of their Market Value, as at 31st October 2014. The Valuation Certificates are in a condensed form prepared for the relevant rules.

The Valuation Summary Letter is required and has been prepared for the inclusion in the REIT’s listing document for its proposed listing of shares in the capital of the REIT in the official list of the Channel Islands Securities Exchange Authority Limited (the “Listing”).

We confirm that the valuations have been made in accordance with the appropriate sections of the RICS Professional Standards (“PS”) and RICS Global Valuation Practice Statements (“VPS”).

The International Valuation Standards Council (“IVSC”) publishes and periodically reviews the International Valuation Standards (“IVS”), which set out internationally accepted, high level valuation principles and definitions. These have been adopted and supplemented by the Royal Institution of Chartered Surveyors (the “RICS”), and are reflected in Red Book editions. Thus, the RICS considers that a valuation that is undertaken in accordance with the Red Book will also be compliant with IVS.

Our General Assumptions and Definitions form [Appendix I](#) to this report.

The valuation of the Properties is on the basis of Market Value, subject to the following assumptions. For investment property: that the property would be sold subject to any existing leases.

The Valuer's opinion of the Market Value was derived using the Income Capitalisation Method as the main primary valuation method.

The Properties have been valued by suitably qualified surveyors who fall within the requirements as to competence as set out in PS 2.3 of the RICS Valuation - Professional Standards (incorporating the International Valuation Standards) January 2014 issued by the RICS and who are valuers registered in accordance with the RICS Valuer Registration Scheme ("VRS"). We confirm that we have undertaken the valuations in the capacity of External Valuer.

In order to comply with these Valuation Standards our files may be subject to monitoring by the RICS.

Although a portfolio, the Properties have been valued as individual assets.

We confirm that the valuer complies with the requirements of independence and objectivity under PS 2.4 and that we have no conflict of interest in acting on the REIT's behalf in this matter. We hereby further confirm that we do not have a shareholding in the REIT or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the REIT in accordance with paragraph 7(a) of Appendix IX, Part C of the listing rules of the Channel Islands Securities Exchange Authority Limited.

All the Properties were inspected internally and externally by suitably qualified valuation surveyors on the 10<sup>th</sup> and 11<sup>th</sup> June 2014, with further external inspections during Quarter 4 2014. We have been advised that there have been no changes to the Properties or their immediate surroundings since the date of our inspection.

No allowance has been made in our valuation for any changes, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in affecting a sale. It is assumed that the Properties are free from major or material encumbrances, restrictions or outgoings of an onerous nature which could affect their value.

## RELIANCE ON THIS LETTER

The valuation and market information are not guarantees or predictions and must be read in consideration of the following:

- The estimated value is based upon factual information provided by the REIT / Clipstone Land Limited (the 'Property Manager'). All property data and information is assumed to be full and correct. It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been

made available to us and that the information is up to date and correct. Whilst the valuer has endeavoured to ensure the accuracy of the information, it has not independently verified all information provided by the Property Manager. We also accept no responsibility for subsequent changes in information as to floor areas, income, expenses or market conditions.

## PROPERTIES

The portfolio comprises five industrial investment properties (4 single let and 1 multi-let), all within England, which are described in detail in the Valuation Certificates.

The Properties are as follows:

| Properties |  | Tenure   | GIA<br>sq m |
|------------|--|----------|-------------|
| 1          | Sants Pharmaceutical Distributors Ltd, Meir Park, Stoke on Trent ST3 7UN     | Freehold | 17,742      |
| 2          | Brantano (UK) Ltd, Beveridge Lane, Interlink Way, Bardon, Coalville LE67 1LD | Freehold | 13,488      |
| 3          | Rhenus Logistics Ltd, Gallan Park, Watling Street, Cannock WS11 0BJ          | Freehold | 6,570       |
| 4          | TK Maxx, Lymedale Business Park, Newcastle Under Lyme ST5 9QH                | Freehold | 24,228      |
| 5          | Units 10-18, 23, 25-26, 28 and 29 Optima Park, Crayford DA1 4QX              | Freehold | 8,442       |

## ASSUMPTIONS AND SOURCES OF INFORMATION

An Assumption as stated in the glossary to the Red Book is a 'supposition taken to be true' ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a Valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Property Manager has confirmed that our Assumptions are correct so far as they are aware. In the event that any these Assumptions prove to be inaccurate or incorrect then our valuation should be reviewed.

The Assumptions we have made for the purposes of our valuations are referred to below:

### Areas

We have not measured the Properties and neither have we undertaken the measurement of any land sites. As instructed we have relied upon the floor areas provided by the Property Manager and their professional representatives. We have assumed these to be correct, and that they have been assessed and calculated in accordance with local market practice.

## Condition

Where we have been provided with Technical Due Diligence reports we provide an overall comment in the individual Valuation Certificates. We have relied upon these in arriving at our opinion of value.

## Title

We have been provided with Legal Due Diligence reports prepared by Slaughter and May, Russell-Cooke and Reynolds Porter Chamberlain ("the legal advisors") dated 4<sup>th</sup> July 2014 and we comment on their findings in the Valuation Certificates.

The interpretation of the legal documents/disputes is a matter for lawyers and as such we accept no responsibility or liability for the true interpretations of the legal position.

## Statutory Requirements and Planning

We have made enquiries of the relevant planning authority in whose area each property lies as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

We have made an Assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, and that where necessary they have the benefit of current Fire Certificates. Similarly, we have also made an Assumption that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless our enquiries have revealed the contrary, we have made a further Assumption that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

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

## Tenure and Lettings

For the purposes of our valuation we have relied upon the information as to tenure, lettings, rent review provisions, floor areas and the like contained within the draft legal due diligence report prepared by Slaughter and May. We have, however, also had regard to an updated rent schedule provided to us by the Property Manager. We have not verified the accuracy of this information and have assumed that this is up to date and correct. Should this Assumption prove invalid then our opinion of value may fall by an unspecified amount.



We have not inspected the title deeds, headleases etc. and apart from those disclosed to us, we have assumed that all the Properties are free from outgoing and that there are no unusual, onerous or restrictive covenants in the titles or leases which would affect the values.

Unless we have been informed to the contrary, we have assumed that there are no material arrears of rent and/or service charges.

### Taxation and Costs

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

### Environmental Matters

Where we have been provided with various contamination and ground reports for the Properties we provide an overall comment in the individual Valuation Certificates. We have relied upon these in arriving at our opinion of value.

### Covenant Status of Tenants

We are not qualified to undertake a detailed investigation into the financial status of the tenants. Unless otherwise advised we have made the Assumption that there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

We have, however, reviewed where possible third party commentary, and in particular Dun & Bradstreet reports on the tenant. Our valuation reflects that type of tenants actually in occupation or responsible for meeting the lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

### Information

We have made an Assumption that the information the REIT and its professional advisers have supplied to us in respect of the Properties is both full and correct.

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

## VALUATION RATIONALE

The portfolio comprises good quality industrial building and estate investments in the United Kingdom. As all the assets are income generating we have adopted an income approach to valuation using the Income Capitalisation Method as the primary valuation method.

The Income Capitalisation Method can be used in relation to income producing assets, and in its simplest form involves the analysis of comparable transactions in the market to arrive at a suitable capitalisation yield (NOI / capital value). Using these transactions as a benchmark, a suitably adjusted yield is then applied to the current income generated by the subject property to arrive at a capital value. The relationship between the initial capitalisation yield and the capital value of the property is complex, and accordingly this initial yield indicator subsumes a range of assumptions including future rental growth, future letting voids, capital appreciation, development opportunities and security of the income stream. Accordingly, to ensure a suitable level of accuracy is achieved when using this method, there should be careful analysis of any comparable market transactions.

Full purchaser's costs have been adopted.

## SUMMARY OF VALUES

On the basis, assumptions and qualifications detailed within this Valuation Summary Letter, we are of the opinion that the aggregate Market Value, as at 31 October 2014, of the freehold Properties, subject to the existing lettings, is £64,550,000 (Sixty Four Million Five Hundred and Fifty Thousand Pounds).

The aforementioned valuation figure represents the aggregate of the individual valuations of each property and should not be regarded as the value of the portfolio in the context of a sale as a single lot. The individual values are as follows:

| Properties   | Tenure   | Headline Market Value (£) on the basis of the topped up rent (net of purchaser's costs) | Headline Initial Yield (%) | Capital Value (£) of top-up rent deductions | Market Value (£) (net of top up deductions and purchaser's costs) |
|--|----------|---|----------------------------|---|---|
| 1 Sants Pharmaceutical Distributors Ltd, Meir Park, Stoke on Trent ST3 7UN     | Freehold | £13,400,000   | 6.50%                      | £0  | £13,400,00  |
| 2 Brantano (UK) Ltd, Beveridge Lane, Interlink Way, Bardon, Coalville LE67 1LD | Freehold | £14,691,443   | 6.00%                      | -£231,443                                   | £14,460,000   |
| 3 Rhenus Logistics Ltd, Gallan Park, Watling Street, Cannock WS11 0BJ          | Freehold | £8,415,000  | 7.50%                      | £0  | £8,415,000  |
| 4 TK Maxx, Lyndale Business Park, Newcastle Under Lyme ST5 9QH                 | Freehold | £18,125,000   | 6.25%                      | £0  | £18,125,000   |
| 5 Units 10-18, 23, 25-26, 28 and 29 Optima Park,                               | Freehold | £10,374,840   | 6.66%                      | -£224,840                                   | £10,150,000   |

| Properties             | Tenure | Headline Market Value (£) on the basis of the topped up rent (net of purchaser's costs) | Headline Initial Yield (%) | Capital Value (£) of top-up rent deductions | Market Value (£) (net of top up deductions and purchaser's costs) |
|------------------------|--------|---|----------------------------|---|---|
| Crayford DA1 4QX       |        |   |                            |   |   |
| <b>Portfolio Total</b> |        | <b>£65,006,283</b>  |                            | <b>-£456,283</b>                            | <b>£64,550,000</b>  |

## DISCLAIMER

We have prepared this Valuation Summary Letter and the enclosed Valuation Certificates for inclusion in the listing document (the "Listing Document") for the proposed listing of shares in the capital of the REIT in the official list of the Channel Islands Securities Exchange Authority Limited (the "Listing") (and we hereby consent to inclusion thereof). Save as provided in this Valuation Summary Letter, we specifically disclaim liability to any person in the event of any omission from or false or misleading statement included within the listing document, other than in respect of the information provided within the Valuation Certificates and this Valuation Summary Letter. We do not make any warranty or representation as to the accuracy of the information in any other part of the listing document other than as expressly made or given by Colliers International in this Valuation Summary Letter.

## LIABILITY AND PUBLICATION

Colliers International has relied upon property data supplied by the REIT or its professional advisers which we assume to be true and accurate. Colliers International takes no responsibility for inaccurate client supplied data and subsequent conclusions related to such data.

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.

For the avoidance of doubt, this Report is provided by Colliers International Property Advisers UK LLP and no partner, member or employee shall assume any personal responsibility for it nor shall owe a duty of care in respect of it.

Yours faithfully

A handwritten signature in blue ink, appearing to read "L. Lee-Bapty".

**Lucinda Lee-Bapty MRICS**  
**Director**  
**RICS Registered Valuer**  
**For Colliers International Valuation UK LLP**

A handwritten signature in blue ink, appearing to read "Russell Francis".

**Russell Francis BSc MRICS**  
**Director – Head of Valuation & Advisory**  
**Services**  
**RICS Registered Valuer**  
**For Colliers International Valuation UK LLP**

## APPENDIX I: GENERAL ASSUMPTIONS AND DEFINITIONS



## GENERAL ASSUMPTIONS & DEFINITIONS

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (Incorporating the International Valuation Standards) January 2014 prepared by the Royal Institution of Chartered Surveyors.

The valuations have been prepared by a suitably qualified valuer, as defined by PS 2.3 of the Professional Standards, on the basis set out below unless any variations have been specifically referred to under the heading “Special Remarks”:

### MARKET VALUE (MV)

Where we have been instructed to value the properties on the basis of Market Value, we have done so in accordance with VPS 4.1.2 of the Professional Standards issued by The Royal Institution of Chartered Surveyors, which is defined as follows:

*‘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’.*

The interpretative commentary on Market Value, as published by the International Valuation Standards Council (IVSC), has been applied.

### FAIR VALUE

Valuations based on Fair Value shall adopt one of the two definitions in accordance with VPS 4.1.5 of the Professional Standards.

1. The definition adopted by International Valuation Standards (IVS) in IVS Framework paragraph 38.

*‘The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties’.*

2. The definition adopted by the International Accounting Standards Board (IASB) in IFRS 13

*‘The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date’.*

It is important to recognise that the two definitions of Fair Value are not the same. Valuations prepared for financial reporting purposes under IFRS require the adoption of the IASB definition and IFRS 13 will apply.

The guidance in IFRS 13 includes:

*‘The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires an entity to determine all the following:*

- (a) *the particular asset or liability that is the subject of the measurement (consistently with its unit of account)*
- (b) *for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)*
- (c) *the principal (or most advantageous) market for the asset or liability*
- (d) *the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.*

The references in IFRS 13 to market participants and a sale make it clear that for most practical purposes, fair value is consistent with the concept of market value.

### EXISTING USE VALUE (EUV)

If we have provided an opinion of Existing Use Value this has been arrived at in accordance with UKVS 1.3 of the Professional Standards, which is defined as follows:

*'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 wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.'*

This basis ignores any element of hope value for an alternative use, any value attributable to goodwill and any possible increase in value due to special investment or financial transactions (such as sale and leaseback) which would leave the owner with a different interest from the one which is valued. However, it includes any value attributable to any possibilities of extensions or further buildings on undeveloped land or redevelopment of existing buildings (all for the existing planning use) providing such construction can be undertaken without major interruption to the continuing business.

### DEPRECIATED REPLACEMENT COST (DRC)

If we have provided a valuation based on Depreciated Replacement Cost, as set out in UKGN 2.2.3 of the Professional Standards, this has been arrived at in accordance with the definition settled by the International Valuation Standards Committee as follows:

*'The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation'.*

International Accounting Standards stipulate that DRC may be used as a basis for reporting the value of Specialised Property in Financial Statements. DRC is recognised as a basis only for this purpose. For other purposes DRC may be used as a method to support a valuation reported on another basis.

## INVESTMENT VALUE (OR WORTH)

Where we have been instructed provide valuations based on investment value or worth, we have done so in accordance with VPS 4.1.4 of the Professional Standards issued by the Royal Institution of Chartered Surveyors, which is the definition settled by IVSC:

*'Investment value is the value of an asset to the owner or a prospective owner for individual investment or operational objectives'.*

This is an entity-specific basis of value. Although the value of an asset to the owner may be the same as the amount that could be realised from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. Investment value reflects the circumstances and financial objectives of the entity for which the valuation is being produced. It is often used for measuring investment performance. Differences between the investment value of an asset and its market value provide the motivation for buyers or sellers to enter the marketplace.

## MARKET RENT (MR)

Valuations based on Market Rent (MR), as set out in VPS 4.1.3 of the Professional Standards, adopt the definition as settled by the International Valuation Standards Committee which is as follows:

*'The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'*

MR will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews, and the responsibilities of the parties for maintenance and outgoings, will all impact on MR. In certain States, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account where appropriate. The principal lease terms that are assumed when providing MR will be clearly stated in the report.

Rental values are provided for the purpose described in this report and are not to be relied upon by any third party for any other purpose.

## RENTAL ASSESSMENT

Unless stated otherwise within the report, our valuations have been based upon the assumption that the rent is to be assessed upon the premises as existing at the date of our inspection.



## REINSTATEMENT VALUATION

If we have prepared Reinstatement Values we will not have carried out a detailed cost appraisal and the figures should therefore be considered for guidance purposes only.

## PURCHASE AND SALE COSTS

No allowance has been made for legal fees or any other costs or expenses which would be incurred on the sale of the property. We have, however, made deductions to reflect purchasers' acquisition costs.

These are based on 2.80% for properties with a value between £150,001 and £250,000; 4.80% for properties with a value between £250,001 and £500,000 and 5.80% for properties with a value in excess of £500,000.

In respect of residential properties the properties with a value between £125,001 and £250,000 are charged at 2.80%; £250,001 to £500,000 are charged at 4.8%; £500,001 to £1,000,000 are charged at 5.8%; £1,000,001 to £2,000,000 are charged at 6.8%; in excess of £2,000,000 will be charged at 8.8%.

Stamp duty on residential properties over £2,000,000 which are bought via a company is payable at 15% giving purchasers' acquisition costs of 16.8%.

It should be noted, however, that for properties of an unusually large lot size it is common market practice that a purchaser would not expect to pay the standard 1.80% agents and solicitors costs. Accordingly, we may consider in these instances that it is appropriate to adopt a reduced rate.

## MEASUREMENTS

Measurements and floor areas have been arrived at in accordance with the current edition of the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors.

Although every reasonable care has been taken to ensure the accuracy of the surveys there may be occasions when due to tenant's fittings, or due to restricted access professional estimations may have been made.

Floor areas are provided for the purpose described in this report and are not to be relied upon by any third party for any other purpose.

## SITE PLAN AND AREA

Where a site area and or site plan has been provided this is for indicative purposes only and should not be relied upon. We recommend that a solicitors Report on Title be obtained and that the site boundaries we have assumed are verified and if any questions of doubt arise the matter be raised with us so that we may review our valuation.

## CONDITION

Unless otherwise stated within the report, we have not carried out a building survey, nor have we inspected the woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are, therefore, unable to report that such parts of the properties are free from rot, beetle or other defects.

Where we have noticed items of disrepair during the course of our inspections, they have been reflected in our valuations, unless otherwise stated.

We have assumed that none of the materials commonly considered deleterious as set out in the British Property Federation and British Council of Offices' sponsored report "Good Practice in the Selection of Construction Materials", are included within the properties. These include, inter alia, the following:

- High alumina cement concrete
- Asbestos
- Calcium chloride as a drying agent
- Wood wool slabs on permanent shuttering
- Polystyrene and polyurethane used as insulation in cladding

None of the services, drainage or service installations was tested and we are, therefore, unable to report upon their condition.

## ENVIRONMENTAL MATTERS

Unless otherwise stated within the report, we have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the properties. Unless stated to the contrary within the report, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.

## FIXTURES AND FITTINGS

In arriving at our opinions of value we have disregarded the value of all process related plant, machinery, fixtures and fittings and those items which are in the nature of tenants' trade fittings and equipment. We have had regard to landlords' fixtures such as lifts, escalators, central heating and air conditioning forming an integral part of the buildings.

Where the properties are valued as an operational entity and includes the fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title. No equipment or fixtures and fittings have been tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation. Unless otherwise specifically mentioned the valuation excludes any value attributable to plant and machinery.

## TENURE, LETTINGS AND REPORTS ON TITLE AND/OR TENANCIES

Unless otherwise stated, we have not inspected the title deeds, leases and related legal documents and, unless otherwise disclosed to us, we have assumed that there are no onerous or restrictive covenants in the titles or leases which would affect the value.

Where we have not been supplied with leases, unless we have been advised to the contrary, we have assumed that all the leases are on a full repairing and insuring basis and that all rents are reviewed in an upwards direction only, at the intervals notified to us, to the full open market value.

We have assumed that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the rent reviews.

We have disregarded any inter-company lettings and have arrived at our valuations of such accommodation on the basis of vacant possession.

If a solicitors' Report on Title and/or Tenancies has been provided to us, our valuation will have regard to the matters therein. In the event that a Report on Title and/or Tenancies is to be prepared, we recommend that a copy is provided to us in order that we may consider whether any of the matters therein have an effect upon our opinion of value.

## COVENANT STATUS OF THE TENANT/TENANTS

In the case of properties that are let, our opinion of value is based on our assessment of the investment market's perception of the covenant strength of the tenant(s). This has been arrived at in our capacity as valuation surveyors on the basis of information that is publically available. We are not accountants or financial experts and we have not undertaken a detailed investigation into the financial status of the tenants. We have, however, reviewed where possible third party commentary, on the principal tenants. Our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

If the covenant status of the tenant(s) is critical to the valuation we recommend that you make your own detailed enquiries as to the financial viability of the tenant(s) and if your conclusions differ from our own, provide us with a copy of the report in order that we may consider whether our valuation should be revised.

## ARREARS

We have assumed that all rents and other payments payable by virtue of the leases have been paid to date. If there are rent or other arrears, we recommend that we should be informed in order that we may consider whether our valuation should be revised.

## TAXATION

Whilst we have had regard to the general effects of taxation on market value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or notional, and neither have we made any deduction for Capital Gains Tax, Valued Add Tax or any other tax.

## **MORTGAGES**

We have disregarded the existence of any mortgages, debentures or other charges to which the properties may be subject.

## **OPERATIONAL ENTITIES**

Where the properties are valued as an operational entity and reference has been made to the trading history or trading potential of the property, reliance has been placed on information supplied to us. Should this information subsequently prove to be inaccurate or unreliable, the valuations reported could be adversely affected.

Our valuations do not make any allowance for goodwill.

## **LOCAL AUTHORITIES, STATUTORY UNDERTAKERS AND LEGAL SEARCHES**

We have not made any formal searches or enquiries in respect of the property and are therefore unable to accept any responsibility in this connection. We have, however, made informal enquiries of the local planning authority in whose areas the property is situated as to whether or not they are affected by planning proposals. We have not received a written reply and, accordingly, have had to rely upon information obtained verbally.

We have assumed that all consents, licences and permissions including, inter alia, fire certificates, enabling the property to be put to the uses ascertained at the date of our inspection have been obtained and that there are not outstanding works or conditions required by lessors or statutory, local or other competent authorities.

## **ENERGY PERFORMANCE CERTIFICATES**

The European Energy Performance Directive requires that whenever buildings are constructed, sold or let, they are to be certified in terms of their energy performance and given an energy efficiency rating. In the UK, Energy Performance Certificates (EPC's) are now compulsory for the sale or letting of all commercial and residential properties.

In arriving at our opinion of value, unless we have been provided with an EPC or EPC's with regard to the property or properties, we have assumed that if an EPC or EPC's were to have been available, its rating would not have had a detrimental impact upon our opinion of the properties' market rent and/or capital value.

## **DEFECTIVE PREMISES ACT, HEALTH & SAFETY AT WORK ACT AND DISABILITY AT WORK ACT**

Our valuations do not take account of any rights, obligations or liabilities, whether prospective or accrued, under the Defective Premises Act, 1972. Unless advised to the contrary, we have assumed that the properties comply with, and will continue to comply with, the current Health & Safety and Disability legislation.

## **INSURANCE**

In arriving at our valuation we have assumed that the building is capable of being insured by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on value.

## **LIABILITY CAP**

We confirm that the liability of the Valuer (Colliers International) is limited to £5m (Five Million Pounds Sterling) for any single case of damages caused by simple negligence, irrespective of the legal reason. A single case of damages is defined as the total sum of all the damage claims of all persons entitled to claim, which arise from one and the same professional error (offence). In the case of damages suffered from several offences brought about by the same technical error within the scope of several coherent services of a similar nature, the Valuer can similarly only be held liable for an amount of £5m.

## **STANDARD TERMS OF BUSINESS**

We confirm that this valuation report has been provided in accordance with our Standard Terms of Business.

## APPENDIX II: VALUATION CERTIFICATES



## VALUATION CERTIFICATE



Colliers International Property Advisers UK LLP  
Valuation and Advisory Services  
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London  
W1U 7GA

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|                                   |   |
|-----------------------------------|---|
| <b>Property</b>                   | Sants Pharmaceutical Distributors Ltd, Meir Park, Stoke on Trent ST3 7UN  |
| <b>Client</b>                     | Clipstone Logistics REIT plc  |
| <b>Purpose of Valuation</b>       | For the inclusion in the REIT's listing document prospectus for the proposed placing of shares in Clipstone Logistics REIT plc  |
| <b>Date of inspection</b>         | 10 June 2014 and during Quarter 4 2014  |
| <b>Type of Property</b>           | Single let industrial property.   |
| <b>Brief Description</b>          | <p>The property comprises a purpose built distribution depot with two storey ancillary office accommodation, yard, circulation areas and car parking.</p> <p>The warehouse has 17 dock level loading doors with two further level up and over access doors. The clear internal eaves height is approximately 13.5 metres, with a minimum eaves height to the underside of the roof covering of 12 metres.</p> <p>We understand that the majority of fit-out items are tenant improvements, these include: office, changing and ancillary accommodation on the ground floor of the warehouse, sprinkler system and ducted warm air heating in the warehouse area. In addition, the office accommodation has been fitted out on part of the ground floor as a canteen area and the remaining office area features a reasonable level of partitioning.</p> |
| <b>Surrounding Infrastructure</b> | <p>There are approximately 164 car parking spaces on site.</p> <p>The property fronts directly onto the A50 with access directly from by way of Whittle Road, for west moving traffic or by way of the elevated roundabout intersection approximately 300 metres east of the site adjacent to the Tesco superstore at the entrance to the Meir Park development.</p>  |
| <b>Tenure</b>                     | <p>Freehold.</p> <p>We have had sight of the Certificate of Title, as prepared by Slaughter and May, dated July 2014. We have reviewed the Certificate on Title and confirm that all matters raised have been taken into account and there is nothing which causes us to alter our valuation herein.</p>  |
| <b>Site</b>                       | 4.07 hectares / 10.07 acres   |
| <b>Gross Internal Area</b>        | <p>17,742.36 sq m / 190,977 sq ft</p> <p>(Warehouse 16,900.93 sq m / Offices 9,057 sq m)</p> <p>(Source of floor areas provided: Measured Survey)</p>   |
| <b>Year of Completion</b>         | 2009 (approximate date of construction)   |

## Condition

Good.

We consider the building has a remaining useful economic life, provided it is properly maintained, in excess of 25 years.

With reference to Cushman & Wakefield's Building Survey report, dated April 2010, the following observations have been made in respect of the subject property:

*'It is recommended the Tenant undertakes cleaning of the gutter system to clear block symphonic rainwater outlets and replaces missing/loose foam profile filler used to close the gaps between roof cladding sheets and fixings.*

*A number of locking mechanisms to the internal fire exit doors are defective and immediate repairs are required to return doors to good working order.*

*Save for this, the conclusion is that from a constructional point of view there is no reason you should not proceed with the freehold acquisition of the subject property.*

## Town Planning

Local planning authority: Stoke on Trent City Council

Assumed current lawful planning use: B8

Listing: None

Conservation area: No

Outstanding applications: No

## Gross Current Rent

£920,743 per annum

Net rent equal to gross rent.

## Tenancies

The property is subject to a principal lease in respect of the main building and yard/car parking area and a supplemental lease in respect of an area of expansion land.

The property is let to Sants Pharmaceutical Distributors Limited guaranteed by Co-Operative Group Limited on a 25 year lease from 10 March 2009 at a rent of £920,743 per annum.

Tenant break options exist after 10, 15 and 20 years on 6 months' notice.

The unexpired term certain is therefore, 4.35 years.

Rent review: To open market rental value, making usual assumptions and disregards.

Rent review dates: 9<sup>th</sup> March 2019, 2024 and 2029. The March 2014 rent review has not been activated, however, we are of the opinion that the property is currently virtually rack-rented.

The tenant undertakes full repairing liabilities.

The tenant may assign or under-let the whole.

No structural alterations without the Landlord's consent (not to be unreasonably withheld).

## Covenant

Dunn & Bradstreet Rating as at October 2014:

*Tenant:*

- The Co-operative Pharmacy National Distribution Centre – N1

Note: The Co-operative Pharmacy National Distribution Centre Ltd, was previously known as Sants Pharmaceutical Distributors Ltd until 22 November 2012.

*Guarantor:*

- The Co-operative Group Limited – 5A 1

We understand that the unit is The Co-operative Pharmacy's only distribution unit.

## Basis of Valuation

Market Value.



## Valuation Approaches

Income Capitalisation Method.

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.

## Date of Valuation

31 October 2014

## Market Value

**£13,400,000 (Thirteen Million Four Hundred Thousand Pounds)**, net of purchaser's costs at 5.80%.

## Net Initial Yield

6.50%

## Equivalent Yield

6.03%

## Reversionary Yield

6.53% as at December 2020

## Assumptions, Disclaimers, Limitations & Qualifications

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## Prepared by

A handwritten signature in blue ink, appearing to read "L. Lee-Bapty".

Lucinda Lee-Bapty BSc MRICS  
RICS Registered Valuer  
Director  
For Colliers International Valuation UK  
LLP

A handwritten signature in black ink, appearing to read "J. Cubitt".

James Cubitt BSc MRICS  
RICS Registered Valuer  
Director  
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LLP

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### Property

Brantano (UK) Ltd, Beveridge Lane, Interlink Way, Bardon, Coalville  
LE67 1LD

### Client

Clipstone Logistics REIT plc

### Purpose of Valuation

For the inclusion in the REIT's listing document prospectus for the proposed placing of shares in Clipstone Logistics REIT plc

### Date of inspection

10 June 2014 and during Quarter 4 2014.

### Type of Property

Single let industrial property.

### Brief Description

The property was built in 2001 and comprises a modern detached distribution warehouse with incorporated high quality 2 storey offices with a double height reception to the front elevation.

The warehouse provides a clear minimum internal height to underside of haunch of approximately 12 metres. Additional warehouse specifications include twelve dock levellers and a single level access loading bay.

The unit has been adapted to the present tenant's occupational requirements and spatial needs including extensive mezzanine storage, high bay racking with forklift guidance path, a canteen and an automated warehouse sorting system including conveyors.

The property was recently expanded (circa. 28,000 sq ft) by the landlord for the tenant and in return the new extended facility was rentalised and the tenant entered into a new lease agreement.

External features of the subject property include a large service yard to the western elevation with a separate car park providing 105 spaces. To the front of the property there is an entrance and additional car parking (42 spaces).

### Surrounding Infrastructure

The subject property is located in the North West quadrant of the Bardon Business Park. The park itself is a key employment hub and commercial centre and benefits from being strategically located.

The subject property is located adjacent to a dual carriageway which provides access to Junction 22 of the M1 which is approximately 2.6 miles to the east and the A42/M42 to the west. Bardon Business park was developed by WB Developments and is almost completely developed with the whole park benefiting from planning consent for B1, B2 and B8 uses with no restrictions on building heights or working hours.

### Tenure

Freehold.

We have had sight of the Certificate of Title, as prepared by Slaughter and May, dated July 2014. We have reviewed the Certificate on Title and confirm that all matters raised have been taken into account and there is nothing which causes us to alter our valuation herein.

### Site

2.330 hectares / 5.758 acres

### Gross Internal Area

13,488 sq m / 145,172 sq ft

(Warehouse 11,500 sq m / Offices 1,988 sq m)

(Source of floor areas provided: Measured Survey undertaken by Ian Holdsworth Chartered Surveyors)

## Year of Completion Condition

2001 (approximate date of construction)

Good.

We consider the building has a remaining useful economic life, provided it is properly maintained, in excess of 25 years.

With reference to King Sturge's Building Survey report, dated April 2011, the following observations have been made in respect of the subject property:

*'As the substructure is not visible, we are unable to comment on the condition of either the foundations, or below ground structures. Notwithstanding this, no significant defects were noted during the course of our inspection which may be attributable to foundation failure or ground movement.'*

*'The quality and standard of finishes within the building are generally considered good.'*

*'Our inspection revealed no major structural issues. The building is just under 10 years old and appears to be generally well maintained. A number of minor defects to the fabric of the building, which may be attributed to a lack of suitable maintenance, were noted and are detailed in this report. We should assume that the responsibility for addressing these maintenance issues, along with cyclical refurbishment, falls to the tenant under the terms of their lease. You should, however, be aware of the Leasehold Property Repairs Act 1938, which may restrict the extent of repairs that can be enforced when there is an unexpired term of three years or more.'*

## Town Planning

Local planning authority: North West Leicestershire District Council

Assumed current lawful planning use: B8

Listing: None

Conservation area: No

Outstanding applications: No

## Gross Current Rent

£820,000 per annum

The leases are subject the following guaranteed increases:

- 25 November 2016 - £931,818 per annum
- 25 November 2021 - £1,028,802 per annum
- 25 November 2026 - £1,135,881 per annum.

*N.B. Due to the covenant strength and fixed uplift in July 2016, we have capitalised the rent of £931,818 for the purposes of our valuation and deducted the applicable 'top up' capital sum from our day one Market Value.*

Net rent equal to gross rent.

## Tenancies

The property was originally let to Brantano (UK) Ltd on full repairing and insuring lease for an occupational term of 20 years from 25<sup>th</sup> November 2003 and expiring 24<sup>th</sup> November 2023.

Immediately following their acquisition of the property, the landlord entered into a deed of variation with the tenant and MacIntosh Retail Group N.V. (as surety) in respect of the Original Lease and granted a reversionary lease for a term from 25 November 2023, expiring on and including 31 December 2031.

There are no break rights.

The unexpired term certain is therefore, 17.17 years.

The leases are subject to fixed uplifts (geared to 2.75% annual compound growth) in November 2016, 2021 and 2026.

The tenant undertakes full repairing liabilities.

The tenant may assign or under-let the whole.

No structural alterations without the Landlord's consent (not to be unreasonably withheld).

## Covenant

Dunn & Bradstreet Rating as at October 2014:

*Tenant:*

- Brantano (UK) Limited – N 1

*Surety:*

- MacIntosh Retail Group N.V. – 4A 2

## Basis of Valuation

### Valuation Approaches

Market Value.

Income Capitalisation Method.

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.

*N.B. Due to the covenant strength and fixed uplift in July 2016, we have capitalised the rent of £931,818 for the purposes of our valuation and deducted the applicable 'top up' capital sum from our day one Market Value.*

## Date of Valuation

31 October 2014

## Market Value

Headline Market Value (£) on the basis of the topped up rent (net of purchaser's costs) is £14,691,443.

Capital Value (£) of top-up rent deductions is £231,443.

Resulting in a Market Value of:

**£14,460,000 (Fourteen Million Four Hundred and Sixty Thousand Pounds)**, net of purchaser's costs at 5.80%.

## Net Initial Yield

6.00%

## Equivalent Yield

6.08%

## Reversionary Yield

5.47% as at January 2032

## Assumptions, Disclaimers, Limitations & Qualifications

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## Prepared by



Lucinda Lee-Bapty BSc MRICS  
RICS Registered Valuer  
Director  
For Colliers International Property  
Advisers UK LLP



James Cubitt BSc MRICS  
RICS Registered Valuer  
Director  
For Colliers International Property  
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### Property Client

Rhenus Logistics Ltd, Gallan Park, Watling Street, Cannock WS11 0BJ  
Clipstone Logistics REIT plc

### Purpose of Valuation

For the inclusion in the REIT's listing document prospectus for the proposed placing of shares in Clipstone Logistics REIT plc

### Date of inspection

10 June 2014 and during Quarter 4 2014.

### Type of Property

Single let industrial property.

### Brief Description

The property was built in 2009 and comprises a modern purpose built distribution warehouse with integral two storey office to the front, which benefits from a good specification.

The warehouse provides a clear minimum internal height to underside of haunch of approximately 10 metres. Additional warehouse specifications include twenty-eight cross-docked access doors (14 on each elevation) and two level access doors (5.98 x 5 metres).

The external specification includes a large yard area with full access at each elevation, 47 designated car parking spaces to the front of the unit and two canopies of 15.41 metres (width) and 15.24 metres (height).

### Surrounding Infrastructure

The property is located on Gallan Park, a 5.42 hectare (13.4 acre) mixed commercial development with Wyrley Brooke Retail Park situated opposite. The park fronts the main A5 Watling Street, approximately  $\frac{3}{4}$  mile south of Cannock town centre and surrounding occupiers include Sainsburys and B & Q. There are a number of other retail parks also in the vicinity.

Access to the M6 toll road junction (T7) is approximately 1 mile away and junction 12 of the M6 Motorway is 4 miles away, via the A5. Junction T8 of the M6 Toll and junction 11/11a of the M6 are within 3 miles via the A5 and A460.

### Tenure

Freehold.

We have had sight of the Certificate of Title, as prepared by Slaughter and May, dated July 2014. We have reviewed the Certificate on Title and confirm that all matters raised have been taken into account and there is nothing which causes us to alter our valuation herein.

### Site

1.70 hectares / 4.19 acres

### Gross Internal Area

6,570.1 sq m / 70,720sq ft

(Warehouse 5,737.1 sq m / Ground floor offices 418.6 sq m / First floor offices 414.4 sq m).

Canopied areas of approximately 467.7 sq m – excluded from the above total.

(Source of floor areas provided: Measured Survey)

### Year of Completion

2009 (approximate date of construction)

|                             |   |
|-----------------------------|---|
| <b>Condition</b>            | <p>Good.</p> <p>We consider the building has a remaining useful economic life, provided it is properly maintained, in excess of 25 years.</p> <p>With reference to Jones Lang LaSalle's Building Survey report, dated March 2012, the following observations have been made in respect of the subject property:</p> <p><i>'...good condition with minor wear and tear identified, commensurate with the building's age and construction.'</i></p>   |
| <b>Town Planning</b>        | <p>Local planning authority: Cannock Chase District Council</p> <p>Assumed current lawful planning use: B8</p> <p>Listing: None</p> <p>Conservation area: No</p> <p>Outstanding applications: No</p>  |
| <b>Gross Current Rent</b>   | <p>£667,680 per annum</p> <p>The lease is subject to the following guaranteed increases:</p> <ul style="list-style-type: none"> <li>21 July 2019 - £755,419 per annum.</li> </ul> <p>Net rent equal to gross rent.</p>  |
| <b>Tenancies</b>            | <p>The property is let to Rhenus Logistics Limited for a term of 15 years from 21 April 2009, expiring 20 April 2024.</p> <p>The unexpired term certain is therefore, 9.47 years.</p> <p>The lease is guaranteed by Rhenus AG &amp; Co.HG.</p> <p>The original rent was £590,132 per annum, however, this was subject to a fixed increase in July 2015 to £667,680 per annum. The rent is subject to fixed uplifts equivalent to 2.5% per annum compounded and receivable every 5<sup>th</sup> year throughout the term. The guaranteed rent increases outstanding are as follows:</p> <p>2<sup>nd</sup> Review – 21 July 2019 - £755,419 per annum.</p> <p>The tenant undertakes full repairing liabilities.</p> <p>The tenant may assign or under-let the whole.</p> <p>No structural alterations without the Landlord's consent (not to be unreasonably withheld).</p> |
| <b>Covenant</b>             | <p>Dunn &amp; Bradstreet Rating as at October 2014:</p> <p><i>Tenant:</i></p> <ul style="list-style-type: none"> <li>Rhenus Logistics Limited – 2A 1</li> </ul> <p><i>Guarantor:</i></p> <ul style="list-style-type: none"> <li>Rhenus AG &amp; Co.HG (legal form change from AG to SE) – 5A 2</li> </ul>   |
| <b>Basis of Valuation</b>   | Market Value.   |
| <b>Valuation Approaches</b> | <p>Income Capitalisation Method.</p> <p>Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.</p>   |
| <b>Date of Valuation</b>    | 31 October 2014   |
| <b>Market Value</b>         | <b>£8,415,000 (Eight Million Four Hundred and Fifteen Thousand Pounds)</b> , net of purchaser's costs at 5.80%.   |
| <b>Net Initial Yield</b>    | 7.50%   |
| <b>Equivalent Yield</b>     | 5.89%   |
| <b>Reversionary Yield</b>   | 3.97% as at April 2024  |

**Assumptions, Disclaimers,  
Limitations & Qualifications**

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**Prepared by**

A handwritten signature in blue ink, appearing to read "L. Lee-Bapty".

Lucinda Lee-Bapty BSc MRICS  
RICS Registered Valuer  
Director  
For Colliers International Valuation UK  
LLP

A handwritten signature in black ink, appearing to read "James Cubitt".

James Cubitt BSc MRICS  
RICS Registered Valuer  
Director  
For Colliers International Valuation UK  
LLP



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### Property Client

TK Maxx, Lymedale Business Park, Newcastle Under Lyme ST5 9QH

Clipstone Logistics REIT plc

### Purpose of Valuation

For the inclusion in the REIT's listing document prospectus for the proposed placing of shares in Clipstone Logistics REIT plc

### Date of inspection

10 June 2014 and during Quarter 4 2014.

### Type of Property

Single let industrial property.

### Brief Description

The property was developed in 2001 and comprises a five bay distribution warehouse of steel portal frame construction with two storey ancillary offices located to the front of the building.

The warehouse element has concrete floors and was originally built in an open plan format.

The property benefits from 20 dock levellers, two drive in loading bays and a clear eaves working height of 11.40 metres.

The tenant has added significant improvements to the property, including the installation of a four storey mezzanine for the sorting and processing of goods and a semi-automatic racking system for the storage of surplus goods from TK Maxx stores. These tenant additions have not been included in our valuation. We understand that the tenant has spent around £1million on licensed building improvements within the last year.

### Surrounding Infrastructure

The property is located in Lymedale Business Park, Newcastle-under-Lyme which is situated immediately adjacent to the A34 and 7 miles (11.2 km) north of Junction 16 of the M6 Motorway. This established Park was created by way of a JV between Advantage West Midlands and Staffordshire County Council.

The property is situated on the junction of Dalewood Road and Coaldale Road, within Lymedale Business Park. Access is gained to the west of the site from its vehicular entrance onto Coaldale Road.

To the north, west and east of the property are similar large distribution centres. Other than this, to the north east and to the south are offices which make up the remainder of Lymedale Business Park.

The property is accessed from the A34, which links to the A500 in fairly close proximity with the site and provide connections to the M6 Motorway and other major "A" roads.

### Tenure

Freehold.

We have had sight of the Certificate of Title, as prepared by Slaughter and May, dated July 2014. We have reviewed the Certificate on Title and confirm that all matters raised have been taken into account and there is nothing which causes us to alter our valuation herein.

### Site

5.62 hectares / 13.88 acres



|                            |   |
|----------------------------|---|
| <b>Gross Internal Area</b> | <p>24,228.45 sq m / 260,800sq ft</p> <p>(Warehouse and workshop 22,588.17 sq m / Ground floor offices 820.14 sq m / First floor offices 820.14 sq m).</p> <p>(Source of floor areas provided: Measured Survey)</p>  |
| <b>Year of Completion</b>  | 2001 (approximate date of construction)   |
| <b>Condition</b>           | <p>Good.</p> <p>We consider the building has a remaining useful economic life, provided it is properly maintained, in excess of 25 years.</p> <p>With reference to DTZ's Building Condition report, dated November 2012, the following conclusion was made in respect of the subject property:</p> <p><i>'Our building inspection did not reveal any evidence of significant defects to the structure of the property or the external areas. Provided you take account of the recommendations, consider the issues raised within the report and satisfactorily address any legal issues, then from a technical prospective, there is nothing to prevent you from proceeding with the freehold acquisition'.</i></p>   |
| <b>Town Planning</b>       | <p>Local planning authority: Newcastle-under-Lyme Borough Council</p> <p>Assumed current lawful planning use: B8</p> <p>Listing: None</p> <p>Conservation area: No</p> <p>Outstanding applications: No</p>  |
| <b>Gross Current Rent</b>  | <p>£1,198,406 per annum.</p> <p>Net rent equal to gross rent.</p>   |
| <b>Tenancies</b>           | <p>The property was originally let to TK Maxx until October 2016, however, the tenant entered into a reversionary lease from a term of 10 years 2 months from October 2016, expiring 16 December 2026. 4With effect from 19 October 2016, the property will be let to TJX UK.</p> <p>The unexpired term certain is therefore, 12.13 years.</p> <p>The original rent was £1,133,275 per annum, however, this was subject to a fixed increase in October 2013 to £1,198,406 per annum.</p> <p>Both the existing and reversionary leases are guaranteed by TJX Europe Ltd and The TJX Companies Inc.</p> <p>The rent payable is subject to review on the last day of each fifth year of the term, the next review being 18 October 2021 (in line with the reversionary lease). The rent is to be reviewed in an upward only direction to the higher of the rent payable immediately prior to the review date and the 'Market Rent', being the post fit-out pre-incentive net effective Market Rent.</p> <p>The tenant undertakes full repairing liabilities.</p> <p>The tenant may assign or under-let the whole or permitted part.</p> <p>No structural alterations without the Landlord's consent (not to be unreasonably withheld).</p> |
| <b>Covenant</b>            | <p>Dunn &amp; Bradstreet Rating as at October 2014:</p> <p><i>Current tenant:</i></p> <ul style="list-style-type: none"> <li>• TK Maxx – 2A 1</li> </ul> <p><i>Tenant under the reversionary lease:</i></p> <ul style="list-style-type: none"> <li>• TJX UK – 5A 1</li> </ul> <p><i>Both the existing and reversionary leases are guaranteed by the following companies:</i></p> <ul style="list-style-type: none"> <li>• TJX Europe Ltd – 5A 1</li> <li>• TJX Companies Inc – 5A 2</li> </ul>  |
| <b>Basis of Valuation</b>  | Market Value.   |

## Valuation Approaches

Income Capitalisation Method.

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.

## Date of Valuation

31 October 2014

## Market Value

**£18,125,000 (Eighteen Million One Hundred and Twenty-Five Thousand Pounds)**, net of purchaser's costs at 5.80%.

## Net Initial Yield

6.25%

## Equivalent Yield

6.74%

## Reversionary Yield

6.80% as at December 2026

## Assumptions, Disclaimers, Limitations & Qualifications

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## Prepared by

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Lucinda Lee-Bapty BSc MRICS  
RICS Registered Valuer  
Director  
For Colliers International Valuation UK  
LLP

A handwritten signature in black ink, appearing to read "James Cubitt".

James Cubitt BSc MRICS  
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For Colliers International Valuation UK  
LLP

## VALUATION CERTIFICATE



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### Property

Units 10-18, 23, 25-26, 28 and 29 Optima Park, Crayford DA1 4QX

### Client

Clipstone Logistics REIT plc

### Purpose of Valuation

For the inclusion in the REIT's listing document prospectus for the proposed placing of shares in Clipstone Logistics REIT plc

### Date of inspection

11 June 2014 and during Quarter 4 2014.

### Type of Property

Multi let industrial property.

### Brief Description

The property comprises a modern multi-let trade and industrial estate comprising 28 units in six terraces. Phase 1 (Units 1-23) was constructed in 2005 and Units 25-29 were built during Phase II in 2007.

Fourteen units have been sold off on long leases and fourteen units are held as an investment (this element, forming the subject property).

Of the fourteen investment units, ranging in size between 236.25 – 3,174.13 sq m (2,543 and 34,166 sq ft), nine are trade counters (Units 10-18) and five are larger warehouses (Units 23, 25-26, 28 and 29).

The units are constructed of steel portal frame with pitched roofs with minimum eaves heights between 6.70 and 7.25 metres. The trade counter units have small ground floor offices and the larger warehouse units have two storey offices.

### Surrounding Infrastructure

Crayford has strong road links with Central London and other markets via the A2 located approximately 2 km (1 mile) to the south and the A206 to the north providing access west to Central London and east to the M25. Thames Europort and Tilbury Docks are located approximately 13 miles (21 km) to the north east.

The property is located to the north east of Crayford town centre and lies next to the A206, although it does not have a frontage to it. The A206 runs behind the rear of Units 1-19.

The Park is accessed off a roundabout with the A206 (Thames Road) and Thomas Road. Thomas Road runs north to the Park and effectively forms an internal road within the estate.

The immediate area is mainly industrial. Adjacent to the west of the Park there are three modern industrial units occupied by Lok'n'Store, DHL and Imagination. To the east, there are Bookers, Recall Ltd and Solster UK Ltd.

### Tenure

Freehold.

We have had sight of the Certificate of Title, as prepared by Slaughter and May, dated July 2014. We have reviewed the Certificate on Title and confirm that all matters raised have been taken into account and there is nothing which causes us to alter our valuation herein.

### Site

3.911 hectares / 9.665 acres

## Gross Internal Area

8,441 sq m / 90,865sq ft (total GIA of investment units).

The units range in size between 236.25 – 3,174.13 sq m (2,543 and 34,166 sq ft), nine are trade counters (Units 10-18) and five are larger warehouses (Units 23, 25-26, 28 and 29).

(Source of floor areas provided: Measured Survey Dowley Turner Real Estate)

## Year of Completion

Phase 1 (Units 1-23) was constructed in 2005 and Units 25-29 were built during Phase II in 2007.

## Condition

Good.

We consider the building has a remaining useful economic life, provided it is properly maintained, in excess of 25 years.

With reference to Spring Consultancy Building Survey report, dated May 2013, we set out below the most pertinent points raised within the report:

*The building survey inspection has not revealed any substantial structural issues in respect of the properties superstructure, foundations or floors. A number of defects have been noticed which mainly relate to the absence of routine, preventative maintenance.*

*Roofs and elevations are clad in composite sheets. The insulating core material is certified 'approved' by the Loss Prevention Certification Board (LPCB) and therefore should be acceptable to the Association of British Insurers (ABI).*

In conclusion, the Building Survey Report does not raise anything which would affect the value of the property and does not state that any short or medium term capital expenditure will be required by the freeholder.

## Town Planning

Local planning authority: Bexley Council

Assumed current lawful planning use: B1(c), B2 and B8 (No trade counters shall be formed within the Property).

Listing: None

Conservation area: No

Outstanding applications: No

## Gross Current Rent

£730,769 per annum

Net rent equal to gross rent.

The gross rent includes the following 12 month rental guarantees:

- Unit 23 - £71,200 per annum.
- Unit 29 - £57,900 per annum.

*N.B. We have capitalised the rent of £730,769 for the purposes of our valuation and deducted the applicable 12 month rent, rates, service charge and insurance capital sums from our day one Market Value:*

- Unit 23 - £111,815 per annum.
- Unit 29 - £89,123 per annum.

In addition, the following units are still within half rent periods and the rent has been topped up to the contracted level accordingly:

- Unit 11&12 – Three Dimensional Developments Ltd – 12 month half rent period from December 2013.
- Unit 28 – Westmeria – 16 month half rent period from February 2014.

*N.B. We have capitalised the rent of £730,769 for the purposes of our valuation and deducted the applicable 'top up' capital sum of £23,902 from our day one Market Value.*

## Tenancies

The property is let to 11 tenants with 2 vacant units equating to 17.21% of the total accommodation.

The unexpired term certain is therefore, 2.74 years.

All the occupational leases are drafted on FRI terms with no service charge caps which would affect the landlord's net income from the investment and other onerous provisions.

The tenant undertakes full repairing liabilities.

The tenant may assign or under-let the whole or Permitted Part.

No structural alterations without the Landlord's consent (not to be unreasonably withheld).

## Covenant

Dunn & Bradstreet Rating as at May 2014:

- Steadberry Ltd – unavailable
- Three Dimensional Developments Ltd – A 2
- P.D. Aquatics – G 2
- Euro Car Parts Ltd – 5A 1
- Edmundson Electrical Ltd – 5A 1
- Plumb 4 Less Ltd – D 4
- Ralco Electrical Supplies Ltd – B 1
- Accident Exchange Ltd – 2A 1
- Westmeria Healthcare Ltd – 2A 1

## Basis of Valuation

### Valuation Approaches

Market Value.

Income Capitalisation Method.

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.

*N.B. We have capitalised the rent of £730,769 for the purposes of our valuation and deducted:*

- *the applicable 12 month rent, rates, service charge and insurance capital sums for Unit 23 and Unit 29 of £200,938 from our day one Market Value.*
- *the applicable 'top up' capital sum for Units 11 & 12 and Unit 28 of £23,902 from our day one Market Value.*

## Date of Valuation

### Market Value

31 October 2014

Headline Market Value (£) on the basis of the topped up rent (net of purchaser's costs) is £10,374,840.

Capital Value (£) of top-up rent deductions is £224,840.

Resulting in a Market Value of:

**£10,150,000 (Ten Million One Hundred and Fifty Thousand Pounds)**, net of purchaser's costs at 5.80%.

## Net Initial Yield

6.66%

## Equivalent Yield

6.50%

## Reversionary Yield

6.76% as at February 2020

## Assumptions, Disclaimers, Limitations & Qualifications

*This valuation certificate is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout the report which are made in conjunction with those included within the Assumptions, Qualifications, Limitations and Disclaimers section located within this report. Reliance on the valuation and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation. The Valuer has no pecuniary interest that would conflict with the proper valuation of the property.*

Prepared by

A handwritten signature in blue ink, appearing to read "L. Lee-Bapty".

Lucinda Lee-Bapty BSc MRICS  
RICS Registered Valuer  
Director  
For Colliers International Valuation UK  
LLP

A handwritten signature in blue ink, appearing to read "Russell Francis".

Russell Francis BSc MRICS  
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## CONTACT DETAILS

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## **PART 6: ADDITIONAL INFORMATION ON THE COMPANY**

### **1. The Company**

- 1.1 The Company is a closed-ended investment company and was incorporated as a public company whose liability is limited by shares in England and Wales, under the Act, with registered number 9046897 on 19 May 2014. Its registered office and principal place of business is at 45 Albemarle Street, London W1S 4JL (telephone number: 020 7043 0270). The Company will be tax resident in the UK. Save for its compliance with the Act, the AIFM Rules and the Listing Rules, the Company is not an authorised or regulated entity. In particular, it is not a collective investment scheme under FSMA and therefore not regulated as such, although it is an AIF for the purposes of the AIFM Directive. The Company's accounting reference date is 30 June. The Company has been established with unlimited life.
- 1.2 The principal legislation under which the Company was formed and now operates (and under which the Ordinary Shares will be created) is the Act.
- 1.3 The ISIN (International Security Identification Number) of the Ordinary Shares is GB00BMSJTT43.
- 1.4 The Company is the holding company of the Group which includes the subsidiaries set out in the structure chart in Part 5 of this Listing Document.
- 1.5 The Company has no employees and most of its day-to-day activities are delegated to third parties.
- 1.6 On 17 June 2014, the Company was granted a trading certificate under section 761 of the Act entitling it to commence business and to exercise its borrowing powers.
- 1.7 The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to section 833 of the Act.

### **2. Share capital**

- 2.1 The Company was incorporated with no authorised share capital. The issued share capital of the Company consists of 50,001 Ordinary Shares of one penny each, of which one Ordinary Share of one penny was issued to Clipstone Land as the subscriber to the Company's memorandum of association, and the remainder were issued to Clipstone Land on 16 June 2014 pursuant to a subscription dated 16 June 2014. Each Ordinary Share has been issued at an issue price of 100 pence apart from the one subscriber share which was issued at its nominal value of one penny. All of these Ordinary Shares will form part of Clipstone Land's aggregate subscription of 1,909,400 Ordinary Shares pursuant to the Issue.
- 2.2 The issued share capital of the Company (all of which will be fully paid-up) immediately following Admission (on the assumption that the maximum size of the Issue is reached) will be 75 million Ordinary Shares.



## 2.3 Share authorities

Ordinary Shares may not be issued at a price which is less than the Net Asset Value per Ordinary Share at the time of such issue, unless authorised by a Special Resolution of Shareholders or offered first on a pro-rata basis to Shareholders.

On 12 December 2014, by written resolutions of the Company's sole Shareholder, Clipstone Land, the Directors obtained the Shareholder authorities required to allot and issue Ordinary Shares, including the Issue Shares and the Consideration Shares on a non-pre-emptive basis, being:

- (a) authority under section 551 of the Act for the directors to allot Ordinary Shares of up to an aggregate nominal value of £2 million; and
- (b) 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 the allotment of Ordinary Shares of up to an aggregate nominal value of £2 million,

and provided in each case that the issue price is not less than the Net Asset Value per Ordinary Share.

These authorities are not limited to the issue of Ordinary Shares pursuant to the Issue described in this Listing Document and therefore allow the Directors to issue further Ordinary Shares up to the limits in the resolution. The authorities will expire on the fifth anniversary of the resolution being passed. The approval of the Investor Representative is also required in respect of the issue price.

In addition, on 12 December 2014 the sole member approved the adoption of the Articles as set out in paragraph 3 of this Part 6 in substitution for and to the entire exclusion of the then existing articles of association.

- 2.4 As at the date of this Listing 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.
- 2.5 Save for the subscriptions 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 and the Placing) has agreed to be issued, is not proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 2.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.7 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.
- 2.8 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. There is no fixed dividend in respect of the

Ordinary Shares (and the target distributions referred to in this Listing Document are targets only).

- 2.9 No person has voting rights that differ from those of other Shareholders.
- 2.10 The Board approved the Issue and this Listing Document at a meeting held on 9 December 2014. It is expected that the Ordinary Shares to be allotted pursuant to the Issue will be issued pursuant to a resolution of the Board on or around 15 December conditional only upon Admission.
- 2.11 The Ordinary Shares to be allotted pursuant to the Issue will be issued at the Issue Price of 100 pence per Ordinary Share. The Ordinary Shares have a nominal value of 1 penny each and therefore, will be issued at a premium of 99 pence per Ordinary Share. The currency of the Ordinary Shares is Sterling.
- 2.12 As at the date of this Listing 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.
- 2.13 Under the Act, the Company is empowered to purchase its own shares subject to the procedures required by the Act and any restrictions in the Company's Articles (of which there are none). The Takeover Code also regulates any such purchases. The Company is required to obtain Shareholder approval for any purchase of its own shares; no such shareholder approval has been obtained and the Board does not currently intend to seek any such approval. If in the future it was determined that this would be in the Company's interests, Shareholders may be asked to approve either an off-market purchase or a market purchase. For an off-market purchase, under the Act the terms of the purchase contract would need to be approved by Shareholders. Alternatively, if Shareholders are asked to approve market purchases, the resolution will specify the maximum number of shares to be acquired, and the maximum and minimum price.
- 2.14 Under the Articles, fully paid up Ordinary Shares are free from lien.

### 3. **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 12 December 2014, the Company passed a Special Resolution to adopt the Articles. The Articles contain provisions, inter alia, to the following effect:

#### 3.1 **Voting rights**

- (a) Subject to any rights or restrictions as to voting attached to any shares and subject as stated below: (i) on a vote on a show of hands, each Shareholder present in person has one vote, each duly authorised representative if the Shareholder is a corporation has the same voting rights to which the corporation is entitled, each proxy who is appointed by one or more Shareholders has one vote, and each proxy who has been appointed by more than one Shareholder has one vote for and one vote against the resolution; and (ii) on a vote on a poll each Shareholder present in person or by proxy or by a representative if a corporation has one vote for each share held by him.

- (b) A Shareholder is not entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of his shares have been paid or the Board otherwise decides.
- (c) A Shareholder may also be prevented from voting in the circumstances set out in paragraph 3.10 of this Part 6.

### 3.2 General meetings

- (a) The Company must hold an annual general meeting within six months of the end of each financial year (unless a longer period is permitted by applicable law), in addition to any other general meetings held in the year. The Board can call a general meeting at any time. The Board will decide the time and place for each annual general meeting. Two or more Shareholders may call a general meeting for the purpose of appointing Directors if there are no Directors serving.
- (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 clear days' written notice must be given unless applicable law requires a longer period of notice. If applicable law requires special notice to be given of a resolution, 28 clear days' written notice, or such shorter period as the applicable law permits, is required. The notice for any general meeting must contain prescribed information including on the ability to appoint a proxy, the procedures with which Shareholders must comply and the place, date and time of the meeting. The notice must specify a time by which a person must be entered on the register to have the right to attend or vote at the meeting and for the purpose of determining how many votes that person may cast. All Shareholders who are entitled to receive notice under the Articles, each Director and the Auditors must be given notice.
- (c) No business may be transacted at a general meeting unless a quorum is present save for the appointment of a chairman. The quorum is two persons present, each of whom is a Shareholder or a proxy for a Shareholder or a representative of a Shareholder that is a corporation. If within 15 minutes from the appointed time a quorum is not present or if during the meeting a quorum ceases to be present, the meeting will be dissolved and will stand adjourned to the day 10 clear days' later or the next day thereafter that is a working day. If at an adjourned meeting a quorum is not present within 15 minutes of the appointed time, the meeting will be dissolved.
- (d) Each Director may attend and speak at any general meeting.

### 3.3 Dividends

- (a) Subject to applicable law, the Company may, by Ordinary Resolution, declare dividends to be paid to Shareholders in accordance with their respective rights, but no dividend may exceed the amount recommended by the Board.
- (b) Subject to applicable law, the Board may from time to time resolve to pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits, and pay at suitable intervals to be decided by the Board any dividend expressed to be payable at a fixed rate if the Board is of the opinion that the Company's profits justify the payment.

- (c) Except as otherwise provided by the rights attached to shares (and no shares with differing rights are in issue), a dividend must be declared, apportioned and paid pro rata according to the amounts paid up on the shares in respect of which the dividend is paid (and all of the Ordinary Shares will be fully paid).
- (d) A resolution of the Company or Board to declare or pay a dividend may state that the dividend is payable to persons registered as Shareholders at the close of business on a particular date or at such other time as the Board may decide. Unless the resolution of the Company or Board specifies otherwise, a dividend must be paid by reference to a Shareholder's holding of shares on the date of resolution or decision to declare or pay it. In practice, the Company expects to comply with the London Stock Exchange's timetable for dividends, including the record dates included therein.
- (e) If in respect of a dividend on two consecutive occasions (or one occasion if reasonable enquiries have failed to establish a new address or account for the recipient) a cheque or warrant for the dividend is returned undelivered or left uncashed during the period for which it is valid, or the payment cannot be sent to an account, the Company is not obliged to send a dividend or other amount until the person entitled notifies the Company of an address or account. The Board may invest or otherwise use for the Company's benefit any unclaimed dividend until it is claimed. If 12 years have passed from the date on which a dividend became due for payment and the intended recipient has not claimed it, such recipient is no longer entitled to it.
- (f) The Board may, if authorised by an Ordinary Resolution of the Company, offer Shareholders (excluding in respect of treasury shares) the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all or part of any dividend specified by the Ordinary Resolution (a "**Scrip Dividend**") in accordance with the following provisions. The Ordinary Resolution may specify a particular dividend or may specify all or any dividends declared within a specified period, but such period may not end later than five years after the date of the meeting at which the Ordinary Resolution is passed. The Board must decide the basis of allotment so that the value of the shares to be allotted instead of any cash dividend is as near as possible to the cash amount (disregarding any tax credit) that the Shareholder elects not to receive by way of a cash dividend, but no greater than such cash amount.

For the purposes of the above the value of the further shares shall be calculated in such manner as the Board may decide.

The Board must notify the Shareholders of the rights of election offered to them in respect of the Scrip Dividend and must specify the procedure to be followed in order to make an election. The dividend or that part of it in respect of which an election for the Scrip Dividend is made shall not be paid and instead further shares shall be allotted in accordance with elections duly exercised and the Board shall capitalise a sum to the aggregate amount of the Shares to be allotted out of such sums available for the purpose as the Directors may consider appropriate. The further shares so allotted shall rank *pari passu* in all respects with the fully paid shares of the same class then in issue except as regards participation in the relevant dividend.

The Board may make such exclusions from a Scrip Dividend offer as it may decide as a result of any legal or practical problems under, or expense incurred in connection with the laws of or the requirements of any regulatory authority or stock exchange in any territory.

The Board may from time to time establish or vary a procedure for election mandates, under which a Shareholder may, in respect of any future dividends for which a right of election pursuant to this paragraph is offered, elect to receive Shares in lieu of such dividend on the terms of such mandate.

### 3.4 Substantial Shareholders

The Articles contain provisions relating to Substantial Shareholders. The Company will following Admission be a company to which Part 4 of the Finance Act 2006 applies (a REIT). Under the REIT Regime a tax charge may be levied on the Company if it makes a distribution to a company beneficially entitled (directly or indirectly) to 10 per cent. or more of the Ordinary Shares or dividends of the Company or which controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company. If, however, the Company has taken "reasonable steps" to prevent the possibility of such a distribution being made, then this tax charge may not arise. The Articles:

- (a) provide the Directors with powers to identify Substantial Shareholders (including giving notice to a Shareholder requiring him to provide such information as the Directors may require to establish whether or not he is a Substantial Shareholder;
- (b) provide the Directors with powers to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, if certain conditions are met;
- (c) allow dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Ordinary Shares;
- (d) seek to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in 3.4(c) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend; and
- (e) provide the Directors with powers if certain conditions are met, to require (1) a Substantial Shareholder; or (2) a Shareholder who has not complied with a notice served in accordance with the power referred to in 3.4(a); or (3) 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.

### 3.5 Return of capital

Each Ordinary Share ranks *pari passu* in respect of distributions of capital, including on a winding up. In the winding up of the Company (whether by voluntary liquidation or by the court) the liquidator may, with the authority of a Special Resolution and any other sanction required under applicable law, divide among the Shareholders (other than the Company in respect of treasury shares) in specie the whole or any part of the assets of the Company.

### 3.6 Continuation Vote

At the Company's fifth annual General Meeting, the Board is required to ensure that an Ordinary Resolution is put to Shareholders in respect of whether the Company should continue in its current form for a further two years. If such an Ordinary Resolution is not passed, the Directors must convene a General Meeting to be held within four months of the date on which the Ordinary Resolution was not passed, in order to consider proposals to wind up or otherwise reconstruct the Company. If the Ordinary Resolution is passed, the Directors must convene a General Meeting to be held at the end of the two year extension to consider proposals to wind up the Company.

### 3.7 Transfer of Shares

- (a) The Articles provide for shares to be held in a system for holding shares in uncertificated form (for example CREST) or for shares to be held in certificated form. The Board has not passed a resolution to permit the Ordinary Shares to be held in uncertificated form. The Ordinary Shares are freely transferable although they are subject to such of the restrictions in the Articles relating to Substantial Shareholders and certain other legislation as described below.
- (b) A transfer of a share in certificated form must be effected by means of a written instrument of transfer in any usual or common form or in any other form which the Board may approve. Such instrument must be signed by an individual or otherwise executed in accordance with applicable law by or on behalf of the transferor.
- (c) The transferor of a share is deemed to remain the holder of the share until the transferee's name is entered into the relevant share register in respect of the share.
- (d) The Board may refuse to register a transfer of a share held in certificated form unless the instrument of transfer: (i) is duly stamped and lodged at the Company's registered office, is accompanied by the relevant share certificate(s), the authority of a person executing the instrument to do so and such other evidence as the Board may reasonably require to show the transferor's right to make the transfer, and (ii) is in favour of not more than four transferees jointly. The Board may also, in its absolute discretion, refuse to register the transfer of a share held in certificated form which is not fully paid up or on which the Company has a lien, provided that the Board may not refuse to register the transfer if this would prevent dealings in the Company's shares from taking place on an open and proper basis.
- (e) The Board may, in its absolute discretion, refuse to register a transfer of any shares: (i) where it believes that such transfer may subject the Company and its advisers (or other persons responsible for the investment and operation of the Company's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the US Internal Revenue Code of 1986, as amended (the "US Tax Code") or related legislation, (ii) to an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (iii) to any person in circumstances where the holding of shares by such person would (1) give rise to an obligation on the Company to register as an "investment company" under the Investment Company Act (including because the holder of the Shares is not a "qualified purchaser" as defined in the Investment Company Act), (2) preclude the Company from relying on the exception to the definition of

“investment company” contained in Section 3(c)(7) of the Investment Company Act, (3) give rise to an obligation on the Company to register its Shares under the Exchange Act, the Securities Act or any similar legislation, (4) result in the Company not being considered a “Foreign Private Issuer” as that term is defined by Rule 3b-4(c) promulgated under the Exchange Act, (5) give rise to an obligation on the Investment Adviser to register as a commodity pool operator or commodity trading advisor under the US Commodity Exchange Act of 1974, as amended, (6) cause the Company to be a “controlled foreign corporation” for the purposes of the US Tax Code, or cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the US Tax Code), or (7) give rise to the Company or its advisers becoming subject to any US law or regulation determined to be detrimental to it.

- (f) Accordingly, each person acquiring shares (whether in certificated or uncertificated form) shall by virtue of such acquisition be deemed to have represented to the Company that they are not a person falling within the above categories (a “**Prohibited US Person**”). If any shares are owned directly or beneficially by a person believed to be a Prohibited US Person, the Board may give notice to such person requiring them either to provide the Board within 30 days of receipt with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Prohibited US Person, or to sell or transfer their shares to a person qualified to own the same within 30 days and within such 30 day period provide the Board with satisfactory evidence of such sale or transfer. If neither condition is satisfied within 30 days after serving of the notice, the person will forfeit their shares as further described in paragraph 3.15 of this Part 6.
- (g) As further described in paragraph 3.10 of this Part 6, failure to comply with a Section 793 Notice (as defined in that paragraph) may also entitle the Board to refuse a transfer.

### 3.8 Variation of rights

- (a) Subject to applicable law, the rights attached to a class of shares may (unless otherwise provided by the terms of issue of shares of that class) be varied with the written consent of the holders of not less than three-fourths 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 meeting of such holders. The Shareholders may not call, or require the Board to call, a meeting of holders of a class of shares. The quorum at any such 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 rights attached to a class of shares are not (unless otherwise expressly provided by the rights attached to those shares) deemed to be varied by the creation or issue of further shares ranking pari passu or subsequent to them but in no respect in priority to them.

### 3.9 Share capital and changes in capital

- (a) Subject to applicable law including the Act, and without prejudice to any rights attached to any existing shares or class of shares, a share may be issued with such rights or restrictions as the Company may by Ordinary Resolution decide or failing that decision, as the Board may decide. Subject to applicable law including the Act, the Company may issue redeemable shares at the option of the Company or the Shareholders and the Board may determine the terms, conditions and manner of redemption of any such shares. Notwithstanding this right, the Ordinary Shares are not redeemable.
- (b) Subject to the Act and the Listing Rules and to any rights conferred on the holders of any class of shares, there are no restrictions in the Articles on the purchase by the Company of all or any of its own shares of any class (including any redeemable shares).
- (c) Save in that Ordinary Shares may not be issued at a price less than their Net Asset Value without approval of Shareholders or a pre-emptive offer, the Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law.

### 3.10 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.
- (b) If a Shareholder or another person appearing to be interested in shares held by that Shareholder has been properly served with a notice under section 793 of the Act (a “**Section 793 Notice**”) and is in default at the end of the time specified in that notice by not supplying the information required or by supplying information which the person knows to be false in a material respect or having recklessly supplied information which is false in a material respect, the Board may in its absolute discretion at any time by notice to the Shareholder (a “**Direction Notice**”) direct that in respect of the relevant shares, from the later of the date of the Direction Notice and the date falling 14 days after service of the Section 793 Notice and ending on the date on which the Direction Notice ceases to have effect:
  - (i) the Shareholder may not attend or vote at any meeting of Shareholders;
  - (ii) if the relevant shares represent at least 0.25 per cent. of the nominal value of the shares of that class in issue (excluding treasury shares), the Company may retain any dividend or other amount that would otherwise be payable on the relevant shares without interest; and
  - (iii) subject to applicable law, no transfer of the shares may be registered except in limited circumstances.

Any new shares issued in right of any relevant shares in respect of which a Shareholder is in default will also be subject to the Direction Notice.



- (c) A Direction Notice ceases to have effect after a period specified by the Board (not exceeding seven days) following the earliest of (i) the date on which the Company has received all the information it requires pursuant to the Section 793 Notice (ii) the date on which the Company is notified that a permitted transfer of the shares to a third party has occurred, and (iii) any other date that the Board decides.
- (d) The Articles do not restrict in any way the provisions of section 793 or Part 22 of the Act.

### 3.11 **Non-UK Shareholders**

A Shareholder who has no registered address in the UK is not entitled to have a document or other information sent or supplied to him by the Company unless he has notified the Company of any address in the UK at which documents or information in hard copy form may be sent to him, or he has agreed with the Board a method of electronic communications.

### 3.12 **Untraced Shareholders**

The Company may sell, in such manner as the Board decides at the best price reasonably obtainable, a share if during a period of 12 years the Company has paid at least three dividends in respect of the share and during that period no dividend cheque or warrant for such Shareholder has been cashed, the Company has at the end of the 12 year period given notice of its intention to sell the share by advertisement in a national newspaper in the UK and in the area of the Shareholder's last known address, and during the 12 year period until three months after the publication of the advertisement the Company has not received any communication from the Shareholder. The net proceeds of sale must be carried to a separate account and treated as a permanent debt of the Company.

### 3.13 **Borrowing powers**

The Board may exercise all the Company's powers to borrow money on such terms as the Board decides and for any purpose to issue perpetual or redeemable debentures and other securities and to mortgage or charge all or part of the undertaking or property or uncalled capital of the Company. However, the Directors must restrict the Company's borrowings and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the Group's borrowings comply with applicable law and the Investment Policy.

Any amendments to these powers will require the approval of Shareholders as an amendment to the Articles and/or to the Investment Policy.

### 3.14 **Directors**

- (a) Unless and until otherwise determined by Ordinary Resolution of the Company, the Directors (not including alternate Directors) shall not be less than two in number. There is no maximum number of Directors. The Company may by Ordinary Resolution appoint a Director. The Board may appoint a Director, provided that any Director so appointed will hold office until the next annual general meeting and then be eligible for re-appointment.
- (b) At each annual general meeting, each Director who has been appointed by the Board since the last annual general meeting, was appointed or last re-appointed at

or before the annual general meeting held in the calendar year three years before the current year, or who is a non-executive Director and has held office with the Company for a continuous period of nine years or more, must retire from office, although they will be eligible for re-appointment.

- (c) A Shareholder who is qualified to attend and vote on a resolution to appoint a Director at a forthcoming general meeting may propose a person to be appointed as a Director provided that at least 14 days but not more than 42 days before the general meeting, the Company receives written notice from such Shareholder of their intention including the required particulars for the Company's register of directors and written confirmation of the person proposed confirming his willingness to be appointed as a Director.
- (d) Directors may be removed by Ordinary Resolution and may also cease to be a Director following certain events such as insolvency or if he is absent from meetings of the Board for six consecutive months, regardless of whether his alternate attends, and the Board resolves that his office therefore be vacated. A Director may also be removed from office by a notice signed by all of his co-Directors to his last known address.
- (e) The Directors are entitled to be paid a fee for their services, and the Board is entitled to decide on the amount of the fee and the manner and timing of its payment, provided that the total fees payable to the Directors may not exceed £100,000 in each year or such higher amount decided by the Company by Ordinary Resolution. The Board and a Director may agree that any fee payable may consist wholly or partly of payments by way of pension contributions to secure pension benefits. The Board may also decide to pay extra remuneration to a Director who serves on a committee, acts as chairman or deputy chairman, devotes special attention to the Company's business or who otherwise performs services which the Board decides are outside the scope of his ordinary duties. A Director may also be paid reasonably and properly incurred travelling, hotel and other expenses.
- (f) The quorum for meetings of the Board may be fixed by the Board but shall be no less than two Directors and/or alternates. The chairman will have a casting vote at meetings.
- (g) The Board may authorise, to the fullest extent permitted by law, any matter proposed to them which would otherwise result in a Director breaching his duty to avoid a situation in which a Director has, or can have, a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company and which can reasonably be regarded as likely to give rise to a conflict of interest, provided that the Director in question will not be allowed to vote on such matter or count in the quorum.

Subject to applicable law and provided that he has declared the nature and extent of his interest in accordance with procedures in the Articles, a Director may: (i) hold any other office or place of profit under the Company on such terms as the Board decides; (ii) act in a professional capacity for the Company other than as auditor on such terms as the Board decides; (iii) be a party to or otherwise directly or indirectly acquire interests in any other proposed or existing transaction or arrangement with or entered into by the Company, and (iv) be a director or other officer of, or

employee, or holder of any other place of profit under, or member of, or act in a professional capacity to a body corporate or firm which the Company controls or in which it is directly or indirectly interested.

The Articles require that a Director must declare the nature and extent of an interest where required by applicable law. A Director may not vote or count in the quorum in respect of a matter in which he has an interest that may be reasonably regarded as likely to give rise to a conflict of interest, save where the matter falls into certain specified categories including where the Director may be entitled to participate in a transaction as the holder of shares.

- (h) The Directors have full power to manage the Company's business and may delegate its powers in accordance with the Articles.
- (i) The Company is entitled to grant indemnities to and purchase insurance for the Directors.

### **3.15 Forfeiture of Shares**

- (a) The provisions in the Articles as to forfeiture of shares apply where:
  - (i) a Shareholder fails to pay all or part of a call or instalment of a call in respect of its shares on or before the due date for payment, the Board requires payment by notice and such notice is not complied with;
  - (ii) a Shareholder fails to comply with a notice given to it in respect of shares that are or may be held by a Prohibited US Person as described in paragraph 3.7(f) above); and/or
  - (iii) a Shareholder fails to furnish information, representations, certifications, waivers or forms as required for FATCA as further described in paragraph 3.16 below.
- (b) If a share is forfeited, the Board must give notice of the forfeiture to the registered holder prior to the forfeit or the person entitled by transmission to such share, the forfeited share becomes the Company's property, and for a period of three years starting the day before the day of forfeiture, the Company is entitled to sell, re-allot or otherwise dispose of the share on such terms and in such manner as the Board decides. A forfeiture may be cancelled on such terms as the Board decides. If after the period of three years the share has not been sold, re-allotted or otherwise disposed, the Board must cancel the share and comply with the Act.
- (c) A person whose share has been forfeited ceases to be a member of the Company and all interest in and all claims and demands against the Company in respect of the share are extinguished save as provided by applicable law.

### **3.16 FATCA**

- (a) The Board has full power and authority to take such steps as are necessary or desirable in its reasonable opinion as regards compliance with FATCA, including conducting diligence on the nationality or tax residence of Shareholders or any persons for whom they hold shares, withholding or deducting any tax required to be withheld or deducted from amounts paid to Shareholders, and providing

information about the Company's accounts and the Shareholders to taxation authorities.

- (b) The Company is entitled to disclose information about the Company and Shareholders to governmental and taxation authorities to the extent the Board reasonably believes such authorities require such disclosure or to the extent the disclosure is reasonably necessary for the Company or its advisers to comply with its obligations in respect of tax, or to obtain exemptions, reductions or refunds of withholding or other taxes.
- (c) If a Shareholder fails to furnish such information, representations, certifications, waivers or forms as the Company requires in accordance with the Articles and the Board, acting reasonably, determines that other actions would be insufficient to protect the Company or any other entity in which the Company invests against the consequences of such failure, the Board may require the Shareholder's shares to be forfeited.

#### **Miscellaneous**

- 3.17 The Company may communicate electronically (including notices of meetings) with its Shareholders in accordance with the provisions of the Act and subject to obtaining consents from Shareholders to electronic or website communications (and subject to such consents not being revoked).
- 3.18 The provisions of section 561 of the Act (which confer on shareholders rights of pre-emption) will apply to the extent not dis-applied by a Special Resolution of the Company. In addition, the Directors may not allot shares except to the extent authorised by an Ordinary Resolution pursuant to section 551 of the Act.
- 3.19 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.
- 3.20 Save as set out in this Part 6, there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.
- 3.21 There are no conversion rights attached to any of the shares in the Company pursuant to the Articles or otherwise.

**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 14 below.**

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

- 4.1 The business address of each Director is the Company's registered office, 45 Albemarle Street, London W1S 4JL.

- 4.2 The Directors dates of birth and ages as at the date of this Listing Document are as follows:

| <i>Name</i>    | <i>Date of Birth</i> | <i>Age</i> |
|----------------|----------------------|------------|
| Nicholas Lyons | 20 December 1958     | 55         |
| Karl Sternberg | 7 June 1969          | 45         |
| Toby Dean      | 14 March 1972        | 42         |

- 4.3 The Articles limit the aggregate remuneration to be paid to Directors by the Company to £100,000 in each year or such higher amount as is approved by an Ordinary Resolution. The expected aggregate remuneration to be paid to Directors in respect of the first financial period of the Company comprises £25,000 payable to Nicholas Lyons (his annual fee) and £15,000 payable to Karl Sternberg (his annual fee). No fee is payable to Toby Dean.
- 4.4 Each of the Directors is engaged under a letter of appointment with the Company and does not have a service contract with the Company. Nicholas Lyons was appointed on 23 June 2014 and his current letter of appointment is dated 26 November 2014. Karl Sternberg and Toby Dean were appointed on 26 November 2014. Toby Dean's letter of appointment is dated 26 November 2014 and Karl Sternberg's current letter of appointment is dated on or around the date of this document. Each Director's appointment under their respective letter of appointment is terminable by either party (the Company or the Director) giving three months' written notice (or immediately, in certain circumstances) and no compensation or benefits are payable upon termination of office as a director of the Company becoming effective.
- 4.5 The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits and so no amount has been set aside for any of these items. 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.
- 4.6 Toby Dean is also a director and shareholder (directly or indirectly) of the Company's Property Manager, Clipstone Land, and of Clipstone Capital. Karl Sternberg has an unpaid role with the Initial Seed Investors, as disclosed in paragraph 4.8. Otherwise, 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.
- 4.7 No loan or guarantee has been granted or provided by any member of the Company for the benefit of any Director.
- 4.8 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected. Karl Sternberg is a fellow of the Initial Seed Investors and a member of the governing body of one of them; however the Initial Seed Investors have no contractual right to nominate or appoint a Director.

- 4.9 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.
- 4.10 Insofar as is known to each Director (having made all reasonable enquiries), the Directors and their associates have no interests in the shares of the Company save as set out in paragraph 4.11.
- 4.11 The Directors do not have any options over Ordinary Shares. The Directors have confirmed that they intend to subscribe in the Placing for the following number of Ordinary Shares (save that all or some of Toby Dean's Ordinary Shares will be issued as Consideration Shares):

| <i>Director</i> | <i>Number of Ordinary Shares</i>         | <i>Percentage of issued Ordinary Shares following Admission<sup>7</sup></i> |
|-----------------|--|---|
| Nicholas Lyons  | 0  | 0   |
| Karl Sternberg  | 240,000                                  | 0.32%   |
| Toby Dean       | 837,928 (including Consideration Shares) | 1.12%   |

In addition, certain of Toby Dean's associates will subscribe for Ordinary Shares in the Issue. Toby Dean's wife will receive 123,173 Consideration Shares, and following the Issue Clipstone Land is expected to hold, via the Placing, Consideration Shares and in respect of its current holding, 1,909,400 Ordinary Shares. Toby Dean and his children own 25.52% per cent. of West Norfolk Tomatoes Limited, which is expected to hold 1,319,384 Ordinary Shares following the Issue.

- 4.12 Details of those companies (other than the Company and its subsidiaries) and partnerships of which the Directors have been directors or partners at any time within the five years ending on 10 December 2014 (being the latest practicable date prior to the publication of this Listing Document) are as follows:

#### **Nicholas Lyons**

| <i>Current directorships and partnerships</i> | <i>Past directorships and partnerships</i> |
|---|--|
| Catlin Group Limited                          | Friends Life FPG Limited                   |
| Dawson Investments (UK) Limited               | Miller Insurance Investments Limited       |
| Dawson Trustees Limited                       | Quayle Munro Holdings Limited              |
| Friends Life Group Limited                    |  |
| Friends Life Holdings plc                     |  |

<sup>7</sup> The percentages shown in this table are calculated on the assumption that the maximum size of the Issue is reached, being a total of 75 million Ordinary Shares.

Future Fuels No. 1 LLP  
 Longbow Capital LLP  
 Miller 2012 Limited  
 Miller Insurance Holdings Limited  
 Miller Insurance Services LLP  
 Samarkand Film Partnership  
 The Krypton Partnership

### **Karl Sternberg**

#### *Current directorships and partnerships*

Friends Life Group Limited  
 Friends Life Holdings plc  
 Island House Investments LLP  
 JP Morgan Income and Growth Investment Trust plc  
 Lowland Investment Company plc  
 The Monks Investment Trust Public Limited Company  
 Railway Pension Investments Limited

#### *Past directorships and partnerships*

Friends Life FPG Limited  
 OIP (Scotland) Limited  
 OXIP Limited  
 Towers Watson Investment Management Limited  
 Whitbread Pension Trustee Directors Company Limited  
 Whitbread Pension Trustees

### **Toby Dean**

#### *Current directorships and partnerships*

Clipstone 7 Limited  
 Clipstone Capital Limited  
 Clipstone Feeder Limited  
 Clipstone GP Limited  
 Clipstone Huntingdon Limited  
 Clipstone Industrials 2 LLP  
 Clipstone Industrials 3 LLP

#### *Past directorships and partnerships*

Clipstone Harlow Limited  
 Clipstone Industrials LLP  
 Crayross Property Limited

Clipstone Industrials V LLP

Clipstone Interlink Limited

Clipstone IX Limited

Clipstone Land Limited

Clipstone Maxx Limited

Clipstone Meir Park Limited

Clipstone Ventures Limited

KC Service Charge Limited

Kembrey Industrial Management Company  
Limited

Nest Egg Limited

West Norfolk Tomatoes Limited

Wonham Properties Limited

4.13 As at the date of this Listing Document none of the Directors:

- (a) save as listed in paragraph 4.12, 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 Listing Document;
- (b) has had any convictions in relation to fraudulent offences for the five years preceding the date of this Listing Document;
- (c) save as noted in paragraph 4.14, 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 4.12 above for the five years preceding the date of this Listing 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.

4.14 One of Karl Sternberg's past directorships, OXIP Limited, was dissolved on 9 October 2013 pursuant to a members' voluntary liquidation. Nest Egg Limited, one of Toby Dean's current directorships, is currently in members' voluntary liquidation. Clipstone Harlow Limited was dissolved on 9 July 2014 pursuant to a members' voluntary liquidation, and until its dissolution Toby Dean was a director.

4.15 Save as detailed elsewhere of this Part 6, as at the date of this Listing Document, there are no potential conflicts of interest between any duties of the Directors to the Company



and their private interests and/or other duties. There are no family relationships between the Directors.

- 4.16 From the date of the Company's incorporation, 19 May 2014, until 23 June 2014, the directors of the Company were Toby Dean and Bill Arnold. From 23 June 2014 until 26 November 2014, the directors of the Company were Nicholas Lyons, Philip Holland and Andrew Hynard. Save for Nicholas Lyons and Karl Sternberg as described above, none of them has received or is entitled to receive any remuneration in their capacity as such. No amounts have been set aside or accrued by the Group to provide pensions, retirement or similar benefits. No service contracts were entered into by the Company in respect of their appointments although letters of appointment were entered into with Philip Holland and Andrew Hynard.

## 5. **Related party transactions**

Save for the AIFM Agreement, the Property Management Agreement and the Acquisition Agreements (each of which is described in paragraph 7 of this Part 6) 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 19 May 2014.

## 6. **Substantial Share Interests**

- 6.1 As at the date of this Listing Document, Clipstone Land holds 100 per cent. of the Company's issued share capital.
- 6.2 If the Issue were to proceed based on its minimum size of £32 million, inssofar as is known to the Company following Admission the following will be directly or indirectly interested in 10 per cent. of more of the Company's issued share capital:

| <i>Name</i>   | <i>Number of Ordinary Shares held</i> | <i>Percentage of issued share capital based on minimum raise</i> |
|---|---------------------------------------|--|
| The Dean and Chapter of the Cathedral Church of Christ in Oxford of the Foundation of King Henry the Eighth | 10,000,000                            | 31.25  |

## 7. **Material contracts**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which as at the date of this Listing Document have been entered into by the Company or any member of its Group, and which are, or may be, material to the Company and/or the Group (thus excluding any contracts which have been entered into by the Group but which were terminated before the date of this Listing Document and under which the Group has no further obligations):

## 7.1 Acquisition Agreements

The Group entered into the Acquisition Agreements on 15 December 2014, pursuant to which the Group has conditionally agreed to acquire, directly or indirectly, the Initial Property Portfolio, further information on which is set out in Part 5 of this Listing Document. The Acquisition Agreements are conditional, *inter alia*, upon Admission.

Upon the Acquisition becoming unconditional and being completed, the Initial Property Portfolio Investors will be allotted and issued with approximately 21 million Consideration Shares. The consideration payable by the Group will also include a total of approximately £10.4 million payable in cash (the Cash Consideration). In total the consideration will be approximately £32 million.

The Existing Debt Arrangements, constituting approximately £32.59 million in aggregate drawn under facilities with Santander, The Co-Operative Bank plc and Barclays Bank plc as at 10 December 2014, will remain in place following the Acquisition but are expected to be refinanced shortly afterwards.

The Initial Property Portfolio Investors will not provide any warranties or indemnities in respect of the Initial Property Portfolio Holders or the title or condition of the Initial Property Portfolio.

## 7.2 AIFM Agreement

The Company has entered into the AIFM Agreement dated 28 November 2014 with Gallium and Clipstone Capital. Under the AIFM Agreement, Gallium will act as the Company's AIFM and provide such services that are required to be carried out by an AIFM pursuant to the AIFMD. Clipstone Capital has applied for, but has not received as at the date of this Listing Document, authorisation by the FCA to carry on certain regulated activities under FSMA, including acting as an AIFM. Once Clipstone Capital is authorised by the FCA to provide these services, under the terms of the AIFM Agreement it may (but is not obliged to) replace Gallium and act as the Company's AIFM itself. If Clipstone Capital does so, Gallium will provide compliance oversight services to Clipstone Capital.

None of the AIFM or its directors, officers or employees will be liable for any losses, and they will be entitled to be indemnified by the Company, save in respect of the AIFM's fraud, negligence, wilful misconduct, bad faith or disregard. The AIFM will indemnify the Company in respect of the AIFM's fraud, negligence, wilful misconduct, bad faith or disregard, and in respect of its breach of the AIFM Agreement or applicable law, except for any matter resulting from the Company's fraud, negligence, wilful misconduct, bad faith or disregard or breach of its obligations or duties.

The AIFM Agreement has an initial term of 15 months from Admission after which it can be terminated on three months' notice. It may also be terminated early in certain circumstances, such as where the AIFM ceases to be authorised or (where Clipstone Capital is the AIFM) if the Property Management Agreement is terminated.

The Company is required to pay an annual fee to Gallium, calculated based on the Company's Adjusted Gross Asset Value and payable monthly as follows:

- (a) if at the end of the relevant month the Adjusted Gross Asset Value does not exceed £75 million: one twelfth of £45,000;

- (b) if at the end of the relevant month the Adjusted Gross Asset Value exceeds £75 million but is less than or equal to £100 million: one twelfth of £55,000;
- (c) if at the end of the relevant month the Adjusted Gross Asset Value exceeds £100 million but is less than or equal to £125 million: one twelfth of £60,000; and
- (d) if at the end of the relevant month the Adjusted Gross Asset Value exceeds £125 million, one twelfth of £65,000.

If Clipstone Capital exercises its right to replace Gallium as AIFM, it will charge an annual fee of £20,000 (regardless of the Adjusted Gross Asset Value) instead of the Gallium fees described above.

In addition, the Company must reimburse all third party costs and expenses (other than input tax for value added tax purposes) reasonably and properly incurred by the AIFM (following agreement with the Company) pursuant to carrying out its duties.

The fees and expenses referred to above are exclusive of VAT, where applicable.

### 7.3 **Property Management Agreement**

The Company has also appointed Clipstone Land as property manager for the Company pursuant to the Property Management Agreement between the Company, Clipstone Land, Clipstone Capital and Gallium dated 15 December 2014. The members of the Company's Group will adhere to the Property Management Agreement following Admission. Clipstone Land has agreed to provide property management services and advice, subject to the overall control and supervision of the AIFM and the Directors (and, once the Group adheres to the agreement, the directors of the Company's subsidiaries). The services include advising the Company in respect of the Investment Portfolio, locating, evaluating, negotiating and executing investment opportunities for the Group in accordance with instructions on implementation of the Investment Policy from the Board and the AIFM, and reviewing and monitoring the Investment Portfolio.

The Property Management Agreement may be terminated by the Company, or the Property Manager giving to the other one year's written notice of termination at any time after four years from the date of Admission, save that if Admission has not occurred by 31 March 2015 (or such other date as may be agreed between the parties), the Property Management Agreement shall expire and have no further effect.

Notwithstanding the initial term, the Property Management Agreement may also be terminated with immediate effect earlier in certain circumstances, including a material unremedied breach by another party resulting in a material adverse effect to the other or (by notice from the Property Manager) if the Company's Ordinary Shares cease to be listed on the Official List or in the event of the Company's insolvency (or an analogous event). The Company may terminate the Property Management Agreement with immediate effect by giving written notice to the Property Manager in the event of a court or regulatory finding of fraud, wilful default, gross negligence, material breach of securities laws or dishonesty conviction in relation to the Property Manager, or in the event of insolvency (or analogous event) in relation to the Property Manager

The Company may also terminate the Property Management Agreement by giving six months' written notice at any time to the Property Manager if Toby Dean or Marc Cowley ceases to be employed full-time by Clipstone Land, or if, in the reasonable opinion of the

Company, a material number of people that are employed by the Property Manager's group that enable the Property Manager to provide the services contemplated by the agreement cease to be employed by the Property Manager's group, and such employees have not been replaced (before the end of the six month notice period referred to above) by suitably qualified other staff who will enable the Property Manager to provide the services in a manner comparable to that in which the services were provided previously. The Board's approval (not to be unreasonably withheld) is required for replacements of Toby Dean or Marc Cowley.

The Property Management Agreement also provides that the Company indemnifies the Property Manager, and any member of its group assisting in relation to the services, and its or their officers, directors, employees and agents in respect of losses of any nature arising in connection with the agreement other than those resulting from the fraud, negligence or wilful default of or material breach of the agreement by the person claiming the indemnity. The same people and entities shall not be liable for any losses suffered by the Company, any Group member or by any Shareholder, except for losses resulting from the fraud, negligence or wilful default of or material breach of the agreement by the relevant person.

Under the Property Management Agreement, the Company will be entitled to a right of first look over all investment opportunities of which the Property Manager is entitled to offer its clients that fall within the Investment Policy and which have an acquisition cost in excess of £10 million.

The annual Management Fee is paid quarterly in arrears and equal to the sum of 1.25 per cent. per annum of the Net Asset Value of the Group.

Following the direct or indirect sale of all of the Group's Portfolio Interests (including the sale of the Company or its subsidiaries), the Property Manager will be entitled to be paid its Performance Fee. The Performance Fee equals 20 per cent. of any balance of net sale proceeds and other cash that would remain after the total distributions to Shareholders over the Company's life equal (a) the aggregate Issue Price of the Ordinary Shares in issue and (b) a return of 9 per cent. per annum, without compounding, on the amount in (a). If the Property Manager is removed without cause or terminates the agreement for fault by the Company, a valuation of the Investment Portfolio will be carried out. The Property Manager will be entitled to compensation equal to the Performance Fee it would receive were the Portfolio Interests sold at that value. However, such Performance Fee will not be due until the earlier of seven years from the date of termination and the sale of the all of the Portfolio Interests. If the Property Manager is removed for cause or resigns before the sale of all of the Portfolio Interests, it will not be entitled to any Performance Fee.

The above is exclusive of VAT which if applicable will be payable by the Company in addition to the Management Fee and the Performance Fee.

#### **7.4 Depositary Agreement**

On 28 November 2014, the Company, Gallium (as AIFM), Clipstone Capital and the Depositary entered into a depositary agreement pursuant to which the Depositary will be responsible for ensuring the Company's cash flows are properly monitored, the safekeeping of certain property entrusted to it by the Company (including maintaining an assets register) and the oversight and supervision of the Company and the AIFM.

The Company has agreed to pay the Depositary an ongoing depositary fee for its services of £40,000 per annum. This fee is exclusive of VAT and will increase annually in line with the Consumer Prices Index. The Company will also bear transaction charges, expenses and costs as agreed between the Depositary and the AIFM.

The agreement contains customary representations, warranties and undertakings from the Company and the AIFM in favour of the Depositary and warranties from the Depositary. The agreement also contains an indemnity from the Company in favour of the Depositary against, *inter alia*, any liability or loss suffered or incurred by the Depositary (and its officers, agents and employees etc.) in the proper exercise or execution reasonably and in good faith of its duties under the agreement save where the Depositary has failed to exercise due care and diligence or the loss arises from fraud, negligence, bad faith, wilful default or a breach of the agreement by the Depositary. The Depositary has also agreed to indemnify the Company for claims resulting from similar circumstances. The agreement may be terminated by the Depositary, the Company and/or the AIFM by giving not less than three months' written notice (which where notice is being served by the Company or the AIFM, is subject to a two year initial term).

The Depositary may delegate its responsibilities to any person on such terms as it thinks fit, provided that it may only delegate certain services, it shall remain liable for such delegate, any delegation shall be in accordance with the FUND sourcebook of the FCA Handbook, and certain other conditions. The Depositary may not delegate performance of any of the Services to the AIFM.

## 7.5 Facility Term Sheets

The Company intends to refinance the Existing Debt Arrangements in respect of the Initial Property Portfolio after Admission. The Company has received term sheets from two banks, Barclays Bank plc and Aareal Bank AG. The key terms of the proposed new Facility Agreement (which may be entered into with one of Barclays Bank or Aareal or another lender of international standing) are set out below. However, these terms are subject to change in the eventual Facility Agreement.

|                          |   |
|--------------------------|---|
| Amount of Loan           | Up to 55% loan-to-value   |
| LTV Covenant             | 70%   |
| Margin                   | Approximately 1.7% over LIBOR   |
| Term                     | 5 years   |
| Arrangement Fee          | 0.75%   |
| Interest Rate Protection | 70% of the debt will be subject to an interest cap which will cap LIBOR at approximately 3% |

Early repayment fees of up to 2 per cent. will apply. A commitment fee will also be payable.

The Group will grant a first legal charge over the Initial Property Portfolio as security for the facility and other security.

The Company will give standard representations, warranties and covenants to and the term sheets contain events of default and conditions precedent to funding which are normal for a transaction of this type.

## **7.6 Sponsor Agreement**

The Sponsor has been appointed as the Exchange listing sponsor of the Company pursuant to the Sponsor Agreement between the Company and the Sponsor.

The Sponsor was incorporated in Jersey on 14 October 1999 with registered number 75332 with limited liability under the Companies (Jersey) Law 1991, as amended and is a listing member of the Exchange.

The Sponsor has been appointed to provide guidance and advice in respect of preparing the application to list the Company's Ordinary Shares on the Exchange, to assist in ensuring that the Company has satisfied all relevant conditions for listing of the Ordinary Shares and that the Directors understand the nature of their responsibilities and intend to honour their obligations under the Listing Rules and to communicate with the Exchange on all matters arising in connection with the continuing obligations of the Company. The liability of the Sponsor to the Company is limited and the Company indemnifies the Sponsor in relation to its role, except to the extent of the fraud or wilful default of the Sponsor.

The Sponsor Agreement may be terminated, including by either party by sixty days' notice or immediately upon the occurrence of certain events (including the insolvency of the Company, the Ordinary Shares being suspended from dealing on the Exchange, or a party committing a material breach of the Sponsor Agreement which has not been remedied).

## **8. Financial information, working capital, indebtedness and significant change**

- 8.1 Grant Thornton UK LLP, 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. Its address is stated on page 5. The terms under which it has been appointed are the Auditors' standard terms for a public limited company listed on the Exchange. The annual report and accounts of the Company will be prepared in pounds Sterling and in accordance with UK GAAP.
- 8.2 The Company's accounting period will end on 30 June of each year, with the first period ending on 30 June 2015.
- 8.3 The Company has not commenced operations since its incorporation on 19 May 2014 and no financial statements of the Company have been issued as at the date of this Listing Document. Accordingly it has no operating or financial history. Its only assets are its issued share capital, and the Net Asset Value as at 10 December 2014 (the latest practicable date before the date of this Listing Document) is therefore £50,000, or £1 per Ordinary Share.
- 8.4 The Directors are 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 Listing Document.

- 8.5 As at the date of this Listing Document and save as disclosed in this Listing Document (including pursuant to the Existing Debt Arrangements), the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness.
- 8.6 As at the date of this Listing Document, there has been no significant change in the trading or financial position of the Group since the incorporation of the Company. The Group 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.
- 8.7 Immediately following Admission, the Company's gross assets will increase by an amount equal to the gross proceeds of the Issue (assuming the maximum size of the Issue is reached, being approximately £75 million), less an amount representing the Issue Costs borne by the Company plus the acquisition costs of the Initial Property Portfolio. It is not possible to quantify the effect of the Issue on the Company's earnings except that they should increase.

## 9. **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 19 May 2014 which may have, or have had in the recent past, a significant effect on the Company or the Group's financial position or profitability.

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

### 10.1 **Mandatory bids**

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 or with a cash alternative at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

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 in this manner. 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.

Following Admission, the Concert Party will itself hold up to 46.07 per cent. (Christ Church - 31.25 per cent., St Catherine's - 4.69 per cent., Brasenose – 9.38 per cent., and Karl Sternberg - 0.75 per cent.) of the voting rights attached to the issued share capital of the

Company. Prospective investors should be aware that any person (together with any persons acting in concert with it) who has an interest in Ordinary Shares carrying not less than 30 per cent. of the Company's voting rights but who does not hold Ordinary Shares carrying more than 50 per cent. of such voting rights and who acquires an interest in any other Ordinary Shares which increases the percentage of the Ordinary Shares carrying voting rights in which the person has an interest must, pursuant to Rule 9.1 of the City Code, make a general offer for the Ordinary Shares in the Company.

While the Company does not intend to commence a buy back programme, any buy back which results in an increase in the percentage of voting Ordinary Shares held by Christ Church, or an increase in the aggregate percentage of voting Ordinary Shares held by the Concert Party, will need to be approved by a vote of independent Shareholders to avoid Christ Church or another member of the Concert Party being required to make a mandatory offer for the Company. The Company expects to propose such a "whitewash" resolution at any future annual general meeting where it is also seeking approval for a buyback.

#### 10.2 **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.

#### 10.3 **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.

#### 10.4 **Takeover bids**

As at 10 December 2014 (being the latest practicable date prior to the date of this Listing Document), there have been no public takeover bids by third parties in respect of the Company's share capital since incorporation.

### 11. **AIFM Directive Disclosures**

- 11.1 The Company will be categorised as an EEA AIF for the purposes of the AIFM Directive and its AIFM will be an EEA AIFM. Accordingly, the Company's AIFM is required to make



certain disclosures to prospective investors prior to their investment in the Company, in accordance with Article 23 of the AIFM Directive and FUND 3.2.2 and 3.2.3 of the FCA Handbook. An explanation of where each of these disclosures may be found in this Listing Document (or of the non-applicability to the Company of certain of these disclosures) is set out in this paragraph 11. References to “FUND” are to the FUND sourcebook of the FCA Handbook.

- 11.2 Part 1 of this Listing Document contains a description of the investment strategy and objectives of the Company, the types of assets in which the Company may invest, the techniques it may employ, any applicable investment restrictions and the procedures by which the Company may change its investment strategy or the Investment Policy.
- 11.3 Part 1 of this Listing Document also contains a description of the circumstances in which the Group may use leverage, the types and sources of leverage permitted, restrictions on the use of leverage and the maximum level of leverage which the Group is permitted to employ. In view of the nature of the Company’s underlying investments, such investments are not capable of being lent out or otherwise rehypothecated, so there are no collateral or reuse arrangements in place in respect of the Company’s Investment Portfolio.
- 11.4 The key risks associated with the investment strategy, objectives and techniques of the Company and with the use of leverage by the Group are contained in the section of this Listing Document entitled “Risk Factors”.
- 11.5 The Company is not a fund of funds and so there is no master AIF for the purposes of the AIFM Directive, nor will there be any underlying funds.
- 11.6 A description of the main legal implications of the contractual relationship entered into for the purpose of investment in the Company, including information on jurisdiction and applicable law, is contained in Part 9 (Terms and Conditions of the Placing). In particular, the Issue is governed by English law and subject to the jurisdiction of English courts, the same law and jurisdiction under which the Company is established. More generally, a foreign judgment obtained in an EU member state may be recognised and enforced in England pursuant to Council Regulation (EC) 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the “**Brussels Regulation**”). A judgment which has been certified as a European Enforcement Order pursuant to Regulation (EC) 805/2004 may also be recognised and enforced in England.
- 11.7 Details of the identities of the Company’s AIFM, Depositary, Auditors and other service providers to the Company, their duties to the Company and investors’ rights (exercised through the Company) are contained in Part 3 and in paragraph 8.1 of this Part 6. In particular, the Company has entered into agreements with its service providers that allow termination of the appointment in defined circumstances and which regulate the standard of care and extent of liability of those service providers.
- 11.8 The AIFM will cover professional liability risks by way of professional indemnity insurance.
- 11.9 Each of the AIFM and the Depositary will be responsible for their own work; there will be no delegation of AIFM management functions or safekeeping functions, as applicable, for the purposes of FUND 3.2.2R(6).

- 11.10 A description of the Company's valuation procedures and of the pricing methodology for valuing assets, which includes the methods that will be used in valuing hard-to-value assets, is contained in Part 3 of this Listing Document.
- 11.11 The Company is a closed-ended investment company and there are therefore no redemption rights. However, the Ordinary Shares are to be listed on the Official List, and the Ordinary Shares will be freely transferable. Details of how transfers may be effected are set out in Part 4. The AIFM will monitor liquidity risk of the Company's portfolio in accordance with the AIFM Rules.
- 11.12 A description of all fees, charges and expenses and of the maximum amounts thereof (to the extent that this can be assessed) which are borne by the Company and thus indirectly by investors is contained in Part 3 and this Part 6 of the Listing Document. There are no expenses charged directly to investors by the Company.
- 11.13 As its Ordinary Shares are to be admitted to the Official List, the Company will be required to comply with, *inter alia*, the relevant provisions of the Listing Rules, which operate to ensure a fair treatment of investors. The Initial Seed Investors will, in consideration for their commitment to the Company, receive a partial rebate of the Management Fee and the right to receive a further rebate if one is agreed with any other Shareholder. The powers of the Investor Representative (as set out in Part 3) are also confirmed in a side letter with the Initial Seed Investors. Otherwise, no investor has obtained preferential treatment or the right to obtain preferential treatment.
- 11.14 Since the Company was incorporated on 19 May 2014 and has not yet commenced operations, no financial statements have been published by the Company. No historical performance is available as the Company has no operating history. An initial Net Asset Value is stated at paragraph 8.3.
- 11.15 The procedure and conditions for the issue and sale of Ordinary Shares is contained in Parts 4 and 9 of this Listing Document and in the Subscription Form.
- 11.16 The Company has not engaged the services of any prime broker.
- 11.17 The Depositary Agreement prohibits the transfer or reuse by the Depositary of the Company's assets without the AIFM's express prior consent.
- 11.18 While the Depositary Agreement permits the Depositary to discharge its liability under Article 21(13) and (14) of the AIFMD and Article 32 of the AIFM Regulations, it has not made any arrangements to do so. If there are any changes to the liability of the Depositary, the AIFM will inform investors.
- 11.19 The information required under paragraphs 4 and 5 of Article 23 of the AIFM Directive and FUND 3.2.5 and FUND 3.2.6 will be disclosed to investors in the Company's annual report.
- 11.20 If there are any material changes to any of the information referred to in this paragraph 11, such changes will be notified in the Company's annual report, in accordance with Article 23 of the AIFM Directive and FUND 3.2.2.

**12. Consents**

The Valuer has given and not withdrawn its written consent to the issue of this Listing Document and the inclusion herein of its name and the references to it in the form and context in which they appear.

**13. Third Party Information**

Where information in this Listing 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.

**14. Documents available for inspection**

Copies of the following documents are available for inspection during Business Hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Sponsor's office at 47 Esplanade, St Helier, Jersey JE1 0BD and at the Company's registered office, free of charge, for 14 days from the date of this Listing Document:

- (a) the Company's memorandum of association and Articles;
- (b) the Section 593 Valuation;
- (c) the Valuation Report;
- (d) this Listing Document; and
- (e) the material contracts listed in paragraph 7 of this Part 6.

## **PART 7: 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 HMRC published practice as at the date of this Listing 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 7) 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:
- (a) 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;
  - (b) Corporate 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;
  - (c) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies;
  - (d) Shareholders who hold Ordinary Shares as part of hedging or commercial transactions;
  - (e) 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);
  - (f) Shareholders who hold Ordinary Shares acquired by reason of their employment;
  - (g) Shareholders who hold Ordinary Shares in a personal equity plan or an individual savings account; or
  - (h) Shareholders who are not resident in the UK for tax purposes (save where express reference is made to non-UK resident Shareholders).

### **2. UK Taxation of PIDs**

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

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in Part 3 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of the CTA 2010 applies,

treated as a separate UK property business. Income from any other UK property business (a “**different UK property business**”) carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder's different UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder's UK property business. A Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate taxpayers will be subject to tax at 40 per cent. and additional rate taxpayers at 45 per cent. No dividend tax credit will be available in respect of PIDs. However, credit will be available in respect of the basic rate tax withheld by the Company (where required) on the PID.

Please see also paragraph 3 (“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 21 per cent. (due to reduce to 20 per cent. from 1 April 2015).

Please see also paragraph 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 paragraph 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 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 before paying any PID to such Shareholder. 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 company secretary). Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

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

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

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

An individual Shareholder who is resident in the UK (for tax purposes) and who receives a Non-PID Dividend from the Company will generally be entitled to a tax credit which such Shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to 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.

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.

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

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

#### **4.3 *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.

#### **4.4 *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 21 per cent. (due to reduce 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.

- 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 in money or money's worth. 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 8: THE REIT REGIME

### 1. The UK REIT Regime

- 1.1 The summary of the UK REIT Regime below is intended to be a general guide only and constitutes a high-level summary of the Company's understanding of certain aspects of current UK law and HMRC practice relating to the UK REIT Regime, each of which is subject to change, possibly with retrospective effect. It is not an exhaustive summary of all applicable legislation in relation to the REIT Regime. The UK REIT Regime was introduced by the UK Finance Act 2006 and subsequently re-written into Part 12 of the CTA 2010.
- 1.2 Investing in property through a UK taxable corporate investment vehicle has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder may effectively bear tax twice on the same income: first, indirectly, when the corporate investment vehicle pays direct tax on its profits, and secondly, directly (subject to any available exemption or with the benefit of a tax credit) when the shareholder receives a dividend. UK non-tax paying entities, such as UK pension funds, bear tax indirectly when investing through a taxable closed-ended corporate vehicle that is not a REIT, which they would not suffer if they were to invest directly in the property assets.
- 1.3 As part of a group UK REIT, UK resident REIT Group members would no longer pay UK direct taxes on income and capital gains from their Qualifying Property Rental Businesses in the UK and elsewhere (and non-UK resident REIT Group members with a UK Qualifying Property Rental Business would no longer pay UK direct taxes on income from their UK Qualifying Property Rental Businesses), provided that certain conditions are satisfied. Instead, distributions in respect of the tax-exempt Qualifying Property Rental Businesses will be treated for UK tax purposes as UK property income in the hands of shareholders. Part 7 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 7 contains further detail on the UK tax treatment of shareholders in a REIT.

- 1.7 In this Listing 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.

Although applications are being made for the Company's Ordinary Shares to be admitted to the Official List of the Exchange, the company is regarded as resident in the UK for tax purposes by virtue of being incorporated in the UK.

### 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 per cent. rule (as described below) will be treated as having been paid.

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

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

The Real Estate Investment Trust (Amendments to the Corporation Tax Act 2010 and Consequential Amendments) Regulations 2014 were also laid before Parliament on 7 March 2014 and came into force on 1 April 2014. Regulation 2 provides for UK REITs and overseas entities which are equivalent to UK REITs to be treated as institutional investors for the purposes of the close company condition outlined in paragraph 2.1 of this Part 8.

### 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 7.

- (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 meet 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 3 of Part 6 of this Listing 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 makes certain provisions for corporate joint ventures. If one or more members of the REIT Group are beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company (or its subsidiaries) is carrying on a Qualifying Property Rental Business which satisfies the 75 per cent. profits condition and the 75 per cent. assets condition (the “**JV company**”) and certain other conditions are satisfied, the principal company may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Qualifying Property Rental Business for tax purposes (on a proportionate basis). In such circumstances, the income 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 acquirer which is not a REIT. In these circumstances, the acquired REIT is likely in most cases to fail to meet the requirements for being a REIT (unless the acquirer qualifies as an institutional investor 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 9: TERMS AND CONDITIONS OF APPLICATION UNDER THE PLACING**

### **1. Introduction**

- 1.1 By completing a Subscription Form, prospective investors will make an irrevocable commitment to acquire the number of Ordinary Shares stated in the form at the Issue Price, conditional only on Admission. Each Placee will be bound by these terms and conditions in this Part 9 and will be deemed to have accepted them. Subscriptions will be deemed to have been made on the basis of the final form of this Listing Document, which will be issued after the closing date for the Placing.
- 1.2 The Company and/or the AIFM 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.

### **2. Submission of Subscription Forms**

- 2.1 Completed Subscription Forms, together with payment, must be returned so as to be received by the AIFM by post or by email at the address on the Subscription Form no later than 3.00 p.m. on 15 December 2014.
- 2.2 If you have any other questions relating to this document, and the completion and return of the Subscription Form, please contact the AIFM. Neither the Company, Clipstone Land, the AIFM nor the Company's legal advisers can provide advice on the merits of the proposals nor give any financial, legal or tax advice.
- 2.3 A Subscription 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 AIFM.
- 2.4 Applications under the Placing must be for a minimum subscription amount of £50,000.

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

Each Placee undertakes to pay the Issue Price for the Ordinary Shares issued to the Placee in the manner and by the time directed by the AIFM and/or the Company. In the event of any failure by any Placee to pay as so directed and/or by the time required, the relevant Placee shall be deemed hereby to have appointed the Company or any nominee of the Company as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Ordinary Shares issued to it in respect of which payment shall not have been made as directed, and to indemnify the Company, the AIFM and their 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 the Company 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 per Ordinary Share.

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

By agreeing to subscribe for Ordinary Shares in a Subscription Form, each Placee which enters into a commitment to subscribe for Ordinary Shares will (for itself and for any

person(s) that is or are the beneficial owner(s) of the Ordinary Shares) be deemed to undertake, represent and warrant to each of the Company, the AIFM, Clipstone Land and Clipstone Capital that:

- (a) in agreeing to subscribe for Ordinary Shares under the Placing, (i) it is relying solely on this Listing Document 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 Issue; (ii) it agrees that none of the Company, the AIFM, Clipstone Land or Clipstone Capital, nor any of their respective officers, agents, employees or affiliates, will have any liability for any other information or representation; and (iii) it irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- (b) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares under the Placing, 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 it has not taken any action or omitted to take any action which will result in the Company, the AIFM, Clipstone Land or Clipstone Capital 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;
- (c) it has carefully read and understands this Listing 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 9, the Listing Document and the Articles as in force at the date of Admission;
- (d) it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this Listing Document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or the AIFM;
- (e) 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;
- (f) 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;
- (g) 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 Promotion) 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;

- (h) if it is a resident in any EEA State, (a) 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 and (b) if that EEA State has implemented the AIFM Directive, that it is a person to whom the Ordinary Shares may lawfully be marketed under the AIFM Directive or under the applicable implementing legislation (if any) of that relevant EEA State;
- (i) 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 have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant EEA State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Company 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;
- (j) if it is outside the United Kingdom, neither this Listing Document nor any other offering, marketing or other material in connection with the 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 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;
- (k) it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares and it is not acting on a non-discretionary basis for any such person;
- (l) 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 and will not be any such person on the date any such Placing is accepted;
- (m) it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Listing Document or any other offering materials concerning the Issue or the Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- (n) it acknowledges that neither the Company, the AIFM, nor any of their respective affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of the AIFM and that the AIFM does not have any duties or responsibilities to it for providing protection afforded to its clients or for providing advice in relation to the Placing nor, if applicable, in respect of any representations, warranties, undertaking

or indemnities otherwise required to be given by it in connection with its application under the Placing;

- (o) if 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 Listing Document; and (iii) to receive on behalf of each such account any documentation relating to the Placing (as applicable) in the form provided by the Company and/or the AIFM. It agrees that the provision of this paragraph shall survive any resale of the Ordinary Shares by or on behalf of any such account;
- (p) it irrevocably appoints any Director of the Company and any director of the AIFM 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 (as applicable), in the event of its own failure to do so;
- (q) it accepts that if the Placing does not proceed or the Ordinary Shares for which valid application are received and accepted are not admitted to listing on the Official List for any reason whatsoever then none of the AIFM 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;
- (r) it acknowledges that due to anti-money laundering requirements, the AIFM 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, the Company and the AIFM may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify the Company and the AIFM 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;
- (s) it is aware of, has complied with and will at all times comply with its obligations in connection with money laundering under the Proceeds of Crime Act 2002 or other applicable law;
- (t) it acknowledges and understand the Company is required to comply with FATCA and 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;
- (u) it acknowledges and agrees that information provided by it to the Company or the AIFM will be stored on the AIFM'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 AIFM is required to specify the purposes for which it will hold personal data. The AIFM will only use such information for the purposes set out below (collectively, the "**Purposes**"), being to:

- (i) process its personal data (including sensitive personal data) as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
- (ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
- (iii) provide personal data to such third parties as the AIFM 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;
- (iv) without limitation, provide such personal data to the Company, the Sponsor, the Depositary and their respective associates for processing, notwithstanding that any such party may be outside the United Kingdom or the European Economic Area; and
- (v) process its personal data for the AIFM's internal administration;
- (v) in providing the AIFM with information, it hereby represents and warrants to the AIFM that it has obtained the consent of any data subjects to the AIFM 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 Purposes). For the purposes of this Listing Document, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection Law;
- (w) the representations, undertakings and warranties contained in this document are irrevocable;
- (x) it acknowledges that the AIFM 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 the AIFM and the Company;
- (y) where it or any person acting on behalf of it is dealing with the AIFM, any money held in an account with the AIFM 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 the AIFM to segregate such money, as that money will be held by the AIFM under a banking relationship and not as trustee;
- (z) any of its clients, whether or not identified to the Company and/or the AIFM, will remain its sole responsibility and will not become clients of the AIFM for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- (aa) it accepts that the allocation of Ordinary Shares shall be determined by the Company in its absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as they may determine; and

- (bb) 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.

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

5.1 By participating in the 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 AIFM, Clipstone Land and Clipstone Capital 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) 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:

“CLIPSTONE LOGISTICS 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 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 AIFM 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 (as applicable);
- (j) it has received, carefully read and understands this Listing Document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Listing 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
- (k) if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.



**6. Supply and Disclosure of Information**

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

**7. Communications from the Company**

The Placee hereby agrees that the Company may communicate with it in relation to the Placing in any manner permitted by the Company's Articles, including:

- (a) in hard copy form, including by sending communications personally, by hand or by pre-paid post;
- (b) in electronic form; and/or
- (c) by means of a website,

and the Placee hereby expressly agrees to communication in the forms referred to in (b) and (c) subject to and in accordance with the Articles, both in respect of the Placing and, if its application is accepted, on an ongoing basis for the purposes of future communications to the Placee as a Shareholder until such time if any as the Placee revokes such agreement.

**8. Miscellaneous**

- 8.1 The Company, the AIFM, Clipstone Land, Clipstone Capital and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.
- 8.2 If any of the representations, warranties, acknowledgements or agreements made by the Placee are no longer accurate or have not been complied with, the Placee must immediately notify the Company.
- 8.3 The rights and remedies of the AIFM, Clipstone Land, Clipstone Capital 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.
- 8.4 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 will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 8.5 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, have been acquired by the Placee. The contract to subscribe for Ordinary Shares under the Placing and the appointments and authorities mentioned in this Listing Document and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, the AIFM, Clipstone Land and Clipstone Capital, 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 a Placee in any other jurisdiction.

- 8.6 In the case of a joint agreement to subscribe for Ordinary Shares under the 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.
- 8.7 The Company and the AIFM expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined.

## **PART 10: RISK FACTORS**

Investment in the Company carries a relatively high degree of risk, including but not limited to the risks in relation to the Company, the Group and the Ordinary Shares referred to below. The risks referred to below are the risks which are considered to be material but are not the only risks relating to the Company, the Group and the Ordinary Shares. There may be additional material risks that the Company and the Directors do not currently consider to be material or of which the Company and the Directors are not currently aware. Potential investors should review this Listing Document carefully and in its entirety and consult with their professional advisers before acquiring any Ordinary Shares. If any of the risks referred to in this Listing Document were to occur, the financial position, results of operations and business prospects of the Company could be materially adversely affected. If that were to occur, the trading price of the Ordinary Shares and/or their Net Asset Value and/or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly and investors could lose all or part of their investment.

### **RISKS RELATING TO PROPERTY AND PROPERTY-RELATED ASSETS**

#### **Conditions affecting the UK property market**

The Company's performance will be affected by, amongst other things, general conditions affecting the UK property market, as a whole or specific to the Company's investments, including decrease in capital values and weakening of rental yields. The value of industrial 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 decrease in property rental income, 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.

#### **Effect of performance of UK retail sector and continued growth of online retail**

The Company will invest, *inter alia*, in single let distribution warehouses, demand for which has been driven by growth in the online retail industry. Three of the assets in the Initial Property Portfolio have retail tenants as at the date of this Listing Document. Retail is a dynamic sector and retail operators are directly affected by consumer behaviour and sentiment. As such, the Company could be affected by changes in shopping trends and by competition from alternative retail supply methods. A weakness in the UK retail sector and shifts in geographical focus or preferred supply methods, together with reliance on concentrated individual tenants could have an adverse effect on the Company's business and results of operations.

### **Tenant concentration risk**

While the Company will seek to spread risk relating to tenant concentration with a view to ensuring that, based on the Group being Fully Invested, no more than 20 per cent. of the Gross Asset Value may be exposed to any single tenant, there is the risk that, from time to time, the Company still has a concentrated number of tenants and material exposure to the financial strength and the operational performance of those tenants. After Admission and following the Acquisition, the Company's income streams will be dependent upon a relatively small number of tenants' rental, service charge or other contractual payments until further properties are acquired.

### **Operational performance of tenants and tenant default**

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 industrial property market, such as competition from other property funds. In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, rates and marketing costs and will have a material adverse impact on the financial condition and performance of the Company and/or the level of dividend cover.

### **Liabilities associated with disposals of investments**

The Group may be exposed to future liabilities and/or obligations with respect to disposal of investments. The Group may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in respect of property disposals. The Group 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 Group 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 Group 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.

### **Physical damage to properties and uninsurable losses**

The Group'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 Group could be liable to repair damage caused by uninsured risks. The Group 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.

### **Illiquid investments**

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.

### **Specific occupant requirements**

Certain of the Group's properties may be specifically suited to the particular needs of a certain type of occupant. The Group 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.

### **Environmental regulations and liabilities**

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

### **Planning consents**

Improving returns to Shareholders may rely partly on the redevelopment of properties acquired. Such redevelopment or other management proposals may 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.

### **Use of third party contractors and sub-contractors**

The Company may seek to create value by undertaking development of assets or investing in development-stage assets, in which case it will be dependent on the performance of third party contractors and subcontractors to complete the development satisfactorily. While the Group will seek to negotiate appropriate contracts to contain suitable warranty protection, any failure to perform against contractual obligations on the part of a contractor could adversely affect the value of the Group's assets and in turn, on the Company's performance.

In addition, there is a risk of disputes with third party contractors or sub-contractors should they fail to perform against contractual obligations. Any litigation or arbitration resulting from any such disputes may increase the Company's expenses and distract the Directors, the AIFM and the Property Manager from focusing their time on fulfilling the strategy of the Company.

### **Subjective nature of valuations**

The value of property and property related assets is inherently subjective due to the individual nature of each property. In determining the value of properties and property-related assets, valuers

are required to make assumptions in respect of matters including, but not limited to, the existence of willing sellers in uncertain market conditions, title, condition of structure and services, deleterious materials, plant and machinery and goodwill, environmental matters, statutory requirements and planning, expected future rental revenues from the property and other information. Such assumptions may prove to be inaccurate. Incorrect assumptions underlying the valuation reports could negatively affect the value of any property assets the Group acquires and thereby have a material adverse effect on the Company's financial condition. This is particularly so in periods of volatility or when there is limited real estate transactional data against which property valuations can be benchmarked. There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable.

### **Effect of financial market conditions on valuations**

The financial markets have seen significant turbulence over recent years resulting in severe liquidity shortages. The turmoil in the credit markets had an immediate effect on the real estate investment market, resulting in some transactions failing and/or prices being renegotiated downwards. This has caused a marked reduction in the volume of transactions. The negotiation of price reductions prior to the completion of transactions remains common for certain properties. Generally, 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.

## **RISKS RELATING TO THE ACQUISITION OF THE INITIAL PROPERTY PORTFOLIO**

### **Basis for acquisition price**

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 October 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 October 2014.

In addition, the certificates of title obtained for the Company in respect of the Initial Property Portfolio are dated July 2014. While to the best of Clipstone Land's knowledge and belief there has been no such change, there is a risk that a material change may have occurred which adversely affects the value of the Initial Property Portfolio and which would have been revealed had more recent certificates of title been obtained.

### **Lack of warranties in relation to title and condition of the Initial Property Portfolio**

No warranties will be given by the Initial Property Portfolio Investors to the Group under the Acquisition Agreements in relation to the Initial Property Portfolio Holders or the title and condition of the Initial Property Portfolio and the Group does not intend to take out insurance in respect of matters that would ordinarily be covered by warranties. If the Group or a holding entity were to suffer a loss in respect of the Initial Property Portfolio Holders or all or part of the Initial Property Portfolio, it is unlikely to be able to recover such loss from the Initial Property Portfolio Investors and, particularly in the absence of insurance cover, may not be able to recover any or the full amount of the loss by other means. This may affect the Company's returns.

## **RISKS RELATING TO THE ACQUISITION OF FURTHER INVESTMENTS**

### **Availability of suitable investments**

If the Issue reaches its maximum size of £75 million (before Issue Costs), the Company expects to use the balance of approximately £42.6 million of the Net Issue Proceeds to acquire further investments in addition to the Initial Property Portfolio. The Company will also use borrowings and proceeds from future equity issues to acquire further investments. However, the Company cannot be sure that it will be successful in obtaining suitable investments in UK industrial property in accordance with the Investment Policy on financially attractive terms.

### **Changes in portfolio profile**

As the Company acquires further investments, the overall composition of the portfolio of properties owned by the Group may differ from the profile of properties comprised in the Initial Property Portfolio (subject to the Investment Policy). Investors should ensure that they are comfortable with the Investment Policy as a whole rather than considering an investment solely on the basis of the Initial Property Portfolio.

### **Effect of market conditions on the Company's ability to make investments**

Market conditions may have a negative impact on the ability to identify and execute investments in suitable assets that generate acceptable returns. Market conditions can have a significant negative impact on the availability of credit, property pricing and liquidity levels. Market conditions may restrict the supply of suitable assets that may generate acceptable returns and adverse market conditions may lead to increasing numbers of tenant defaults. Adverse market conditions and their consequences may have a material adverse effect on the Company's business, results of operations and cash flows.

### **Delays in executing investments**

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.

### **Competition from other property investors**

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 Group's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis, and on its ability to acquire properties.

### **Costs of acquiring properties**

The Group will incur certain fixed costs on the Acquisition and on the subsequent acquisition of properties, including stamp duty land tax, which will reduce the Net Asset Value per Ordinary Share immediately following the Acquisition and the subsequent acquisitions. 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 Group 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.

### **Risks relating to the reliance on the Property Manager, the AIFM and their respective key individuals**

The ability of the Company to achieve its Investment Objective depends on the ability of the Property Manager and the AIFM 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 industrial 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 Property Manager and the AIFM will be able to identify and execute a sufficient number of further opportunities to enable the Company to achieve its Investment Objective.

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

There can be no assurance that the Directors will be able to find a replacement AIFM or Property Manager on acceptable terms if the AIFM and/or the Property Manager resign or if the Directors terminate the AIFM Agreement and/or the Property Management Agreement. The Directors would, in these circumstances, have to find a replacement AIFM and/or Property Manager for the Company and there can be no assurance that such a replacement with the necessary skills and experience could be appointed on terms acceptable to the Company. If the Directors could not find suitable replacements in a timely manner, the Directors would formulate and put to Shareholders proposals for the future of the Company, which may include a change in its Investment Policy, the merger of the Company with another company, a reconstruction or winding up.

There is no certainty that those personnel of the AIFM and/or the Property Manager who will perform significant functions in relation to the Company will continue to perform their roles throughout the life of the Company. Although the Property Management Agreement contains certain protections for the Company, loss of the services of such personnel or such personnel devoting all or a significant part of their business time to their other affairs and activities could have an adverse effect on the Company's performance.

### **Reliance on third party due diligence**

Prior to entering into any agreement to acquire any property, the AIFM and/or the Property Manager on behalf of the Company, will perform or procure the performance of due diligence on the proposed acquisition target. In so doing, they 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 AIFM, the Property 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.

#### **Lack of control over future investments**

The Company has the ability to enter into a variety of investment structures, such as joint ventures, acquisitions of controlling interests or acquisitions of minority interests (although the Directors do not expect to make investments where the ownership stake is less than 100 per cent., nor would the Company take a passive or minority interest in investments).

In the event the Company does acquire, directly or indirectly, less than a 100 per cent. interest in a particular asset, the remaining ownership interest would be held by third parties and the subsequent management and control of such an asset may entail risks associated with multiple owners and decision-makers. Any such investment also involves the risk that third party owners might become insolvent or fail to fund their share of any capital contribution which might be required. In addition, such third parties may have economic or other interests which are inconsistent with the Group's interests, or they may obstruct the Company's plans (for example, in implementing active asset management measures), or they may propose alternative plans. If such third parties are in a position to take or influence actions contrary to the Company's interests and plans, the Company may face the potential risk of impasses on decisions that affect the ability to implement its strategies and/or dispose of the real estate asset. The above circumstances may have a material adverse effect on the Company's performance, financial condition and business prospects.

In addition, there is a risk of disputes between the Group and third parties who have an interest in the asset in question. Any litigation or arbitration resulting from any such disputes may increase the Group's expenses and distract the Directors, the AIFM and the Property Manager from focusing their time to fulfil the Investment Objective of the Company. The Group may also, in certain circumstances, be liable for the actions of such third parties.

#### **RISKS RELATING TO THE COMPANY AND THE GROUP**

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.

#### **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, and there is therefore a risk that the value of an investment in the Company could decline substantially as a consequence. 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, the AIFM or the Property Manager is not indicative of the future performance and prospects of the Company.

### **Past performance no guarantee**

The past or current performance of the other funds or entities currently or previously managed or operated by the AIFM or by Clipstone or Clipstone's investment team is not indicative, or intended to be indicative, of future performance of the Company. There are differences between funds and entities currently or previously managed which may affect their respective returns, significant differences in prevailing market conditions and the Company's listed structure.

The previous experience of the Clipstone Land team described in this Listing Document and companies and ventures advised and/or operated by members of the Clipstone Land team may not be directly comparable with the Company's proposed business. Differences between the circumstances of the Company and the circumstances under which the track record information in this Listing Document was generated include (but are not limited to) actual acquisitions and investments made, investment objectives, fee arrangements, structure (including for tax purposes), terms, leverage, performance targets, market conditions and investment horizons. All of these factors can affect returns and impact the usefulness of performance comparisons and, as a result, none of the historical information contained in this Listing Document is directly comparable to the Company's business or the returns which the Company may generate.

### **Investment of Net Issue Proceeds**

Until such time as any Net Issue Proceeds are applied by the Company to fund investments, they will be held by the Company on interest bearing deposit (or invested in other investments or funds in accordance with the Investment Policy) in anticipation of future investment and to meet the running costs of the Group. Such deposits or investments are very likely to yield lower returns than the expected returns from property investments. The Company can give no assurance as to how long it will take it to invest any or all of the Net Issue Proceeds, if at all, and the longer the period the greater the likely adverse effect on the Company's performance, financial condition and business prospects.

In addition, to the extent that the proceeds of the Issue or the Group's other cash receipts are held in cash in an account which is not segregated from the assets of the bank, custodian or sub-custodian holding the cash on behalf of the Group, in the event of insolvency (or equivalent) of the relevant bank, custodian or sub-custodian, the Group may only have a contractual right to the return of cash so deposited and would rank in respect of such contractual right as an unsecured creditor and may not be able to recover any of the cash so held in full or at all. In respect of cash equivalents, near cash instruments and money market instruments that are held in a segregated account for the benefit of the Group, the insolvency (or equivalent) of, fraud or other adverse actions affecting the custodian or sub-custodian holding the assets on behalf of the Group may impact the Company's ability to recover or deal expeditiously with these assets and the Company may not be able to recover equivalent assets in full or at all. This would have a material adverse effect on the Company's financial position, results of operations, business prospects and returns to investors.

### **Availability of borrowings**

It is intended that the Group will incur gearing to fund the acquisition of further properties. Although the Company has received term sheets from two banks in respect of a five-year term loan facility, which is intended for the refinancing of the Initial Property Portfolio after Admission, there is no certainty that further borrowings will be made available to the Group 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.

### **Effect of gearing on Net Asset Value**

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. This may further increase the volatility of the Net Asset Value per Ordinary Share. 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.

The use of borrowings by the Group also exposes it to capital risks and interest costs. The use of leverage increases the exposure of investments to adverse economic factors such as rising interest rates, severe economic downturns or deteriorations in the condition of an investment or its market. In particular, the Company may be required to realise Portfolio Interests to fund the repayment of the Group's borrowings at a time when the value of such Portfolio Interests is depressed because of adverse market conditions.

### **Loan to value covenants**

If the value of the Company's assets falls, the Net Asset Value of the Company will reduce. Furthermore, the borrowings which the Group is likely to use will likely contain loan to value covenants, being the accepted market practice in the UK. Under the Existing Debt Arrangements, the lowest covenant is 60 per cent. and under the Facility Agreement, the covenant is expected to be 70 per cent. Based on an assumed Issue of £32 million (the minimum size for the Issue to proceed), immediately after completion of the Acquisition the Directors expect that the Group would be in compliance with these covenants. The Group's overall gearing limit of 55 per cent. of the Gross Asset Value of its Investment Portfolio is also lower than these covenants.

However, future compliance with these covenants depends on a number of factors including general financial conditions, which cannot be predicted. If real estate assets owned by the Group decrease in value such covenants could be inadvertently breached, and the impact of such an event could include: an increase in borrowing costs; a call for additional capital from the lender; or payment of a fee to the lender; or in such cases where other remedies were not available, it could require a sale of an asset, or a forfeit of any asset to a lender, this could result in a total or partial loss of equity value for each specific asset, or indeed the Group as a whole.

### **Hedging risk**

Should the Group elect to enter into hedging arrangements to protect against inflation risk and/or interest rate risk (and it will be under no obligation to do so), the use of instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Company's earnings and funds available for distribution to investors and that such losses may exceed the amount invested in such hedging instruments. There is very unlikely to be a perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses.

Although the Group will select the counterparties with which it enters into hedging arrangements with due skill and care, there will be residual risk that the counterparty may default on its obligations.

### **Regulatory compliance**

The Company, the rest of its Group, the AIFM, Clipstone Capital and Clipstone Land are 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, and the rules applicable to an issuer admitted to the Official List, including the Listing 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.

Control failures, either by the AIFM or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

### **European Market Infrastructure Regulation and Markets in Financial Instruments Directive**

Under European Regulation 648/2012, known as the European Market Infrastructure Regulation ("EMIR") certain over-the-counter ("OTC") derivatives that are traded in the European Union by financial counterparties, such as investment firms, credit institutions and insurance companies, and certain nonfinancial counterparties have to be cleared via an authorised central clearing counterparty (a "CCP"). In addition, EMIR requires the reporting of OTC derivative contracts to a trade repository and introduces certain risk mitigation requirements in relation to OTC derivative contracts that are not cleared by a CCP. Further, while the new Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (together "MiFID II") have been published with a view to implementation in 2016, the Level 2 EU implementing measures for MiFID II have not been finalised. MiFID II in particular will move all trading in standardised OTC derivatives to organised venues.

Prospective Shareholders should be aware that while derivative transactions are only to be used by the Group for efficient portfolio management, and while the regulatory changes arising from EMIR and MiFID II cannot be accurately quantified at this point in time, they may in due course significantly raise the costs of entering into derivative contracts and may therefore adversely affect the Group's ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, the returns generated by the Company may be adversely affected.

### **Government or political action**

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.

### **Global financial and economic conditions**

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.

### **Increased regulation or enforcement**

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.

### **AIFM Directive**

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

The Company is categorised as an EEA AIF for the purposes of the AIFM Directive and related regimes in relevant EEA member states. It is intended that the Company be operated as an externally managed AIF and the Company has appointed Gallium as the Company's AIFM under the AIFM Agreement. The Company is also required to appoint a depositary to enable the AIFM to comply with its obligations under the AIFM Directive. Pursuant to the Depositary Agreement, the Company has agreed to appoint Gallium P E Depositary Limited. The fees payable to the AIFM and the Depositary are set out in paragraph 7 of Part 6 of this Listing Document and include obligations to pay out of pocket expenses of the AIFM and the Depositary.

### **Non-involvement in management and operational decisions**

Save indirectly in respect of the Investor Representative's approval rights as described in Part 3, investors will have no opportunity to control or participate in the day-to-day operations, including investment and disposal decisions, of the Company.

## **RISKS RELATING TO THE TAXATION OF THE GROUP**

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

It is the expectation of the Directors that the Company will fulfil the relevant "qualifying conditions" for UK REIT status, such that the Company has given notice for the Group to become a Group UK REIT (a "**REIT Group**") with effect from 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.

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:

- (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;
- (b) if the Group has committed a certain number of breaches in a specified period; or
- (c) if HMRC has given the Group at least two notices in relation to the obtaining of a tax advantage within a ten year period.

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, or (in certain circumstances) ceases to satisfy the close company condition or ceases to be listed or traded, the Group will automatically lose REIT status. The Group could therefore lose its status as a REIT as a result of ceasing to be centrally managed and controlled in the UK or 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.

If the Group fails to remain qualified as a REIT, its rental income and capital gains will be subject to UK taxation, currently at 21 per cent. and reducing to 20 per cent. from April 2015.

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, or in respect of, 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 3.4 of Part 6 of this Listing Document. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met. The Articles also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions.

### **Tax charges associated with borrowings**

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.

### **Changes in taxation rules**

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Listing 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.**

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.

### **Disposals of property**

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 (currently 21 per cent. and reducing to 20 per cent. from April 2015). 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 scrutinise any disposals and successfully contend that any or some of them 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.

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

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 (the "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.

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 an IRS Agreement or whose agreement is voided by the IRS will be treated as a "non-Participating FFI".

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. Shareholders may be considered reportable accounts for the purposes of FATCA.

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 Ordinary Shares transferred.

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.

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.

## **CONFLICTS OF INTEREST**

The services of Gallium, Clipstone Capital and the Property Manager, their respective associates and their respective officers and employees, are not exclusive to the Company. Although the Property Manager has given certain undertakings in the Property Management Agreement regarding other mandates, and each of Gallium, Clipstone Capital and the Property Manager has in place a conflicts of interest policy, in fulfilling their responsibilities to the Company, each of them 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.

The Company's AIFM will be required to comply with the requirements on conflicts set out in the AIFM Rules, including but without limiting the general requirement of taking all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of Shareholders.

In addition, Clipstone Land, Clipstone Capital, the Depositary and any of their members, directors, officers, employees and connected persons and the Directors and any person or company with whom they are affiliated or by whom they are employed may be involved in other financial, investment or other professional activities which may cause potential conflicts of interest with the Company and its investments and which may affect the amount of time allocated by such persons to the Company's business. In particular, subject to the Listing Rules and other applicable regulation these parties may, without limitation: provide services similar to those provided to the Company to other entities; buy, sell or deal with assets on its own account (including dealings with the Company); and/or take on engagements for profit to provide services including but not limited to origination, development, financial advice, transaction execution, asset and special purpose vehicle management with respect to assets that are or may be owned directly or indirectly by the Company, but will not in any circumstances be liable to account for any profit earned from any such services.

The Initial Property Portfolio, and potentially future Portfolio Interests, will be acquired from companies or funds managed or advised by Clipstone and/or in which Clipstone entities, management or their families may have invested. Subject to compliance with the Listing Rules, Portfolio Interests may be acquired from the Clipstone group or from other funds or investment



vehicles in respect of which Clipstone Land or Clipstone Capital may provide property management or other services.

In addition, Clipstone Land management and their families, and certain existing investment clients of Clipstone, intend to subscribe for Ordinary Shares and/or receive Consideration Shares pursuant to the Acquisition, and will therefore be Shareholders from Admission.

Notwithstanding the Board's belief that the fees and conflicts policy of the Property Manager and the AIFM have been structured to provide an alignment of interest between the AIFM, the Property Manager and the Shareholders, the interests of the AIFM and/or the Property Manager may differ from those of the Shareholders. Accordingly, the Company may be exposed to greater risk in its investment portfolio which may, in turn, have a material adverse effect on the Company's performance, financial condition and business prospects.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **Liquidity**

Unless Shareholders vote to wind up the Company as described in Part 1, Shareholders will only be able to realise their investment by transferring their Ordinary Shares.

Although the Ordinary Shares are to be listed on the Official List of the Exchange, it is not expected that this will of itself create an active secondary market in Ordinary Shares. Ravenscroft Ltd will be appointed to act as a Market Maker. However, there is no guarantee that Shareholders will be able to transfer their Ordinary Shares at a time and price that they deem appropriate, and no guarantee that the market price of the Ordinary Shares will fully reflect their underlying Net Asset Value.

Further, the Exchange has the right to suspend or limit trading in a company's securities.

### **No guarantee of market value of the Ordinary Shares**

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.

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.

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.

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.

### **No guarantee of dividends or growth**

There is no guarantee that the target dividend and/or any 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 Group.

The Company's target dividend for the Ordinary Shares is based on assumptions which the Directors consider reasonable. However, there is no assurance that all or any assumptions will be justified, and the dividends may be correspondingly reduced. In particular, there is no assurance that the Company will achieve its stated policy on dividends. The target dividend is not a profit forecast and should not be taken as an indication of the Company's expected future performance or results over any period. Any target dividend is a target only and there is no guarantee that it 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 dividend in deciding whether to invest in the Ordinary Shares.

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's cash is invested. The net proceeds of the Issue will be used by the Company to make investments in accordance with the Investment Policy. The timing of any investment in such assets will depend, *inter alia*, on the availability of suitable properties that the Group 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 industrial properties in accordance with the Investment Policy. Additionally the Company may only pay dividends from reserves and/or profits 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.

#### **Changes in law or accounting standards**

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.

#### **Effect of dividend policy on Net Asset Value**

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.

#### **Effect of REIT requirements on returns**

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. The Company intends to utilise reliefs such as capital allowances to reduce the income profits from the Qualifying Property Business. This should help to retain cash where required for future acquisitions.

#### **Dilution of ownership from future issues of Shares**

If the Company decides to issue further Ordinary Shares in the future (which from the end of 2019 will be subject to obtaining the requisite Shareholder approvals), existing Shareholders may not have any pre-emption rights in relation to those further Ordinary Shares where Shareholders vote to disapply pre-emption rights in respect of an issue. As such, if an existing Shareholder does not subscribe successfully for such number of further Ordinary Shares under any future offer as is equal to his or her proportionate ownership of existing Ordinary Shares, his or her proportionate ownership and voting interests in the Company may be reduced and the percentage that his or her Ordinary Shares will represent of the total share capital of the Company will be reduced accordingly.

Furthermore, Shareholders outside the United Kingdom may not be able to acquire Shares pursuant to future issues of Shares carried out by the Company, and securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of Shares carried out by the Company.

#### **Substantial Shareholders in the Company**

From time to time, there may be Shareholders with substantial or controlling interests in the Company. Such Shareholders' interests may not be aligned to the interests of other Shareholders and such Shareholders may seek to exert influence over the Company. In the event that such Shareholders are able to exert influence to the detriment of other Shareholders, this may have an adverse effect on Shareholder returns.

## DEFINITIONS

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

|                                     |   |
|-------------------------------------|---|
| <b>“Acquisition”</b>                | means the proposed acquisition by the Group, directly or indirectly, of all of the properties comprising the Initial Property Portfolio on the terms of the Acquisition Agreements;   |
| <b>“Acquisition Agreements”</b>     | means the conditional agreements entered into between members of the Group and each of the Initial Property Portfolio Investors pursuant to which the Group has agreed to acquire, directly or indirectly, the properties comprising the Initial Property Portfolio;  |
| <b>“Act”</b>                        | means the UK Companies Act 2006, as amended from time to time;  |
| <b>“Adjusted Gross Asset Value”</b> | means the gross asset value of the Portfolio Interests plus any proceeds of any equity capital raise of the Company not yet invested in Portfolio Investments or applied to repay Group borrowings;   |
| <b>“Admission”</b>                  | means the admission of the Ordinary Shares issued under the Issue to the Official List of the Exchange;   |
| <b>“AIF”</b>                        | means an alternative investment fund within the meaning of the AIFM Directive;  |
| <b>“AIFM”</b>                       | means: <ul style="list-style-type: none"><li>(a) when used in a general context, an alternative investment fund manager within the meaning of the AIFM Directive; and</li><li>(b) in respect of the Company, its alternative investment fund manager from time to time as appointed pursuant to the AIFM Agreement;</li></ul> |
| <b>“AIFM Agreement”</b>             | means the agreement dated 28 November 2014 between the Company, Gallium and Clipstone Capital, a summary of which is set out in paragraph 7.2 of Part 6 of this Listing Document;   |
| <b>“AIFM Directive”</b>             | means the Alternative Investment Fund Managers Directive, 2011/61/EU, as amended from time to time;   |
| <b>“AIFM Regulations”</b>           | means The Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) as amended from time to time;  |
| <b>“AIFM Rules”</b>                 | means the AIFM Directive and all applicable rules and regulations implementing the AIFM Directive in the UK, including without limitation the AIFM Regulations and all relevant provisions of the FCA Handbook expressed to be binding on the AIFM;   |

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|--|---|
| <b>“Articles” or “Articles of Association”</b>                 | means the articles of association of the Company in force from time to time;  |
| <b>“Auditors”</b>  | means the auditors from time to time of the Company, the current such auditors being Grant Thornton UK LLP who are registered with the Institute of Chartered Accountants of England and Wales;   |
| <b>“Board” or “Directors”</b>                                  | means the directors of the Company from time to time or any duly constituted committee thereof, and <b>“Director”</b> is to be construed accordingly;   |
| <b>“Business Day”</b>  | means a day on which the Exchange is open, other than a Saturday, Sunday or other day when banks in the City of London are not generally open for non-automated business;   |
| <b>“Business Hours”</b>  | means the hours between 9.30 a.m. and 5.30 p.m. on any Business Day;  |
| <b>“Cash Consideration”</b>                                    | means the element of the consideration payable under the Acquisition Agreements which is to be satisfied in cash, as described in Part 1 of this Listing Document;  |
| <b>“Clipstone Capital”</b>                                     | means Clipstone Capital Limited, a company incorporated under the laws of England and Wales with registered number 8974700;   |
| <b>“Clipstone”, “Clipstone Land” or the “Property Manager”</b> | means Clipstone Land Limited, a company incorporated under the laws of England & Wales with number 6570563;   |
| <b>“Company”</b>   | means Clipstone Logistics REIT plc, a company incorporated in England and Wales with registered number 9046897;   |
| <b>“Concert Party”</b>   | means the Initial Seed Investors and Karl Sternberg;  |
| <b>“Consideration Shares”</b>                                  | means the Ordinary Shares to be issued to the Initial Property Portfolio Investors as part consideration pursuant to the Acquisition Agreements or subscribed by the Initial Property Portfolio Investors out of the proceeds of the Cash Consideration, as described in Part 1 of this Listing Document; |
| <b>“CREST”</b>   | means a paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by written instrument;   |
| <b>“CTA 2009”</b>  | means the UK Corporation Tax Act 2009;  |
| <b>“CTA 2010”</b>  | means the UK Corporation Tax Act 2010;  |
| <b>“Depository”</b>  | means Gallium P E Depository Limited, a company incorporated in England and Wales with registered number 7599626;   |
| <b>“Depository Agreement”</b>                                  | means the depository agreement dated 28 November 2014 between the Company, the AIFM, Clipstone Capital and the Depository, a summary of which is contained in paragraph 7.4 of  |

Part 6 of this Listing Document;

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| <b>"EEA"</b>                        | means the EU, Iceland, Norway and Liechtenstein;   |
| <b>"EEA State"</b>                  | means a member state of the EEA;   |
| <b>"ERISA"</b>                      | means the United States Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder (in each case as amended from time to time);  |
| <b>"EU"</b>                         | means the European Union (or where the context requires, its member states);   |
| <b>"Euroclear"</b>                  | means Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738, being the operator of CREST;   |
| <b>"Exchange"</b>                   | means the Channel Islands Securities Exchange Authority Limited;   |
| <b>"Excluded Territory"</b>         | means Australia, Canada, Japan, New Zealand, the Republic of South Africa, the Republic of Ireland, the United States of America, their territories and possessions and any other jurisdiction where the extension or availability of an offer of Ordinary Shares would breach any applicable law or regulation; |
| <b>"Exchange Act"</b>               | means the United States Exchange Act of 1934, as amended from time to time;  |
| <b>"Existing Debt Arrangements"</b> | means the existing debt in respect of and secured on the Initial Property Portfolio as described in Part 1 of this Listing Document;   |
| <b>"Facility Agreement"</b>         | means the facility agreement expected to be entered into by the Company and Barclays Bank plc, or Aareal Bank AG or another lender pursuant to the term sheets described in paragraph 7.5 of Part 6 of this Listing Document;  |
| <b>"FATCA"</b>                      | means the US Foreign Account Tax Compliance Act;   |
| <b>"FCA"</b>                        | means the UK Financial Conduct Authority;  |
| <b>"FCA Handbook"</b>               | means the FCA's handbook of rules and guidance, as amended and updated from time to time;  |
| <b>"FSMA"</b>                       | means the UK Financial Services and Markets Act 2000, as amended from time to time;  |
| <b>"Fully Invested"</b>             | means, for the purposes of the Investment Policy, £300 million having been invested or committed for investment in Portfolio Interests (including any borrowings incurred in respect of the acquisition of those investments), as more fully defined in Part 1 of this Listing Document;                         |
| <b>"Gallium"</b>                    | means Gallium Fund Solutions Limited, a company incorporated under the laws of England & Wales with number 6634506;  |

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| <b>"General Meeting"</b>                      | means a general meeting of the Company convened in accordance with the Articles;   |
| <b>"Gross Asset Value"</b>                    | means the aggregate value of assets held by or on behalf of the Group, including but not limited to its Investment Portfolio and cash;   |
| <b>"Group"</b>                                | means the Company and its subsidiary undertakings (as defined in the Act) at the relevant time;  |
| <b>"HMRC"</b>                                 | means Her Majesty's Revenue & Customs;   |
| <b>"Initial Property Portfolio"</b>           | means the properties which the Group has conditionally agreed to acquire, directly or indirectly, pursuant to the Acquisition Agreements in return for, <i>inter alia</i> , cash and/or the allotment of Consideration Shares to the Initial Property Portfolio Investors; |
| <b>"Initial Property Portfolio Holders"</b>   | means the entities that currently hold the Initial Property Portfolio, namely Clipstone Industrials V LLP, Clipstone 7 Limited, Clipstone VIII LP, Clipstone IX Limited, and Clipstone Interlink Unit Trust;   |
| <b>"Initial Property Portfolio Investors"</b> | means the persons who are beneficially interested, directly or indirectly, in the properties held by or on behalf of the Initial Property Portfolio Holders;   |
| <b>"Initial Seed Investors"</b>               | means (a) the Dean and Chapter of the Cathedral Church of Christ in Oxford of the Foundation of the King Henry the Eighth (" <b>Christ Church</b> ") and (b) St Catherine's College in the University of Oxford (" <b>St Catherine's</b> ");                               |
| <b>"Investment Company Act"</b>               | means the United States Investment Company Act of 1940, as amended;  |
| <b>"Investment Objective"</b>                 | means the investment objective of the Company as detailed in Part 1 of this Listing Document under the heading "Investment Objective";   |
| <b>"Investment Policy"</b>                    | means the investment policy of the Company as detailed in Part 1 of this Listing Document under the heading "Investment Policy";   |
| <b>"Investment Portfolio"</b>                 | means the Group's aggregate Portfolio Interests from time to time;   |
| <b>"IPD"</b>                                  | means Investment Property Databank Ltd.;   |
| <b>"ISA"</b>                                  | means 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;  |
| <b>"ISIN"</b>                                 | means the International Security Identification Number;  |
| <b>"Issue"</b>                                | means the issue of the Ordinary Shares pursuant to the Placing and to the Initial Property Portfolio Investors in accordance with  |

the terms of the Acquisition;

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| <b>"Issue Costs"</b>              | means the costs, commissions, fees and expenses incidental to the formation of the Company and to the Issue which will be borne by the Company and paid on or around Admission and which includes any non-recoverable Value Added Tax payable, but which excludes any direct costs in relation to the Acquisition of the Initial Property Portfolio;  |
| <b>"Issue Price"</b>              | means 100 pence per Ordinary Share;   |
| <b>"Issue Shares"</b>             | means the Ordinary Shares issued pursuant to the Placing;   |
| <b>"Listing Document"</b>         | means this document;  |
| <b>"Listing Rules"</b>            | means the listing rules of the Exchange;  |
| <b>"Management Fee"</b>           | means the management fee payable by the Group to the Property Manager as further described in Parts 3 and 6 of this Listing Document;   |
| <b>"NAV" or "Net Asset Value"</b> | means: <ul style="list-style-type: none"> <li>(a) in relation to the Company (or the Group, as the case may be), the net asset value of the Company (or the Group, as the case may be) as a whole on the relevant date calculated in accordance with the Company's normal accounting policies; and</li> <li>(b) in relation to an Ordinary Share, 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 (excluding, for the avoidance of doubt, any Ordinary Shares held in treasury);</li> </ul> |
| <b>"Net Issue Proceeds"</b>       | means the proceeds of the Issue, after deduction of the Issue Costs payable by the Company;   |
| <b>"Non-PID Dividend"</b>         | means a dividend paid by the Company that is not a PID;   |
| <b>"Official List"</b>            | means the official list maintained by the Channel Islands Securities Exchange Authority Limited;  |
| <b>"Ordinary Resolution"</b>      | means a resolution passed by not less than a 50 per cent. majority in accordance with the Act;  |
| <b>"Ordinary Shares"</b>          | means ordinary shares of 1 penny each in the capital of the Company, designated as such and having the rights and being subject to the restrictions specified in the Articles;  |
| <b>"Performance Fee"</b>          | means the performance fee payable by the Group to the Property Manager as further described in Parts 3 and 6 of this Listing  |



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| <b>“PID” or “Property Income Distribution”</b> | means a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Qualifying Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group’s Qualifying Property Rental Business; |
| <b>“Placee”</b>                                | means any person subscribing for Ordinary Shares pursuant to the Placing;   |
| <b>“Placing”</b>                               | means the conditional placing of Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in this Listing Document;  |
| <b>“Portfolio Interest”</b>                    | means any real estate asset, security or other interest in UK industrial real estate acquired by the Group in accordance with the Investment Policy;  |
| <b>“Property Management Agreement”</b>         | means the property management agreement between the Company, Gallium, Clipstone Capital and the Property Manager, a summary of which is set out in paragraph 7.3 of Part 6;   |
| <b>“Property Manager”</b>                      | see <b>“Clipstone”</b> , <b>“Clipstone Land”</b> or the <b>“Property Manager”</b> as defined above;   |
| <b>“Property Rental Business”</b>              | means a UK property business within the meaning of section 205 of the CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009, but, in each case, excluding certain specified types of business (as per section 519(3) of the CTA 2010);   |
| <b>“Prospectus Directive”</b>                  | means the Directive of the European Parliament and of the European Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (No 2003/71/EC);   |
| <b>“Qualifying Property Rental Business”</b>   | means a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010;  |
| <b>“Recognised Investment Exchange”</b>        | means an investment exchange in relation to which a recognition order of the FCA is in force;   |
| <b>“Regulatory News Service” or “RNS”</b>      | means a regulatory news service approved by the Exchange and on the list of Regulatory News Services maintained by the Exchange;  |
| <b>“REIT”</b>                                  | means a company or group to which Part 12 of the CTA 2010 applies;  |
| <b>“REIT Group”</b>                            | means a group UK REIT within the meaning of Part 12 of the CTA  |

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|                                   | 2010;  |
| <b>"REIT Regime"</b>              | means Part 12 of the CTA 2010;   |
| <b>"Residual Business"</b>        | means the business of the Group which is not Qualifying Property Rental Business;  |
| <b>"RICS"</b>                     | means the Royal Institute of Chartered Surveyors;  |
| <b>"RICS Red Book"</b>            | means the Royal Institution of Chartered Surveyors Valuation – Professional Standards Incorporating the International Valuation Standards, Global and UK edition January 2014;   |
| <b>"SDRT"</b>                     | means Stamp Duty Reserve Tax;  |
| <b>"Section 593 Valuation"</b>    | means the valuation report, addressed to the Company and issued by the Section 593 Valuer in respect of the Consideration Shares;  |
| <b>"Section 593 Valuer"</b>       | means Grant Thornton UK LLP in its capacity as the issuer of the Section 593 Valuation;  |
| <b>"Securities Act"</b>           | means the United States Securities Act of 1933 (as amended);   |
| <b>"Shareholder"</b>              | means a holder of Ordinary Shares;   |
| <b>"SIPP"</b>                     | means a Self-Invested Personal Pension;  |
| <b>"Special Resolution"</b>       | means a resolution passed by not less than a 75 per cent. majority in accordance with the Act;   |
| the <b>"Sponsor"</b>              | means Carey Olsen Corporate Finance Limited, a company incorporated in Jersey with registered number 75332, the Company's Sponsor in respect of the Exchange;  |
| <b>"Sponsor Agreement"</b>        | means the listing sponsor agreement between the Company and the Sponsor described in paragraph 7.6 of Part 6;  |
| <b>"SSAS"</b>                     | means a Small Self-Administered Scheme;  |
| <b>"Sterling"</b>                 | means pounds sterling, the lawful currency of the UK;  |
| <b>"Subscription Form"</b>        | means the subscription form available from the AIFM under which prospective investors in the Placing should apply for Ordinary Shares;   |
| <b>"Substantial Shareholder"</b>  | means a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent. or more of the distributions paid by the Company and/or share capital of the Company, or which controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company (referred to in section 553 of the CTA 2010 as a <b>"holder of excessive rights"</b> ); |
| <b>"Substantial Shareholding"</b> | means the holding of Ordinary Shares by a Substantial Shareholder;   |

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| <b>"Takeover Code" or "City Code"</b>               | means the City Code on Takeovers and Mergers;  |
| <b>"UK" or "United Kingdom"</b>                     | the United Kingdom of Great Britain and Northern Ireland;  |
| <b>"UK GAAP"</b>                                    | means generally accepted accounting practice in the United Kingdom;  |
| <b>"uncertificated" or "in uncertificated form"</b> | means recorded on the relevant register of the shares or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST;   |
| <b>"United States" or "US"</b>                      | means the United States of America (including the District of Columbia), its territories and possessions, any state of the United States of America and all other areas subject to its jurisdiction or any political sub-division thereof; |
| <b>"US Person"</b>                                  | means a "US Person" as defined in Regulation S of the Securities Act;  |
| <b>"Valuation Report"</b>                           | means the report in the Appendix to Part 5 of this Listing Document;   |
| <b>"Value Added Tax" or "VAT"</b>                   | means UK value added tax and/or any other value added tax or sales tax applicable in the UK or any other country; and  |
| <b>"Valuer"</b>                                     | means Colliers International Valuation UK LLP, a limited liability partnership incorporated in England & Wales with registered number OC391629.  |