

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document dated 24 July 2012 together with the Warrant Instrument dated 24 July 2012 comprises a listing document for the purposes of the application for admission of up to 50 million Shares and 10 million Warrants to the Daily Official List of the Channel Islands Stock Exchange, LBG ("CISX") and includes particulars given in compliance with the CISX Listing Rules for the purpose of giving information with regard to the Company in relation to such application for admission and listing. The CISX has been recognised by the UK HM Revenue & Customs under section 1137 of the Corporation Tax Act 2010 and approved by the FSA as a Designated Investment Exchange within the meaning of FSMA. Neither the admission of the Shares or the Warrants to the Official List nor the approval of this listing document pursuant to the listing requirements of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers to, or any party connected with, the Company, the adequacy and accuracy of the information contained in this listing document or the suitability of the Company for investment or for any other purpose.

This listing document includes particulars given in compliance with the CISX Listing Rules for the purpose of giving information with regard to the Company. The Directors, whose names appear on page 7 of this document, 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.

Application has been made for up to 50 million Shares and 10 million Warrants to be admitted to the Daily Official List of the CISX and to trading on the SETSqx platform of the London Stock Exchange. It is expected that First Admission will become effective and dealings in certain Placing Shares and Warrants relating thereto will commence on the CISX at 8.00 a.m. (London time) on 13 August 2012. It is expected that Second Admission will become effective and dealings in the remaining Placing Shares, the Subscription Shares and Warrants relating thereto for which Braemar PCC Shareholders subscribe will commence on the CISX at 8.00 a.m. (London time) on 24 August 2012.

Prospective investors should read the entire document and, in particular, your attention is drawn to the risk factors in Part 8 (Risk Factors) of this document, when considering an investment in the Company. Braemar PCC Shareholders participating pursuant to the Subscription should also read the form of application and accompanying notes and the instruction form.

Ground Rents Income Fund plc

(incorporated in England and Wales with company no. 8041022)

PLACING AND OFFER FOR SUBSCRIPTION OF UP TO 50 MILLION ORDINARY SHARES OF 50 PENCE EACH AT A PLACING AND SUBSCRIPTION PRICE OF 100 PENCE EACH WITH WARRANTS ATTACHED ON A ONE FOR FIVE BASIS AND APPLICATION FOR ADMISSION OF UP TO 50 MILLION SHARES AND 10 MILLION WARRANTS TO THE DAILY OFFICIAL LIST OF THE CISX AND TO TRADING ON THE SETSQX PLATFORM OF THE LONDON STOCK EXCHANGE

Property and Investment Adviser

Braemar Estates (Residential) Limited

Sponsor

Appleby Securities (Channel Islands) Ltd

Financial Adviser and Placing Agent

Singer Capital Markets Limited

Appleby Securities (Channel Islands) Ltd, which is a member of the CISX, is the sponsor to the listing on the CISX and is acting exclusively for the Company in relation to the Admission and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Appleby Securities (Channel Islands) Ltd, nor for providing advice in relation to the contents of this document or any transaction or arrangements referred to herein.

Singer Capital Markets, which is regulated in the UK by the FSA, is acting as financial adviser and placing agent to the Company in connection with the matters described herein. Singer Capital Markets is acting for the Company in relation to the Placing and Admission and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to the Placing and Admission, the contents of this document or any transaction or arrangement referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposed on Singer Capital Markets by the FSMA or the regulatory regime established thereunder, Singer Capital Markets does not accept any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares, the Placing or Admission. Singer Capital Markets accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

This document has been approved for the purposes of Section 21 FSMA by Brooks Macdonald Funds Limited which is regulated and authorised by the FSA.

Prospective investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Adviser, the Sponsor or Singer Capital Markets. Without prejudice to the Company's obligations under the CISX Listing Rules, neither the delivery of this document nor any subscription or purchase of Shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this document.

The contents of this document are not to be construed as legal, financial, business, investment or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Prospective investors must inform themselves as to:

(a) the legal requirements within their own countries for the purchase, holding, transfer or disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of 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 Shares. Prospective investors must rely on 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.

Restrictions on sales

This document does not constitute, and may not be used for the purposes of, an offer or any invitation to subscribe for any Shares by any person in any jurisdiction: (a) in which such offer or invitation is not authorised; or (b) in which the person making such offer or invitation is not qualified to do so; or (c) to any person to whom it is unlawful to make such offer or invitation. The distribution of this document and the application form relating to the Subscription, the Placing and the Subscription in certain jurisdictions may be restricted. Accordingly, persons outside the UK into whose possession this document comes are required by the Company to inform themselves about and to observe any restrictions as to the Placing and the Subscription and the distribution of this document under the laws and regulations of any territory in connection with any application for Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of the Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where actions for that purpose are required. The Placing, the Subscription and the distribution of this document and the application form relating to the subscription are subject to the restrictions set out in Part 4 (The Placing and the Subscription).

Notice to prospective investors in the United Kingdom

This document is only being distributed to and is only directed at: (a) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); (b) high net worth companies, unincorporated associations and other bodies falling within Article 49(2)(a) to (d) of the Order and (c) other persons to whom it may lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Notice in connection with the United States, Australia, Canada and Japan

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Shares in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in or into the United States, Australia, Canada or Japan.

The Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of US Persons except in certain transactions exempt from the registration requirements of the Securities Act. No public offer of the Shares is being made in the United States. The Shares are only being offered and sold outside the United States to non-US Persons in offshore transactions in reliance on Regulation S under the Securities Act. In addition, the Company will not be registering under the US Investment Company Act of 1940 and investors will not be entitled to the benefits of such act.

No US federal or state securities commission or regulatory authority has approved or disapproved of the Shares or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

The Shares offered by this document have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan and, subject to certain exceptions, may not be offered or sold directly, or indirectly, in or into Australia, Canada or Japan, or to or for the account or benefit of any person resident in Australia, Canada or Japan.

Notice in connection with Member States of the European Economic Area

In any European Economic Area (“**EEA**”) Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State) (the “**Prospectus Directive**”), this communication is only addressed to and is only directed at: (a) qualified investors in that Member State within the meaning of the Prospectus Directive; and (b) other persons who are permitted to purchase the Shares pursuant to an exemption from the Prospectus Directive and other applicable regulations. This document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of Shares.

Accordingly, any person making or intending to make any offer within the EEA of the Shares which are the subject of the Placing contemplated in this document should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such offer. The Company has not authorised, nor does it authorise, the making of any offer of Shares through any financial intermediary.

Notice to prospective investors in South Africa

The Company is not registered in South Africa as an external company and is also not registered with or regulated by the Financial Services Board in South Africa. None of the Company, the Adviser or any other person has, in relation to the Company, obtained approval from the Registrar of Companies or the Registrar of Collective Investment Schemes to make any “offer to the public” or to solicit investments from “members of the public”, as respectively contemplated in the South African Companies Act 1973 (“**SA Companies Act**”) and the South African Collective Investment Schemes Control Act 2002. This Listing Document is not a prospectus as contemplated in the SA Companies Act and does not constitute an offer to the public and may not be used to solicit investments from members of the public. The Company will only consider investment requests from specific, pre-selected persons in South Africa and will be entitled to refuse any such request in its sole discretion.

References to Defined Terms

Certain capitalised terms used in this document are defined in Part 11 (Definitions) and Part 12 (Glossary).

CONTENTS

	<i>Page</i>
FORWARD-LOOKING STATEMENTS	4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	5
PLACING & SUBSCRIPTION STATISTICS	6
DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS	7
KEY INFORMATION	9
PART 1 THE COMPANY	12
PART 2 THE MANAGEMENT TEAM AND ADMINISTRATION	23
PART 3 DIRECTORS AND CORPORATE GOVERNANCE	27
PART 4 THE PLACING AND THE SUBSCRIPTION	30
PART 5 ACQUISITION OF INITIAL PORTFOLIO FROM BRAEMAR PCC	33
PART 6 INDEPENDENT VALUATION REPORT ON BRAEMAR PCC GROUND RENTS PROPERTIES	34
PART 7 TERMS AND CONDITIONS OF THE WARRANTS	46
PART 8 RISK FACTORS	48
PART 9 TAXATION	59
PART 10 ADDITIONAL INFORMATION	63
PART 11 DEFINITIONS	81
PART 12 GLOSSARY	86

FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company, the Directors and the Adviser concerning, amongst other things, the investment strategy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects and dividend policy of the Company and the markets in which it will operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual investment performance, results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend policy of the Company, and the development of its financing strategies, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in general market conditions and in the UK real estate market specifically, legislative or regulatory changes, changes in taxation regimes, the Company’s ability to invest its cash and the proceeds of the Placing in suitable investments on a timely basis, the availability and cost of capital for future investments, the availability of suitable non-recourse financing, the continued provision of services by the Adviser and the Adviser’s ability to retain key personnel.

Potential investors are advised to read this document in its entirety, and, in particular, Part 8 entitled “Risk Factors” for a further discussion of the factors that could affect the Company’s future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the CISX Listing Rules), the Company, the Directors, the Adviser, the Sponsor and Singer Capital Markets expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates set out below are subject to change without further notice. All times are London times unless otherwise stated.

	<i>2012</i>
Acquisition Agreement to acquire Initial Portfolio entered into	16 July
Publication of circular to Braemar PCC Shareholders	16 July
Publication of this document	24 July
Braemar PCC EGM	3 August
Admission and dealings in the Placing Shares (save as otherwise described in this document) and Warrants relating thereto commence on CISX and SETSqx 8.00 a.m. on	13 August
Acquisition Agreement completes and Initial Portfolio acquired	13 August
CREST accounts expected to be credited with Placing Shares admitted on First Admission (if applicable)*	13 August
The offer of Subscription Shares will remain open until	16 August
Consideration for Initial Portfolio paid by the Company to Braemar PCC	by 20 August
Braemar PCC to redeem shares in Braemar PCC Ground Rents Cell	22 August
Admission and dealings in the remaining Placing Shares, the Subscription Shares and Warrants relating thereto commences on CISX and SETSqx 8.00 a.m. on	24 August
CREST accounts for Subscription Shares credited with Subscription Shares and Placing Shares admitted on Second Admission (if applicable)*	24 August
Despatch of definitive share certificates (if applicable) in respect of Shares and Warrant certificates in the weeks commencing*	20 August and 3 September

** Or as soon as practicable thereafter. No temporary documents of title will be issued.*

PLACING & SUBSCRIPTION STATISTICS

Placing Price per Share/Subscription Price per Share	100p
Number of new Shares being issued*	up to 50,000,000
Number of Shares in issue immediately following the Placing and the Subscription*	50,000,000
Number of Warrants in issue immediately following First and Second Admission	10,000,000
Market capitalisation of the Company at the Placing Price*	£50 million
Estimated net proceeds of the Placing and Subscription receivable by the Company*	£49 million
Share ISIN	GB00B715WG26
Warrant ISIN	GB00B8N43P05
Share SEDOL (CISX)	B715WG2
Warrant SEDOL (CISX)	B8N43P0
Share SEDOL (SETSqx)	B8K0LM4
Warrant SEDOL (SETSqx)	B8K0RP9
Share Ticker	GRIO
Warrant Ticker	GRIW
Maximum number of Shares consequent upon the Placing and the Subscription and upon exercise of the maximum number of Warrants	60,000,000

* Assumes that the Placing and the Subscription are fully subscribed.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Robert Malcolm Naish (<i>known as Malcolm Naish</i>) (<i>Chairman</i>)* Paul Anthony Craig* Simon Paul Wombwell <i>all of the registered office</i> * independent
Registered Office	111 Park Street London W1K 7JL
Company Secretary	Jonathan Stewart Murphy
Adviser	Braemar Estates (Residential) Limited Richmond House Heath Road Hale Cheshire WA14 2XP
CISX Listing Sponsor	Appleby Securities (Channel Islands) Limited PO Box 297 13-14 Esplanade St. Helier Jersey JE1 1BD
Financial Adviser and Placing Agent	Singer Capital Markets Limited One Hanover Street London W1S 1YZ
Advisers on UK law	Addleshaw Goddard LLP Milton Gate 60 Chiswell Street London EC1Y 4AG
Advisers on Guernsey law	Appleby 1st Floor Lefebvre Place Lefebvre Street St. Peter Port Guernsey GY1 2JP
Legal Advisers to the Financial Adviser	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Tax Advisers	KPMG LLP St. James' Square Manchester M2 6DS

Auditors	PricewaterhouseCoopers LLP 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW
Registrar	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR5 4TU
Valuer for Initial Portfolio	DTZ Debenham Tie Leung Limited 125 Old Broad Street London EC2N 2BQ
Principal Bankers	The Royal Bank of Scotland 40 Islington Street London N1 8JX

KEY INFORMATION

This summary section should be read as an introduction to this document which comprises the whole of this document. Any decision to acquire or subscribe for Shares should be based on a consideration of this document as a whole.

Investment proposition

Ground Rents Income Fund plc is a newly formed, closed ended company. It has been incorporated, and will be tax resident, in the United Kingdom. The Company will give notice to join the REIT regime as soon as practicable after First Admission (subject to meeting the required conditions), a structure that should afford the Company a number of competitive tax advantages.

The Directors believe that an opportunity exists within the United Kingdom real estate market to acquire a portfolio of freeholds and head leases, with the potential for income generation from Ground Rents and capital growth. The Company has been established to provide secure long-term performance through investment in Long Dated United Kingdom Ground Rents, which have historically had little correlation to traditional property asset classes and have seen their value remain consistent regardless of the underlying state of the economy. The Company's focus will be acquiring freeholds and head leases of residential, retail and commercial properties in the United Kingdom to generate consistent income returns from Ground Rents. The Company will seek to benefit from the Ground Rents' long-term cash flows, rental income from each freehold and head leases and additional income from the obligation to arrange the insurance of the building and, further, the ability to charge for permissions under the lease when the leasehold ownership changes hands. The Company will not invest in non-Ground Rent instruments, listed securities or other forms of commercial or residential property.

The Company has appointed the Adviser to act as its property manager and investment adviser. The Adviser has:

- a long-term track record in asset management;
- expertise in investing in the real estate sector including Ground Rents;
- a deep understanding of the Ground Rent market, given its current management of the assets of Braemar PCC's Ground Rents Cell; and
- experience of acquiring and managing Ground Rent investments.

Application has been made for up to 50 million Shares and 10 million Warrants to be admitted to listing on the Official List of the CISX and to trading on the SETSqx platform of the London Stock Exchange. It is expected that First Admission will become effective and dealings in the Placing Shares and Warrants relating thereto will commence on the CISX and SETSqx at 8.00 a.m. (London time) on 13 August 2012, save as otherwise described in this document. It is expected that Second Admission will become effective and that dealings in the remaining Placing Shares, the Subscription Shares and Warrants relating thereto will commence at 8.00 a.m. (London time) on 24 August 2012. No application has been made for listing or trading on any other stock exchange. Further details of the Placing and the Subscription are set out in Part 4 of this document.

The Company aims to raise gross proceeds of up to £50 million by way of the Placing and the Subscription from institutional and other investors.

The listing of the Placing Shares is sponsored by the Sponsor. The Sponsor is acting exclusively for the Company and no-one else in connection with the admission of the Placing Shares to listing and will not be responsible to the prospective Investors or anyone other than the Company for giving advice in relation to the Admission.

The Company entered into the Acquisition Agreement on 16 July 2012 to acquire the Initial Portfolio. Details of the assets which comprise the Initial Portfolio are set out at paragraph 12.8 of Part 10 of this document.

DTZ have carried out a valuation of the Initial Portfolio and such valuation is set out in Part 6 of this document. DTZ's experience is detailed in Part 6 of this document. The Initial Portfolio is held in a number of SPVs, each of which is to be acquired pursuant to the terms of the Acquisition Agreement. The Acquisition Agreement is conditional on:

- (a) shareholder approval from the majority of the voting Braemar PCC Shareholders;
- (b) approval of the Guernsey Court in accordance with section 457(3) of the Companies (Guernsey) Law 2008; and
- (c) admission of the Shares.

Provided that the approval from the shareholders and court approval set out in paragraphs (a) and (b) is obtained, the Acquisition Agreement will complete upon First Admission.

Braemar PCC Shareholders are being provided with the opportunity to use a substantial part of the redemption proceeds they receive to subscribe for Shares in the Company pursuant to the Subscription. BMAM, which holds 72 per cent. of the shares in Braemar PCC, has undertaken to the Company (subject to completion of the Acquisition Agreement and First Admission), that they will use a substantial part of their redemption proceeds to subscribe for Shares in the Company at the Subscription Price. It is expected that Second Admission will become effective and dealings in the Subscription Shares and Warrants relating thereto will commence on CISX and SETSqx at 8.00 a.m. (London time) on 24 August 2012 or shortly thereafter. No application has been made for listing or trading on any other stock exchange.

Following the initial raising and commitment of capital, the Company may seek to raise further equity capital following Admission in order to accelerate its business plan and acquire assets in accordance with the Company's investment policy. Such further fundraising cannot, however, be guaranteed.

Investment Strategy

The Company will invest the majority of the monies received pursuant to the Placing and the Subscription, net of any costs and expenses, in freeholds and head leases in the United Kingdom. The Company intends to purchase Ground Rents where the leasehold interests are Long Dated although shorter opportunities will be considered if the Directors believe it is in the best interest of the Company to do so.

The Group does not intend to make use of structural or long-term debt facilities for investment purposes, although if a portfolio of assets was available to be acquired in a corporate structure which had some existing borrowings within its corporate vehicles, these may be retained. The Company will have the ability to gear up to 25 per cent. loan to value in order to invest in Ground Rents once the Company is fully invested before raising further equity.

The Company may reinvest both realised invested capital and any profits that have not been distributed, subject to the Company's dividend policy.

Warrants

Under the Placing and the Subscription, Warrants will be issued for nil consideration on the basis of one Warrant for every five Shares subscribed. Each Warrant will entitle its holder to subscribe for one Share at a subscription price of £1.00 (subject to adjustment), such entitlement to be exercisable on 31 August in each year following Admission up to and including 31 August 2022. Following Admission the Warrants can themselves be traded on CISX and SETSqx separately from the Shares and will be capable of transfer independently of the Shares. Further details of the terms and conditions of the Warrants are set out in Part 7 of this document and a copy of the Warrant Instrument will be available on the Company's website. It is currently anticipated that certificates in respect of Warrants will be despatched to those entitled within 10 days of First Admission and Second Admission as applicable.

Dividend Policy

Subject to compliance with the Companies Act, it is the intention of the Company to distribute at least 90 per cent. of its income profits by way of dividend at least quarterly to Shareholders. The Company's

ability to pay dividends (including scrip dividends) is set out in sections 4.4 and 4.5 of Part 10 of this document. It is intended that the first distribution will be in December 2012 subject to a capital reduction being carried out. Please see the paragraph headed “Capital reduction” in Part 1 of this document. In determining the amount to be distributed by way of dividend to Shareholders, the Board shall have regard to the requirement for the Company (as a REIT) to distribute to Shareholders at least 90 per cent. of the income profits arising from the Group’s Qualifying Property Rental Business.

Life of the Company

The Company will not have a fixed life. The Articles require the Directors to convene a general meeting after the tenth anniversary of Admission but on or before the eleventh anniversary of Admission at which a Wind-up Resolution will be proposed.

If the Wind-up Resolution referred to above is not passed, the Directors will be required to convene a general meeting on the fifteenth anniversary at which a Wind-up Resolution will be proposed (and the same process will apply in each 5 year period thereafter).

Financial Information

The Company will have a financial year end of 30 September.

Management Fee

For each one year period of the Property Adviser Agreement, the Adviser will be entitled to a fee of £150,000, payable monthly in arrears. The Adviser is also entitled to retain 50 per cent. of all insurance commissions relating to the properties. In each accounting period where the fee plus the amount of insurance commission the Adviser retains is in excess of 0.55 per cent. of the average market capitalisation of the Company for that accounting period, the Adviser will pay an amount equal to the excess to the Company by way of refund from the fee. In addition, upon completing the purchase of a property which has been introduced by the Adviser and where no other agency fees are payable, the Adviser shall be entitled to an agency fee of 2 per cent. of the purchase price of such property.

The Board

The Board comprises three non-executive Directors, Malcolm Naish (Chairman), Simon Wombwell and Paul Craig. Malcolm Naish and Paul Craig are independent of the Adviser. Simon Wombwell is a Director of Brooks Macdonald, the ultimate holding company of the Adviser.

The Directors have been selected to give Shareholders the benefit of their real estate, fund management, financial services and business experience. The Directors have overall responsibility for the Company’s activities, including the review of its investment activities and performance.

PART 1

THE COMPANY

Investment proposition

The Ground Rents Income Fund plc is a newly formed, closed-ended company. It has been incorporated, and will be tax resident, in the United Kingdom. The Company will give notice to join the REIT regime, subject to meeting the required conditions, as soon as is practicable after First Admission.

The Company has been established to provide secure long-term performance through investment in Long Dated UK Ground Rents, which have historically had little correlation to traditional property asset classes and have seen their value remain consistent regardless of the underlying state of the economy.

The Company will give investors the opportunity to invest, through the Company, in a portfolio of Ground Rents. The Company will seek to acquire a portfolio of assets with the potential for income generation from the collection of Ground Rents. These investments also have the potential for capital growth, linked to contractual increases in Ground Rents over the long-term.

The Company will seek to generate consistent income returns for Shareholders by investing in a diversified portfolio of Ground Rents including freeholds and head leases of residential, retail and commercial properties located in the United Kingdom.

The Company has appointed the Adviser to act as its property manager and investment adviser. The Adviser combines real estate investment and management capabilities with operational experience in the sector.

The Adviser has:

- a long-term track record in asset management;
- expertise in investing in the real estate sector including Ground Rents;
- a deep understanding of the Ground Rent market given its current management of the assets of Braemar PCC's Ground Rents Cell; and
- experience of acquiring and managing Ground Rent investments.

Further details on the Adviser and its experience and track record are set out in Part 2 of this document. The Adviser will source and appraise investment opportunities, in line with the Company's investment strategy, and make investment recommendations to the Directors for their approval.

Application has been made for up to 50 million Shares and 10 million Warrants to be admitted to listing on the Official List of the CISX and to trading on the SETSqx platform of the London Stock Exchange. It is expected that First Admission will become effective and dealings in the Placing Shares and Warrants relating thereto will commence on the CISX and SETSqx at 8.00 a.m. (London time) on 13 August 2012, save as otherwise described in this document. It is expected that Second Admission will become effective and that dealings in the remaining Placing Shares, the Subscription Shares and Warrants relating thereto will commence at 8.00 a.m. (London time) on 24 August 2012. No application has been made for listing or trading on any other stock exchange.

The Company aims to raise gross proceeds of up to £50 million (£49 million net of expenses) by way of the Placing and the Subscription from institutional and other investors. BMAM, who is currently a Braemar PCC Shareholder has agreed to subscribe for Subscription Shares, subscribing for £8,154,800 of Shares in the Company at the Subscription Price pursuant to the Subscription.

Further details of the Placing and the Subscription are set out in Part 4.

Proposed Initial Portfolio

The Company has agreed to acquire an established portfolio of Ground Rents from Braemar PCC and has entered into the Acquisition Agreement detailed in Part 5 of this document. The Acquisition Agreement is

conditional on, *inter-alia*, approval of Braemar PCC Shareholders, approval of the Guernsey Court and Admission of the Shares. BMAM, which holds 72 per cent. of the shares in Braemar PCC’s Ground Rents Cell, has undertaken to vote in favour of the sale by Braemar PCC of the Initial Portfolio and, subject to receipt of this document and First Admission to invest a substantial proportion of their redemption proceeds in the Company pursuant to Subscription. All Braemar PCC Shareholders are, similarly, being given the opportunity to reinvest a substantial proportion of their redemption proceeds in the Company. Given that those redemption proceeds will be received following First Admission, a second admission date has been arranged to facilitate those Braemar PCC Shareholders wishing to invest in the Company (Second Admission). Details of the assets which comprise the Initial Portfolio and the acquisition process are set out in Parts 5 and 6.

In accordance with RICS Valuation – Professional Standards 2012 in force from time to time (the “**Red Book**”) DTZ have carried out a valuation of the Initial Portfolio and such valuation is set out in Part 6 of this document.

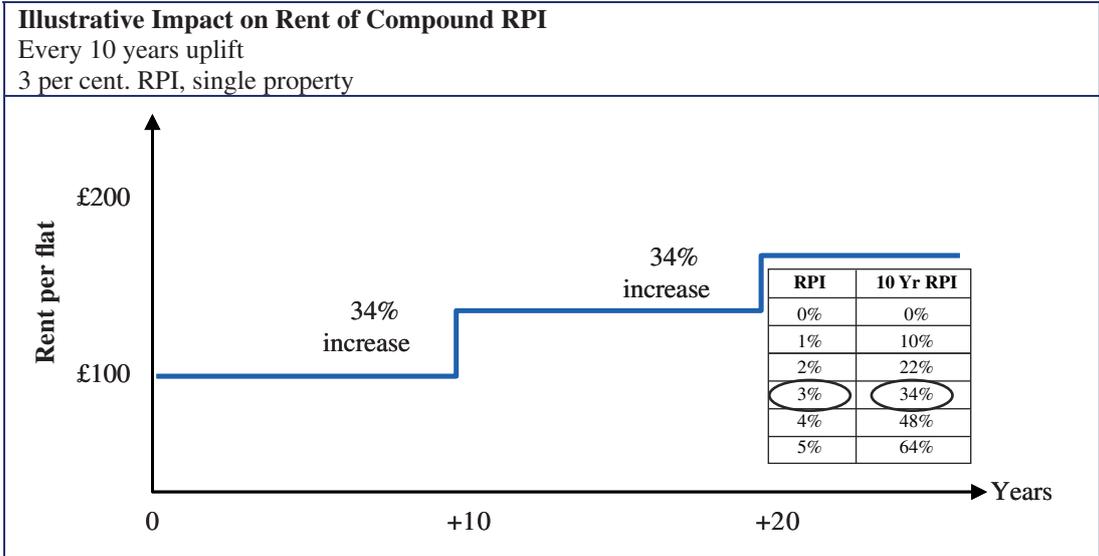
Overview of Ground Rents

A ground rent is the rent paid by the lessee of a property to the freeholder or head leaseholder of the property. It represents the underlying freehold or head leasehold interest in a property, which is subject to a lease for a period of time usually between 99 and 999 years. Individual amounts payable as Ground Rents are usually nominal annual sums of, for example, between £50 and £250 for an apartment. Ground Rents produce a secure, stable, low risk and long term income. Although the market is relatively small in size it provides an attractive investment opportunity relative to the level of risk involved. Despite there being little published data Savills plc estimates that the English house building industry is currently generating new ground rents worth approximately £180 million a year and they expect this to grow to £230 million by 2016 but the size of the total market will be larger than this as assets will be traded on a secondary market and some developers may not yet have sold their Ground Rent portfolio. Savills plc estimate that the value of Ground Rents created from new house building in the period 2000 to 2010 was in the order of £2.75 billion.

Ground Rent inflation

Ground Rents are typically fixed for a period of time, with pre-determined periodic increases linked to inflation for the period since the previous review or a pre-determined multiplier, such as doubling every 10 years (the equivalent of an annual increase of 7.2 per cent. compounded). The majority of the Initial Portfolio are subject to inflation linked review or doubling at intervals of between 10 and 25 years.

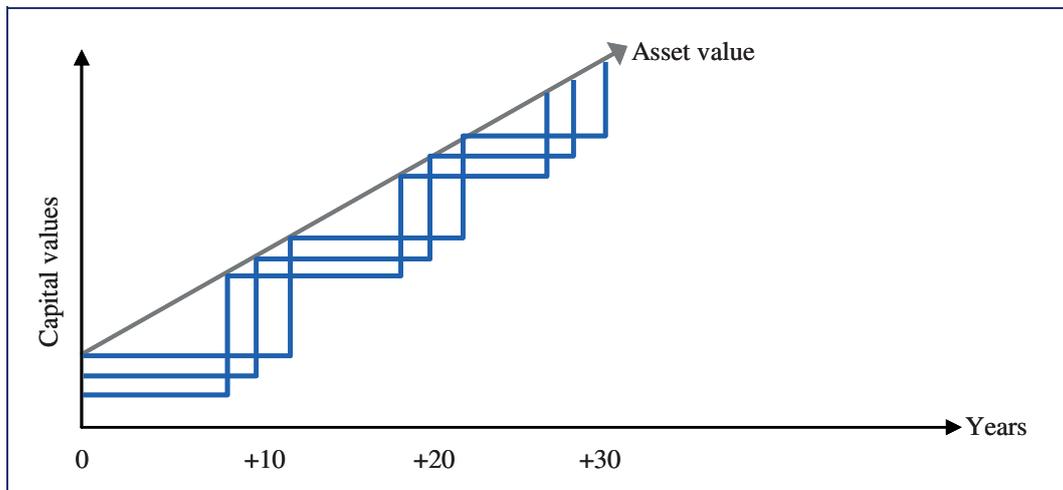
These periodic increases in Ground Rents lead to a stepped increase in their values linked to the timing of the implementation of the periodic increases, as illustrated in the diagram below:



Source: the Adviser

As the size of a Ground Rents Portfolio grows, and on the assumption that the periodic increases in Ground Rents are evenly distributed throughout the Portfolio, the impact of periodic increases in Ground Rents is smoothed, as illustrated below:

Illustrative layering effect of multiple properties



Source: the Adviser

The Company intends to acquire Ground Rents which have pre-determined, long-term income streams, inflation linked to RPI or with set rental increases.

Insurance premium commission

Insurance premium commission is expected to be an additional source of income for the Company. Given the recent market trend for large scale apartment developments, the insurance premium on these developments can be significant where the lease provides that the freeholder has the obligation to arrange this insurance. The Company will outsource the responsibility for arranging and managing this insurance to the Adviser who will place this insurance, as long as it is competitive, with a provider of its choice. Under the terms of the Property Adviser Agreement it has been agreed that 50 per cent. of all insurance commissions will be rebated to the Company.

Collection and security of Ground Rents

Ground Rents are payable by leaseholders annually in advance. Leaseholders are generally given six weeks to pay, if they fail to pay in this period a solicitor's letter is sent offering payment terms and the opportunity to submit a claim for dispute resolution. If a Ground Rent remains unpaid, a further solicitor's letter is sent reminding the leaseholder that under Section 146 of the Law of Property Act 1925, the freeholder may forfeit the lease, at which point the leaseholder or a lender to the leaseholder will often make the payment to avoid further costs and to prevent a forfeiture of the lease.

The leasehold title will generally contain a restriction on transfer by the leaseholder or mortgagee without the freeholder's consent. A freeholder normally requires all debt to be satisfied before they will provide this consent. Furthermore, as the purchaser will take over liability for all Ground Rents and service charges, the purchaser will likewise require all arrears to be paid before he completes.

Summary of legislation relating to Ground Rents

The Landlord and Tenant Act 1987 created the opportunity for lessees of flats to acquire the freehold whenever the ownership of the freehold changes. This act specifies that all lessees in a qualifying block of flats must be notified when the sale of a freehold is about to take place and that they are given the opportunity to purchase the freehold at the offer price. This right was reinforced by the Housing Act in 1996, which made it a criminal offence to fail to follow the rules laid out in the 1987 Act. The Directors intend to delay completion of each acquisition until leaseholders have declined the opportunity to purchase each freehold. However, many freeholds are owned by SPVs and the shares in these vehicles can be transferred to effect an acquisition outside the provisions of these acts.

The Leasehold Reform, Housing and Urban Development Act 1993 created the opportunity for a majority of lessees to join together to force the freeholder to sell the freehold to them, which could be against the wishes of the freeholder. The process is speculative, with no guarantee of success, and can be time consuming and expensive for the lessees. In the event that the lessees are successful the freeholder would be compensated in relation to the loss of the freehold.

The Commonhold and Leasehold Reform Act 2002 gives tenants, including long leasehold lessees, the opportunity to take over the management of their blocks. While the freeholder retains the right to receive the Ground Rent, they will lose control over who manages the property, and will also lose the right to place the insurance and receive a share of the commission.

No equivalent legislation exists to protect long leaseholders of commercial property. There is, however, additional legislation relating to both residential and commercial property where the investment is a rentcharge payable by a freeholder (rather than a ground rent payable by a long-leaseholder to a freeholder). The Rentcharges Act 1977 provides for investment rentcharges to be phased out 60 years from the date of passing of the Act (i.e. 60 years from 22 July 1977 and expiring therefore in July 2037) or, if later, 60 years after the date upon which the rentcharge was first payable. Pending expiry of the applicable period the freeholder liable to pay the rentcharge can apply to the Government rentcharges unit to redeem the rentcharge. Typically at present a rentcharge will be redeemable by payment of a sum equal to a multiple of 15 or 16 times the rent. The Company does not own and does not intend to acquire any rentcharge interest.

Investment strategy

The Company intends to acquire a portfolio of Long Dated Ground Rents comprising the freeholds and head leases of residential, retail and commercial properties in the United Kingdom. These interests will have a pre-determined long-term income stream from the lease and, ultimately, when the lease comes to an end, a reversionary value. The Company may also exploit other investment opportunities which provide the Company with Ground Rent income but may not have the right to a reversionary value. Reversionary value is the increasing capital value as the result of the approaching date after which the leaseholder loses the right to occupy the property. Collection of Ground Rents, as well as income from additional sources such as insurance policies, is expected to provide predictable income streams.

The freehold interest in a Ground Rent is usually valued on a multiple of the Ground Rent paid, the lower the multiple the higher the yield. The multiples paid vary according to a number of factors, including any contractual future increases in the Ground Rent, whether or not the owner has the right to insure and manage the property and the unexpired period of any leases. Savills plc estimate that current Ground Rent values are based on multiples of between 14 and 25, which equate to gross yields of between 7.0 per cent. and 4.0 per cent.

The Company intends to purchase Ground Rents where the leasehold interests are Long Dated although shorter dated opportunities will be considered if the Directors believe it to be in the best interest of the Company to do so. The table below summarises the different characteristics of Long Dated and short-dated Ground Rents:

Primary Characteristic	Long	Short
Income meaningful	✓	X
Reversionary value	X	✓
Income inflator	✓	X
Link to housing values	X	✓
Notice fees	✓	X
Insurance (generally)	✓	X
Debt availability	✓	X

Long Dated Ground Rents generally benefit from a higher absolute rental income from each leasehold interest than short-dated Ground Rents. Long Dated Ground Rents, generally, also benefit from additional income from the obligation to arrange the insurance of the building and the ability to charge for permissions under the lease. Short-dated Ground Rents benefit from the increasing reversionary value as a lease comes to an end and the valuation of short-dated Ground Rents tends to more closely follow traditional property asset classes than Long Dated Ground Rents.

The Portfolio will be managed by the Adviser. The Company will invest in Ground Rents either directly or via one or more SPVs. Pending investment, unallocated monies shall be held by the Company in interest-bearing bank accounts.

Initial Portfolio

The Initial Portfolio comprises the assets as set out in Part 6 of this document and includes Beetham Tower in Manchester, Gatehaus in Bradford and phases one and two of the Masshouse development in Birmingham.

The Beetham Tower was designed by Ian Simpson and stands at over 168m high, which makes it the highest building in Manchester and one of the tallest residential blocks in Europe. The Beetham Tower is home to the Hilton Manchester Deansgate Hotel, which takes up the first 23 floors of the building, as well as 216 apartments, which are housed on the remainder of the 47 floors.

The Gatehaus development in Bradford has won a number of awards including ‘building of the year’ at the Bradford District Design awards. It includes 142 apartments, a car park and commercial space.

The two phases of the Masshouse development in Birmingham are in the heart of an area known as “Eastside”, Birmingham’s learning, heritage and technology quarter and, in aggregate, comprises 340 apartments and 2 commercial units.

As well as acquiring the SPVs in which the Initial Portfolio is held, the Company will also acquire a number of other SPVs which currently hold no assets and will also agree to reimburse Braemar PCC for the costs of certain advice received to date in connection with ongoing negotiations relating to potential Ground Rent acquisitions. In exchange, Braemar PCC has agreed that following completion of the Acquisition Agreement, the Company will inherit the right to proceed with the negotiations and, where the Directors so determine, to complete the acquisition of the Ground Rents. No value has been ascribed to these Ground Rents and the Company will only pay for the costs incurred by the SPVs and Braemar PCC to date.

Pipeline

In advance of Admission, the Adviser has been in active dialogue with a number of operators/vendors of Ground Rents and it is expected that the Adviser will source investment opportunities through its network of relationships with property investors and developers. It is anticipated that the Company’s investments will be sourced through (i) off market transactions through a combination of approaches to or from existing investors looking to dispose of their interests, (ii) open market purchases and (iii) the creation of Ground Rents through the insertion of head leaseholds into existing lease structures.

In addition to the Initial Portfolio, the Adviser has identified a strong pipeline of over £20 million Ground Rent assets for the Company to potentially acquire, including large Ground Rent portfolios in London, Leeds, Nottingham and Liverpool.

	<i>Location</i>	<i>Units</i>	<i>GR Income</i> (£)	<i>Indicative value</i> (at 5.5%) (£)
In Legals:	Cambridge*	12	3,000	
	Chester*	24	3,600	
	London	226	63,875	
	London	155	51,750	
	North Wales	62	17,050	
	London	26	8,500	
	Leeds	552	138,000	
	sub total	1,057	285,775	5,200,000
Commercial Terms Agreed:	Various	793	183,400	
	Cardiff	167	50,100	
	Nantwich	49	7,350	
	sub total	1,009	240,850	4,380,000
Initial discussions with vendor regarding Heads of Terms:	Nottingham	607	146,250	
	London	64	14,575	
	Liverpool	188	40,700	
	Dorset	105	44,700	
	Preston	93	13,950	
	Cirencester	214	322,474	
	South East	661	162,875	
	Manchester	198	27,150	
	National	1,164	198,399	
	Manchester	205	35,170	
	National	153	48,030	
	Milton Keynes	102	15,300	
	Bristol	49	12,400	
	Liverpool	326	135,250	
	sub total	4,129	1,217,223	22,130,000
Total	6,195	1,743,848	31,710,000	

* The acquisition of these properties has been completed. As completion was after the date of the DTZ valuation set out in Part 6 of this document, they do not form part of the Initial Portfolio for the purposes of this document.

Investment restrictions

The Directors intend that no single ground rent property should represent more than 25 per cent. of the gross asset value of the Company at the time of investment.

The Directors do not currently intend to expose the Company to any hedging transactions, although, at the sole discretion of the Directors, the Company may utilise hedging, financial and money market instruments in the management of its assets and risk.

The Company may reinvest both realised invested capital and any profits that have not been distributed, subject to distributing 90 per cent. of distributable income profits arising from the Group's Qualifying Property Rental Business in each accounting year in order to comply with the Company's REIT obligations.

In accordance with the CISX Listing Rules from Admission, the Company will not materially change the principal investment objectives and policies set out in this listing document for a minimum period of three years from the date of listing the Shares on CISX, without the prior consent of a majority of Shareholders.

Investment Process

The Company will seek to own and manage a diverse portfolio of Ground Rents consisting of freehold and head leases.

It will be the Adviser's role to source investment opportunities. Once a potential opportunity has been identified, the Adviser will carry out initial high level due diligence (i) to assess whether or not the target asset(s) complies with the Company's investment policy, and (ii) to scope the likely financial, legal and valuation parameters of any transaction. The Adviser will have the authority to make a non-binding offer on an investment opportunity subject to Board approval.

At this point an initial investment proposal will be presented to the Directors who will make an assessment of the proposal to determine whether the opportunity complies with the investment policy of the Company. The Directors will then approve the making of a non-binding offer to a vendor that would be subject, amongst other things, to satisfactory due diligence and valuation.

In all cases after the due diligence phase, the Adviser will make detailed recommendations to the Board and the relevant subsidiary for their consideration and approval. The Board will then make a decision to approve or not approve the investment.

Ongoing management

The Company will monitor its completed investments on a regular basis. On a quarterly basis, the Adviser will present a review of the portfolio, summarise its performance and provide comparison to the agreed target investment criteria and highlight any management issues of the portfolio. It is the Company's intention that the Company's portfolio will be independently valued annually, with a directors' valuation on a semi-annual basis.

Borrowing

The Group does not intend to make use of structural or long-term debt facilities for investment purposes. There may be limited circumstances in which borrowing would be considered as a short-term funding strategy. This would include a scenario where an attractive portfolio of assets was available to be acquired in a corporate structure which had some existing borrowings within its corporate vehicles. In addition, once the Company is fully invested it may be beneficial to secure a low level of gearing to enable further assets to be acquired by the Company ahead of any proposed further equity fund-raising. This would offer investors the benefit of visibility on asset purchases before committing to further investment in the Company. In all cases the gearing anticipated would be limited in scale, to no more than 25 per cent. of the gross assets of the Company, for short-term uses only and would be repaid from the proceeds of any future fundraising.

REITs are not subject to any express borrowing restrictions. However, there will be a tax charge if the income profits of the Company's Qualifying Property Rental Business do not cover its related financing costs at least 1.25 times.

Dividend policy

Subject to compliance with the Companies Act, it is the intention of the Company to distribute at least 90 per cent. of its income profits by way of dividend at least quarterly to Shareholders. The Company's ability to declare dividends (including scrip dividends) is set out in sections 4.4 and 4.5 of Part 10 of this document. It is intended that the first distribution will be in December 2012, subject to a capital reduction being carried out. Please see the below paragraph headed "Capital reduction". In determining the amount to be distributed by way of dividend to Shareholders, the Board shall have regard to the requirement for the Company, as a REIT, to distribute to Shareholders at least 90 per cent. of the income profits arising from the Group's Qualifying Property Rental Business.

Share buybacks

The Company may seek to address any significant imbalance between the supply of and demand for Shares in the secondary market and to manage the discount to the NAV at which its Shares may be trading by purchasing its own Shares in the market on an *ad hoc* basis.

The Company may purchase Shares in the market at prices which represent a discount to the prevailing NAV per Share so as to enhance the NAV per Share for the remaining holders of Shares. So as to allow for this,

the Company proposes (subject to court approval and shareholder approval) to cancel its share premium account, thereby creating a reserve which may be treated as capital profits and could be used for purchasing Shares. Further details of the proposed capital reduction are set out below. A special resolution, expressed to take effect on Admission, has been passed granting the Company authority to make market purchases of up to 14.99 per cent. of its own issued Shares following the conclusion of the Placing and the Subscription (such market purchase authority to be triggered only in the event that the share price discount to NAV exceeds 5 per cent. and subject to the Company having sufficient distributable reserves). The maximum price (exclusive of expenses) which may be paid for a Share must not be more than 5 per cent. above the average of the mid-market values of the Shares for the five Business Days before the purchase is made, although Shares are likely only to be repurchased at prices below the NAV per Share, which should have the effect of increasing the NAV per Share for remaining Shareholders.

A renewal of the authority to make market purchases will be sought from Shareholders at each annual general meeting of the Company. No purchases of Shares can be made by the Company until the cancellation of the share premium account has been approved by court (and the terms of any undertaking required by the court for protection of the creditors of the Company complied with). Purchases of Shares will be made within guidelines established from time to time by the Board. Any purchase of Shares would be made only out of the available cash resources of the Company. Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Shares may be made only in accordance with the Companies Act and the CISX Listing Rules.

Warrants

Under the Placing and the Subscription, Warrants will be issued for nil consideration on the basis of one Warrant for every five Shares issued. Each Warrant will entitle its holder to subscribe for one Share at a subscription price of £1.00 (subject to adjustment), such entitlement to be exercisable on 31 August in each year following Admission up to and including 31 August 2022. Following Admission the Warrants can themselves be traded on CISX and SETSqx separately from the Shares and will be capable of transfer independently of the Shares. Further details of the terms and conditions of the Warrants are set out in Part 7 of this document. It is currently anticipated that certificates in respect of Warrants will be despatched to those entitled within 10 days of First Admission or Second Admission, as applicable.

Capital reduction

As a newly incorporated company, there are currently no distributable reserves out of which to pay dividends. As a result, the Company intends to seek shareholder and court approval for a capital reduction in due course to create sufficient distributable reserves to enable distributions to be made. It is intended that this process will be completed prior to the first dividend payment which is intended to be in December 2012.

Life of the Company

The Company will not have a fixed life. The Articles require the Directors to convene a general meeting after the tenth anniversary of Admission but on or before the eleventh anniversary of Admission at which a Wind-up Resolution will be proposed.

If the Wind-up Resolution referred to above is not passed, the Directors will be required to convene a general meeting on the fifteenth anniversary at which a Wind-up Resolution will be proposed. The same process will apply in each 5 year period thereafter.

Treasury policy, custody of assets and cash flow management

Pending investment, the Company intends to hold any cash in interest-bearing bank accounts.

The Directors intend to ensure that surplus cash will be managed with regard to: (i) ensuring that the Group will have sufficient resources to finance running costs and potential acquisitions on the basis of conservative assumptions; (ii) delivering appropriate returns on cash balances having regard to the Group's policy not to expose cash balances to significant risk; and (iii) limiting exposures through counterparty diversification.

The Company's portfolio of property investments will typically be held by SPVs incorporated specifically for the purpose of the acquisition. The Directors do not expect the Company to have assets requiring formal custody arrangements.

Costs and expenses

The Directors intend to fund the costs of the Placing (including Placing commissions), the Subscription and Admission from the proceeds of the Placing and the Subscription. The Company will use the net proceeds of the Placing and the Subscription to meet the costs associated with investigating and transacting property investments that will include acquisition costs such as due diligence costs, agency fees, legal and tax advice and purchase. This is estimated to be £1.5 million.

The Company will bear the fees and out-of-pocket expenses properly incurred in the performance of the duties of the Adviser and will in addition meet all its own costs and expenses, including the costs and expenses of the Directors, advisers, consultants, surveyors and other agents engaged on its behalf, commissions, banking fees, legal expenses, insurance costs, regulatory fees, acquisition and disposal fees, auditors, listing costs and the costs of distribution of reports and accounts and similar documentation to Shareholders. Acquisition costs for the purchase of Ground Rents will be borne by the Company, which will include SDLT, legal fees, agency fees for entities that introduce transactions and any associated property due diligence costs. SDLT is due at rates of up to 4 per cent. on residential ground rents (assuming a collection (six or more) of individual residential leases are acquired as part of one Ground Rent acquisition; higher rates of SDLT can apply in certain other circumstances such as where fewer than six residential leases are acquired). This can be reduced to stamp duty at 0.5 per cent. through acquiring the shares in the SPVs which own the assets that are being acquired. Legal fees and property due diligence costs will be based on the scope of work completed on each acquisition. Typically in the Ground Rent sector, agency fees of up to 2 per cent. plus VAT per asset will be due to the introducing party. A fee of 2 per cent. plus VAT has been agreed with the Adviser.

Valuation policy

It is the Board's intention that the Company's portfolio will be independently valued on an annual basis, with a Directors' valuation on a semi-annual basis. The annual independent valuations will be undertaken in accordance with the appropriate sections of both the then current Practice Statements and United Kingdom Practice Statements contained within the RICS Valuation – Professional Standards 2012 in force from time to time (the “**Red Book**”). This is an internationally accepted basis of valuation. The valuation will be reviewed by the Board or a committee of the Board. An abridged annual valuation will be set out in the Company's annual report and accounts.

Financial information

The Company will have a financial year end of 30 September. The Company's annual report and consolidated accounts will be prepared up to this date each year and copies of the report and accounts will be sent to Shareholders and Warranholders within the following three months. The first accounts will be prepared for the period ending 30 September 2013. Shareholders and Warranholders will also receive an unaudited interim report covering the six month period to 31 March in each year, which will be dispatched to Shareholders and Warranholders within the following two months. Shareholders and Warranholders will be sent updates on the Group's activities as and when appropriate.

The audited accounts of the Group are to be prepared under International Financial Reporting Standards (“**IFRS**”). Under IFRS, the Group will prepare an income statement which, unlike a statement of total return, does not differentiate between revenue and capital and also includes net realised and unrealised investment gains such as revaluation gains or losses. The Company's basic management and administration fees, and all other expenses will be charged through the income statement. The audited accounts will be sent to Shareholders and Warranholders in electronic form.

Net Asset Value

The estimated Net Asset Value per Share immediately following Admission is expected to be approximately 97.5 pence. The Net Asset Value per Share will be calculated by the Adviser and will be published on a semi annual basis, based on the most recent valuation of the property portfolio and calculated under IFRS. The Net Asset Value per Share will be published through a regulatory information service provider as soon as practicable after the end of the relevant period. A summary of the valuation and the Net Asset Value per Share will also be provided to the CISX as soon as practicable following calculation.

It is expected that the first Net Asset Value per Share following Admission will be calculated as at 31 March 2013.

Diluted Net Asset Value per Share will be calculated by dividing the Net Asset Value on the relevant date by the total number of Shares in issue on that date (other than Shares held in treasury) adjusted to take account of the dilution (if any) which would arise from the exercise of all the Warrants then in issue.

Further issues and pre-emption rights

The Company may seek to raise further equity capital following Admission in order to accelerate its business plan and acquire assets in accordance with the Company's investment policy. Such further fundraising cannot be guaranteed.

Under the terms of the Articles, the issue of further Shares is subject to pre-emption rights in favour of existing Shareholders as provided for in the Companies Act. It is intended that at each AGM of the Company, a special resolution will be proposed by the Company to disapply any pre-emption rights of the Shareholders for an issue of up to 10 per cent. in any 12 month rolling period of the Company's Shares. Issues in excess of this amount for cash will be offered on a pre-emptive basis (that is by way of rights issue, open offer or similar mechanism). A current authority for such non-pre-emptive issues is in place and will expire on the earlier of 23 October 2013 or, if earlier, the next AGM of the Company.

As a closed-ended company listed on the CISX, other than through the exercise of warrants granted subject to the Listing Rules, Shares of the same class may not be issued at a price which is less than the Net Asset Value per Share of that class, at the time of such issue unless authorised by a majority of Shareholders of that class voting at a general meeting of the Company or offered first on a *pro rata* basis to those Shareholders.

The City Code

The City Code will apply to the Company with effect from Admission. See paragraph 8 of Part 10 of this document for further information in respect of the application of the City Code to the Company.

The City Code governs, *inter alia*, transactions which may result in a change of control of a public company to which the City Code applies. Under Rule 9 of the City Code ("**Rule 9**"), any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company.

Structure as a REIT

Once the Company has met the requisite conditions for entry into the REIT regime and notified HMRC of its decision to join the REIT regime, it will have a tax efficient corporate structure with the consequences for UK Shareholders described in Part 9 of this document.

As a REIT:

- the Group will not pay UK corporation tax on profits and gains from its UK Qualifying Property Rental Business; and
- the Company will be required to distribute to Shareholders at least 90 per cent. of the income profits arising from the Group's Qualifying Property Rental Business.

Under the REIT regime, a tax charge may currently be levied on the Company if certain conditions are breached and in particular if it were to make a distribution to a Substantial Shareholder. The Articles contain provisions relating to Substantial Shareholders as set out in paragraph 4.22 of Part 10 of this document.

Information regarding, *inter alia*, United Kingdom taxation for potential Shareholders is set out in Part 9 of this document.

PART 2

THE MANAGEMENT TEAM AND ADMINISTRATION

The Adviser

The Adviser, is a wholly owned subsidiary of Brooks Macdonald and was incorporated in England and Wales with limited liability on 13 March 2001, with its registered office at Richmond House, Heath Road, Hale, Cheshire WA14 2XP.

Brooks Macdonald is an AIM quoted, integrated private client discretionary asset management and financial advisory business. As at 31 March 2012 Brooks Macdonald had £3.5 billion in funds under management, which represents an increase of 23 per cent. compared with the funds under management as at 31 March 2011.

The Adviser manages a diverse property portfolio worth over £820 million in the United Kingdom on behalf of freeholders and leaseholders. The Adviser has:

- a long-term track record in asset management;
- expertise in investing in the real estate sector including Ground Rents;
- a deep understanding of the Ground Rent market given its current management of the assets of Braemar PCC's Ground Rents Cell; and
- experience of acquiring and managing Ground Rent investments

The Adviser is an appointed representative for insurance business for the purposes of the UK FSA.

The Management Team

Simon Wombwell (*Non-executive Director*) (*aged 51*)

Simon is Chief Executive Officer of Brooks Macdonald Funds and a director of Brooks Macdonald Group plc. He joined Brooks Macdonald as an executive director in a full time capacity in February 2011 having been a non executive director since 2002. Simon has spent his entire career in the financial services industry and previous roles include, Head of Sales and Marketing at Scottish Widows Investment Partnership, Managing Director of Newton Fund Managers Limited and Managing Director of Royal Bank of Scotland Unit Trust Managers. Simon is an Associate of the Society of Investment Professionals.

Jonathan Murphy (*aged 40*)

Jonathan is Finance Director for Brooks Macdonald Funds. He is a chartered accountant and is responsible for financial strategy and management for Brooks Macdonald Funds and all the funds operated by Brooks Macdonald Funds. Jonathan joined Brooks Macdonald Funds in 2006 and has been responsible for the design launch and management of some 15 fund vehicles during this period. Jonathan also sits on the board of the Adviser. Jonathan was previously Strategy Manager for Spirit Group, the largest managed pub group in the United Kingdom. Jonathan is also an MBA graduate from the leading European business school, IESE, which is based in Barcelona.

James Agar (*aged 32*)

James is Investment Director of Brooks Macdonald Funds concentrating on fund management, property acquisition and financial relationship management. He also sits on the board of the Adviser, and is a member of the Institute of Residential Property Managers (IRPM). James is the Alternate Director of each of the Braemar PCC's offshore funds with lead responsibility for the Ground Rents and Student Accommodation Cells. James' background is primarily investment banking, with the likes of Barclays and Singer & Friedlander, having focussed on specialist real estate funding since 2004. James has a BA (Hons) in Business and Marketing, and attended Harvard Business School in 2010.

Neil Roberts (*aged 50*)

Neil is Managing Director of the Adviser and is responsible for its property management operations. Previously, Neil worked on secondment from Lambert Smith Hampton to Manchester Airport handling asset management assignments for Manchester Airport Group and Manchester City Council. In 1987, Neil joined Knight Frank's Hong Kong office and handled the office leasing agency on the newly completed 70 storey Bank of China Tower. Neil subsequently joined the First Pacific Group and played a key role in their business expansion into Thailand. Neil qualified as a Chartered Surveyor in 1986.

Debbie Yarrow (*aged 45*)

Debbie is the Head of Finance and is responsible for a team of nine accounting professionals who provide the accounting and reporting functions for the Adviser. Debbie was previously financial controller for Braemar Group and has worked for the Adviser for over six years. Debbie is ARLA and IRPM qualified.

Track record of the Adviser

Braemar Estates has provided property advisory and management services to both funds operated by Brooks Macdonald and external clients for over 10 years. The business has grown significantly over the past three years increasing its assets under management from under £250 million to over £820 million as at 31 May 2012. This growth has been as a result of the Adviser's relationships within the finance, banking and fund management industries, undertaking large scale asset management instructions for some of the world's leading financial institutions and corporate investors.

Braemar Estates has established itself as a leading player in national property management as evidenced by its recent nomination for 'Asset Manager of the Year 2012' by Property Week. The business has developed a specialisation for managing large scale residential and mixed use developments from its network of offices in London, Reading, Manchester and Leeds.

Braemar Estates has been property adviser to Braemar PCC's Ground Rents Cell since its launch in July 2009, sourcing a significant proportion of this portfolio through off market transactions from its connections and client base within the property industry.

Terms of appointment of the Adviser

Pursuant to the Property Adviser Agreement, the Adviser has been appointed for an initial term of three years. The appointment may be terminated by either party by providing not less than nine months' written notice on the other provided that such notice shall not expire before the third anniversary of the appointment. The appointment can be terminated without notice in certain limited circumstances such as default and insolvency, or upon the change of control of the Adviser (other than on a takeover of Brooks Macdonald).

Throughout the term of the agreement, the Adviser is obliged to maintain professional indemnity insurance for a minimum amount of £1 million per claim and that cover is to remain in place for three years following termination of the agreement.

The Adviser will be responsible for locating properties and preparing acquisition appraisals and budgets for consideration by the Directors prior to acquisition, and will act as agent of the Company (as freeholder in collecting the Ground Rents and placing the insurance). During the agreement period, the Adviser is obliged to offer all properties within the investment objective and policy to the Company before offering them to any other party.

Where the Adviser is appointed as the managing agent of an apartment block it will be responsible for collecting the service charges, ensuring that the common parts are properly maintained and dealing with any enquiries from leaseholders. As is customary, the fees for acting as management agent are taken from the service charge and will not be an expense of the Company.

The Adviser's fees (other than fees for acting as managing agent of an apartment block) are detailed on pages 25 and 26 of this document and will be payable by the Company or by a wholly owned subsidiary of the Company.

The Adviser will be responsible for the management of the assets and the day-to-day operations of the Company, including, but not limited to, the responsibilities defined below:

Administration, Reporting and Treasury Services

- nominating suitable persons to act as company secretary in Guernsey and the UK, and nominating representatives to attend board meetings and prepare full minutes (however the expense of such company secretarial services are to be borne by the Company);
- carrying on the book keeping of the Company;
- engaging such advisers and consultants as are necessary;
- commencing or defending litigation that pertains to the Company or any subsidiary of the Company;
- ensuring that all general administrative functions are carried out;
- maintaining accounting records and a record of all information on the properties;
- supplying monthly management accounts and quarterly reports to the Company;
- maintaining and operating a client money bank account;

Transaction Management

- locating suitable properties for acquisition and providing the Company with a proposal for each property;
- progressing the acquisition of the proposed property through to completion;
- identifying and investigating sale opportunities for any of the properties and providing the Company with notice of such sale opportunity;
- managing the sales programme through to completion;

Property Management Services

- collecting all ground rent and other payments due and pursuing any legal proceedings to recover arrears;
- arranging for insurance cover for the properties where relevant;
- informing the Company of all events relating to the properties or its services which in its reasonable opinion are likely to have an effect upon any of the properties and advising the Company on a recommended course of action including the sale of any of the properties if relevant;
- advising the Company of any works which in its reasonable opinion could be done economically to enhance the present or future income or capital value of the properties; and
- attending meetings of Board of Directors as and when requested.

Personnel

The Adviser is required to devote such time as may be required to enable it to fulfil its obligation under the Property Adviser Agreement. In particular, it shall ensure that personnel of the requisite level of skill and experience are actively and directly involved on an ongoing basis in the provision of the services to the Company.

Management Fee

The Directors have sought to structure appropriate fees and incentive payments payable to the Adviser that provide a balance between incentivisation and alignment with Shareholder interests. The Adviser is entitled to a fee of £150,000 per annum, payable monthly in arrears. The Adviser is also entitled to retain 50 per cent.

of all insurance commission relating to the properties. It has been agreed that in each accounting period where the fee plus the amount of insurance commission the Adviser retains is in excess of 0.55 per cent. of the average market capitalisation of the Company for that accounting period, the Adviser will pay an amount equal to the excess to the Company by way of refund from the fee.

Agency Fee

Upon completing the purchase of a property which has been introduced by the Adviser and where no other agency fees are payable, the Adviser shall be entitled to an agency fee of 2 per cent. of the purchase price of such property.

Right of first refusal

Under the Property Adviser Agreement the Adviser undertakes that it (and any other fund managed by the Adviser or an associate of the Adviser) will not acquire or take options over any property falling within the Company's investment objectives unless the relevant property has first been offered to the Company. If the Company does not take up such offer, the Adviser can introduce the property to an associate of the Adviser or another third party provided that the purchase price shall not be less than that offered to the Company and other commercial terms shall not be better than those offered to the Company.

CISX Listing Sponsor

The Company has engaged the Sponsor to act as the sponsor for its application for admission to the Daily Official List of the CISX. For the provision of these services, the Sponsor is entitled a fee of £5,000 for the initial listing payable on issue of an invoice by the Sponsor following the grant of listing by the CISX and, following the listing, an annual fee of £4,000 (payable *pro-rata* in the first year of listing), payable on each anniversary of the date of the listing. In addition to the annual fee, the Sponsor is entitled to receive additional fees on a time incurred basis where the time spent by the Sponsor in advising the Company exceeds four hours in any given year.

Further details of the Sponsorship Agreement are set out in paragraph 12.3 of Part 10 of this document.

Registrar

The Company has engaged the Registrar to provide it with registration services, which will entail, among other things, the Registrar having responsibility for the maintenance of the share and warrant registers, maintenance of dividend payment instructions and arranging the issue, allotment, transfer and/or purchase of shares in accordance with the Articles. For these services, the Registrar is entitled to receive a basic fee based on the number of Shareholder accounts, subject to an annual minimum charge of £7,500 (payable quarterly in arrears) in the first year and £5,000 following this. In addition to the basic fee, the Registrar is entitled to receive additional fees for specific actions.

Further details on the Registrar Agreement are set out in paragraph 12.4 of Part 10 of this document.

PART 3

DIRECTORS AND CORPORATE GOVERNANCE

The Board

The Board comprises three non-executive Directors. Two of the directors, including the Chairman, are independent of the Adviser. Each of the Directors has signed a letter of appointment to formalise in writing the terms of his appointment.

The Directors have been selected to give Shareholders the benefit of their real estate, fund management, financial services and business experience. The Directors have overall responsibility for the Company's activities, including the review of its investment activities and performance. They have primary responsibility for determining the Company's overall investment objectives and strategy and for implementing them. The Board is also responsible for supervising and reviewing the activities of the Adviser. The Board will meet at least four times a year to review the Company's investment policy and will meet on an *ad hoc* basis to approve acquisitions.

The directors of the Company are:

Malcolm Naish (*Non-executive Chairman*) aged 59 of 111 Park Street, London W1K 7JL

Malcolm was the director of Real Estate at Scottish Widows Investment Partnership ("SWIP") until June 2012 and was responsible for overseeing its portfolio of commercial property assets across the UK, Europe and North America.

Malcolm has over 40 years' experience of working in the real estate industry. Prior to joining SWIP, he was director and head of DTZ Investment Management, where he was responsible for business development in the UK and in international markets. He was also a founding partner of Jones Lang Wootton Fund Management, and UK managing director of LaSalle Investment Management. In 2002, he co-founded Fountain Capital Partners, a pan-European real estate investment manager and adviser.

Malcolm qualified as a Chartered Surveyor in 1976. He was Chairman of the Scottish Property Federation (SPF) 2010 to 2011.

Simon Wombwell (*Non-executive Director*) aged 51 of 111 Park Street, London W1K 7JL

Simon is Chief Executive Officer of Brooks Macdonald Funds and a director of Brooks Macdonald Group plc. He joined Brooks Macdonald as an executive director in a full time capacity in February 2011 having been a non executive director since 2002. Simon has spent his entire career in the financial services industry and previous roles include, Head of Sales and Marketing at Scottish Widows Investment Partnership, Managing Director of Newton Fund Managers Limited and Managing Director of Royal Bank of Scotland Unit Trust Managers. Simon is an Associate of the Society of Investment Professionals.

Paul Craig (*Non-executive Director*) aged 42 of 111 Park Street, London W1K 7JL

Paul is a Director of Multi-Manager at Henderson Global Investors. He has over 20 years of investment experience, including 10 years at Exeter Investment Group and 6 years at New Star Asset Management, where Paul was a Director of the asset management subsidiary. During the past 18 years, his focus has been multi-manager products with an emphasis on closed-end funds. Paul is an Associate of the UK Society of Investment Professionals.

The company secretary of the Company is **Jonathan Murphy**. A summary of Jonathan's experience can be found at Part 2 of this document.

Corporate Governance

As a CISX listed company, the Company is not required to comply with the UK Code on Corporate Governance. However, the Directors place a great deal of importance on ensuring that high standards of corporate governance are maintained and will seek to take appropriate measures to ensure that the Company complies with the UK Code on Corporate Governance to the extent appropriate and taking into account the size of the Company and the nature of its business.

Independent non-executive Directors

The UK Corporate Governance Code recommends that, in the case of smaller companies below the FTSE 350, at least two non-executive members of the board of directors (excluding the Chairman) of a public limited company should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

On Admission, the Board will be composed of three Directors. The Board has carefully considered the Directors' independence and has determined that the Directors will discharge their duties in an independent manner. Malcolm Naish and Paul Craig are deemed to be independent at the time of their appointment.

Simon Wombwell, is also a director of Brooks Macdonald, Brooks Macdonald Funds and Braemar Group and is therefore considered to have an interest in any agreement between the Company and the Adviser (as the Adviser is a subsidiary of Braemar Group which is a subsidiary of Brooks Macdonald) and between the Company and Brooks Macdonald Funds. It has been agreed between the Company, Simon Wombwell and the Adviser that, in the event of a dispute between the Company and the Adviser, Simon Wombwell will represent the Company and the other directors of the Adviser will represent that company. It is also agreed between the Company, Simon Wombwell and Brooks Macdonald Funds that, in the event of a dispute between the Company and Brooks Macdonald, Simon Wombwell will represent the Company and the other directors of Brooks Macdonald Funds will represent that company.

Accordingly, on Admission, the Company will comply with the provisions of the UK Corporate Governance Code applicable to smaller companies that at least two members of the Board should be independent non-executive directors.

Board committees

The Board has established the Audit Committee and the Management Engagement Committee.

The Audit Committee comprises Simon Wombwell, who chairs the committee, and Malcolm Naish. The Audit Committee will meet at least once a year and will, *inter alia*, review the financial reporting process and system of internal control and management of financial risks (including understanding the current areas of greatest financial risk and how these are managed, reviewing annual financial statements, assessing the fairness of preliminary and interim statements and disclosures and reviewing the external audit process). The Audit Committee will be responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Audit Committee will consider the nature, scope and results of the auditors' work and reviews, and develop and implement policy on the supply of any non-audit services that are to be provided by the external auditors. It will receive and review reports from the Company's external auditors relating to the Company's annual report and accounts. The Audit Committee will focus primarily on compliance with legal requirements, accounting standards and the CISX Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts will remain with the Board.

The Management Engagement Committee comprises Malcolm Naish, who chairs the committee, and Paul Craig. The committee will meet not less than once a year. The function of the committee is to ensure that the Adviser complies with the terms of the Property Adviser Agreement and that the provisions of the Property Adviser Agreement follow industry practice and remain competitive and in the best interests of Shareholders. The Management Engagement Committee will also consider the appointment, remuneration and performance of suppliers of services to the Company.

The Directors do not intend to establish remuneration or nomination committees as the Directors do not believe that such committees would be appropriate given the nature of the Company's operations. The Board will review annually the remuneration of the Directors and agree the level of non-executive fees. Consideration will be given by the Board to future succession plans for Board members as well as consideration as to whether the Board has the skills required to manage the Company effectively. The assessment of the performance of the Chairman will be determined by the other Directors. The Board will take all reasonable steps to ensure compliance by the Directors and any employees with the provisions of the CISX Listing Rules and the CISX Model Code for Securities Transactions for Directors which enumerates the general principles for conduct of directors of CISX listed companies.

PART 4

THE PLACING AND THE SUBSCRIPTION

General

The Company will issue up to 50 million Shares with Warrants attached on a one for five basis under the Placing and the Subscription at a price of 100 pence each, the nominal value of each share being 50 pence. The Placing Shares and the Subscription Shares will, when issued, rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

The Placing and the Subscription is expected to raise up to £50 million before expenses from institutional and other investors. Application has been made for up to 50 million Shares and 10 million Warrants to be admitted to trading on the Daily Official List of the CISX and to trading on the SETSqx platform of the London Stock Exchange. It is expected that First Admission will become effective and dealings in the Placing Shares and Warrants relating thereto will commence on CISX and SETSqx at 8.00 a.m. on 13 August 2012, save as otherwise described in this document. Second Admission will occur on 24 August 2012.

The Placing

Under the Placing, the Placing Shares are being offered by the Company at the Placing Price to institutional and other investors. No Shares have been sold or are available in whole or in part to the public in the UK or elsewhere in connection with the Placing (other than to the Braemar PCC Shareholders under the Subscription). Allocations of Placing Shares will be determined at the discretion of the Company and Singer Capital Markets.

The Placing and Investors' participation in it will be conditional on, amongst other things, First Admission occurring not later than 8.00 a.m. (London time) on 13 August 2012 or such later date as the Company may decide, being not later than close of business on 13 September 2012. Certain conditions are not capable of waiver.

In order to finalise entitlements under the Placing for those Investors who wish to subscribe for Shares up to a maximum percentage of the entire issued share capital following the Placing and the Subscription, those Investors' Placing Shares will be admitted on Second Admission.

If the Placing does not become unconditional or is terminated in accordance with its terms prior to First Admission, the Placing will not proceed and each Investor's rights and obligations will cease and no claims will be capable of being made by any Investor in respect of the Placing and any payments made by the Investor will be returned as soon as possible thereafter without interest.

Each placee will be required to undertake to pay the Placing Price for the Placing Shares issued to such placee in such manner as will be directed by Singer Capital Markets in the placing letter sent to them by Singer Capital Markets. The placing letter contains details of the receiving bank for funds received pursuant to the Placing.

If First Admission of the Placing Shares does not occur, subscription monies will be returned without interest by Singer Capital Markets.

The Subscription

Braemar PCC Shareholders are being provided with the opportunity to use a substantial part of the redemption proceeds they receive to subscribe for Shares in the Company. It is expected that Second Admission of the Shares issued to those Braemar PCC Shareholders electing to so subscribe will become effective and dealings will commence on CISX and SETSqx at 8.00 a.m. (London time) on 24 August 2012. BMAM holds 76 per cent. of the shares in Braemar PCC's Ground Rents Cell and has undertaken to the Company (subject to completion of the Acquisition Agreement and First Admission), that they will use a substantial part of their redemption proceeds to subscribe for Shares in the Company at the Subscription

Price. There is no minimum number of Subscription Shares which can be applied for under the Subscription. The maximum amount each Braemar PCC Shareholder will be entitled to invest will be the redemption proceeds set out in the application form. The Subscription Shares will, when issued, rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid after the date of Second Admission.

The Subscription Shares are being offered by the Company at the Subscription Price to Braemar PCC Shareholders.

The Subscription and Braemar PCC Shareholders' participation in it will be conditional on, amongst other things, Second Admission occurring not later than 8.00 a.m. on 24 August 2012 or such later date as the Company may decide, not being later than close of business on 24 September 2012. Certain conditions are not capable of waiver.

Use of proceeds

The Directors intend to use the net proceeds of the Placing and the Subscription, estimated at £49 million in aggregate after expenses, to fund future Ground Rent investments (including the Initial Portfolio) as well as to fund the Company's operational expenses. Such expenses include (i) acquisition costs and expenses (such as due diligence costs, legal, tax advice and taxes); (ii) Directors' fees; (iii) fees payable to the Adviser; and (iv) other operational costs and expenses. Suitable acquisition opportunities may not be immediately available. It is likely, therefore, that for a period following Admission and at certain other times (for example, following the disposal of an acquired property), the Company will have surplus cash.

The Directors expect that the annualised running costs of the Group will initially be approximately £500,000 per annum including the initial annual management fee but excluding costs relating to running any companies and assets held as a result of future acquisitions.

The management fee to be paid to the Adviser will initially be £150,000 per annum and other corporate costs such as Director's fees, valuation fees and audit fees are initially expected to be approximately £350,000 per annum. For more information on the management fee, see Part 2 of this document.

Admission, settlement and dealings

It is expected that admission of the Placing Shares (other than those to be issued to Investors wishing to subscribe for a maximum percentage of the Share capital following the Placing and the Subscription) and Warrants relating thereto will become effective and dealings in the Placing Shares and Warrants relating thereto will commence on CISX and SETSqx at 8.00 a.m. (London time) on 13 August 2012 or shortly thereafter save as otherwise described in this document.

It is expected that admission of the remaining Placing Shares, the Subscription Shares and Warrants relating thereto will become effective and dealings in the Subscription Shares and Warrants relating thereto will commence on CISX and SETSqx at 8.00 a.m. (London time) on 24 August 2012 or shortly thereafter save as otherwise described in this document.

The above dates and times may be changed.

It is expected that Shares to be held in uncertificated form will be delivered to the relevant CREST accounts on the day of Admission on a delivery versus payment basis and that share certificates for the Shares to be held in certificated form will be dispatched within 10 days of Admission. No temporary documents of title will be issued. The Shares will be in registered form.

The ISIN number and SEDOL codes for the Shares are GB00B715WG26, B715WG2 (CISX) and B8K0LMA (SETSqx), respectively.

The ISIN number and SEDOL codes for the Warrants are GB00B8N43P05, B8N43P0 (CISX) and B8K0RP9 (SETSqx), respectively.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Shares under the CREST system. The Company will apply for the Shares to be admitted to CREST on the date of Admission.

Application process

Ardel Fund Services Limited will process the subscription monies received from Braemar PCC Shareholders who wish to subscribe for Shares under the Subscription following the redemption of their Shares in Braemar PCC. A personalised application form and instruction form in respect of the Subscription will be provided to Braemar PCC Shareholders and such form will contain details of the receiving bank for Subscription funds.

Overseas Investors

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any Shares (i) in any jurisdiction in which such offer, invitation or solicitation is not authorised; (ii) in any jurisdiction in which the person making such offer, invitation or solicitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer, invitation or solicitation. The distribution of this document and any accompanying documents, and the offer and sale of the Shares may be restricted by law. Persons into whose possession this document and any accompanying documents come must therefore inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, no document may be distributed, forwarded to or transmitted in, into or from the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland or to any US Person. Any person within the United States and any US Person who obtains a copy of this document must disregard it.

No public offering of the Shares is being made in any jurisdiction. No action has been or will be taken by the Company, the Adviser, Singer Capital Markets or the Sponsor or their affiliates that would permit the offer or sale of the Shares or possession or distribution of this document or any accompanying documents in any jurisdiction where action for that purpose is required.

The offer and sale of the Shares have not been, nor will they be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. In addition, the Company has not been, and will not be, registered under the Investment Company Act 1940, and investors will not be entitled to the benefits of that Act. The Shares may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, any US Person. In connection with the Placing, the Shares are being offered and sold only outside the United States to, and for the account or benefit of, non-US Persons in “offshore transactions” within the meaning of, and in reliance on the exemption from registration provided by, Regulation S under the Securities Act.

PART 5

ACQUISITION OF INITIAL PORTFOLIO FROM BRAEMAR PCC

Terms of the acquisition of the Initial Portfolio from Braemar PCC

The Company entered into the Acquisition Agreement on 16 July 2012. The Initial Portfolio (including for these purposes only the properties at Cambridge and Chester referred to in “pipeline” in Section 1 of this document) is held in a number of SPVs, each of which is to be acquired pursuant to the terms of the Acquisition Agreement.

The Acquisition Agreement is conditional on:

- (a) shareholder approval from the majority of the voting Braemar PCC Shareholders;
- (b) approval of the Guernsey Court in accordance with section 457(3) of the Companies (Guernsey) Law 2008; and
- (c) Admission.

Provided that the conditions in paragraphs (a) and (b) are obtained, the Acquisition Agreement will complete upon First Admission.

If the conditions are not fulfilled on or before 10 September 2012, either the Company or Braemar PCC will be entitled to terminate the Acquisition Agreement.

The purchase price payable by the Company to Braemar PCC under the Acquisition Agreement is £1,279,793 (“**Purchase Price**”). There will also be a certain amount of inter-company debt owed by the SPVs to Braemar PCC and the Company has agreed to procure that this will be discharged upon completion of the Acquisition Agreement. The Purchase Price will be adjusted according to a completion accounts mechanism to reflect any difference between the estimated net asset values of the SPVs at completion and their actual net asset values at completion. An initial amount of £942,793 will be paid to Braemar PCC on the fifth business day following completion as part payment of the Purchase Price. The amount of the Purchase Price not paid to Braemar PCC will be retained by the Company (“**Retained Amount**”). The Company is entitled to deduct from the Retained Amount such amounts as are necessary to satisfy any completion accounts adjustments and settled claims for breach of the Acquisition Agreement (including claims for breach of warranty). The Retained Amount (less amounts deducted in accordance with the terms of the Acquisition Agreement) shall be paid to Braemar PCC on the first business day after the later of (a) the date the completion accounts are agreed and (b) the date on which a reputable firm of accountants (to be agreed between the parties or, in the absence of such agreement, nominated by the President for the time being of the Institute of Chartered Accountants) confirms that it has reviewed the tax returns of the SPVs and is satisfied that they are complete and accurate in all material respects.

In addition to the SPVs in which the Initial Portfolio is held, the Company will also acquire from Braemar PCC a number of other SPVs that, prior to the date of the acquisition, have been negotiating the purchase of a number of the pipeline properties. To the extent that Braemar PCC has incurred costs in connection with the purchase of any pipeline properties, it has been agreed as part of the Acquisition Agreement that the Company will reimburse Braemar PCC for these costs and, in consideration thereof, takeover from Braemar PCC and seek to purchase those pipeline properties directly. Where a pipeline property exchanges or completes before completion of the Acquisition Agreement, the Company has agreed it will pay to Braemar PCC such amounts that have been incurred by Braemar PCC in relation to that acquisition on the fifth business day following completion.

Whilst the Acquisition Agreement contains warranties and indemnities that are customary for a transaction of this nature, given that Braemar PCC’s Ground Rents Cell within which the Initial Portfolio is held is to be wound up shortly following completion, the Company is aware that its recourse against Braemar PCC is limited. In order to mitigate this risk, the accounts of each of the SPVs have been audited up until 31 March 2012 and the Company will also receive a comfort letter from the Adviser confirming *inter alia* that to the best of its knowledge, information and belief the warranties set out in the Acquisition Agreement are, subject to disclosures made, fair, accurate and not misleading and that all material information relating to the SPVs and the Initial Portfolio has been disclosed in this document.

Details of the Initial Portfolio are set out at Part 6 and details of the SPVs are set out at paragraph 12.8 of Part 10 of this document.

PART 6

INDEPENDENT VALUATION REPORT ON BRAEMAR PCC GROUND RENTS PROPERTIES

Independent valuation report

DTZ/UGL Services is one of the world's largest property services firms, encompassing advisory, brokerage and management solutions to occupiers and investors worldwide. DTZ operates through 217 offices in 45 countries throughout Europe, the Middle East, Asia Pacific and the Americas, and is a market leader in property management with over 13,000 commercial properties under management.

The Company instructed DTZ to carry out the valuation in order to ascertain the value of the property portfolio held by Braemar PCC. The valuation does not include valuations of any Ground Rents acquired after 2 July 2012.



Ground Rents Income Fund plc
111 Park Street
London W1K 7JL

24 July 2012

Dear Sirs

Valuation of certain property assets to be acquired by Ground Rents Income Fund plc (“the Company”)

1. Introduction

In accordance with your instructions which were confirmed in our letter dated 21 June 2012, we have inspected the properties (the “Properties”), referred to in the attached schedule (the “Schedule”), in order to advise you of our opinion of the Fair Value of the freehold and leasehold interests in each of the Properties (the “Properties”), as at 2 July 2012.

The properties comprise 26 freehold and leasehold primarily residential ground rent investments located throughout the United Kingdom.

2. Inspections

The properties were inspected externally during May and June 2012. As the properties are ground rent investments, we have not undertaken any internal inspections of any of the units at the various properties.

3. Compliance with RICS Valuation – Professional Standards 2012

We confirm that the valuations have been made in accordance with the appropriate sections of the current Valuation Standards (“VS”), and United Kingdom Valuation Standards (“UKVS”) contained within the RICS Valuation – Professional 2012, (the “Red Book”).

DTZ

48 Warwick Street
London, W1B 5NL, England
Tel: +44 (0)20 3296 3000
Fax: +44 (0)20 3296 3200
www.dtz.com/uk

A list of directors’ names is open to inspection at the above address
DTZ Debenham Tie Leung Limited Registered in England No 2757768
Registered office 125 Old Broad Street London EC2N 2BQ



4. Status of valuer and conflicts of interest

We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake these valuations competently. We also confirm that where more than one valuer has contributed to the valuations the requirements of VS 1.6.4 of the Red Book have been satisfied. We confirm that N C Jacks FRICS has overall responsibility for the valuation. Finally, we confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the valuation.

We confirm that we have no current, anticipated or previous recent involvement with any of the subject properties and/or the parties to this transaction and therefore do not consider that any conflict arises in preparing the advice requested.

We refer to section 6.2 of this report relating to DTZ's involvement with the Company.

5. Purpose of the valuation

We understand this valuation report and schedule are to be included in a Listing Document to be published by the Company in respect of its admission to listing on the Official List of the Channel Islands Stock Exchange and to trading on the SETSqx platform of the London Stock Exchange.

This valuation report and schedule have been produced for the Company to assist them in determining a value of the properties for the purposes of making an offer (the "purpose of this valuation report").

The Valuation Report has been prepared on the basis of Fair Value as required under International Financial Reporting Standards ("IFRS") as you have informed us that these are the standards under which the Company's accounts are prepared.

The purpose of the valuation means that the valuation is a Regulated Purpose Valuation. Therefore, in accordance with VS 1.9 and UKVS 4.3, we have made certain disclosures in connection with this valuation instruction and our relationship with the Company. These are included in item 6 below.

6. Disclosures required under the provisions of VS 1.9 and UKVS 4.3

6.1 Name of signatory

DTZ Debenham Tie Leung has not previously carried out a valuation for the Company.

6.2 DTZ's relationship with the Company

There is no fee-earning relationship between the Company and DTZ other than this valuation instruction.



6.3 Fee income from the Company

DTZ Debenham Tie Leung was a wholly owned subsidiary of DTZ Holdings plc (the “Group”) until 5 December 2011, when all the trading subsidiaries of the Group (the “Subsidiaries”) were sold to UGL Limited (“UGL”). In the Group’s financial year ending 30 April 2011, the proportion of fees payable by the Company to the total fee income of the Group was less than 5 per cent. UGL’s financial year end is 30 June. We anticipate that the proportion of fees payable by the Company to the Subsidiaries in the financial year to 30 June 2012 will remain at less than 5 per cent.

6.4 DTZ involvement in any of the properties in the previous 12 months

DTZ has had no involvement with any of the properties in the last 12 months.

7. Basis of valuation

7.1 Fair Value

The value of each of the properties has been assessed in accordance with the relevant parts of RICS Valuation – Professional Standards 2012. In particular, we have assessed the Fair Value of the properties in accordance with VS3.5 item 2. Under these provisions, the term “Fair Value” means “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”.

The commentary under VS 3.5 of the Red Book states that, for most practical purposes, Fair Value is consistent with the concept of Market Value.

Our opinion of the Fair Value of each of the properties has been primarily derived using comparable recent market transactions on arm’s length terms.

7.2 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, taxation allowance or lottery funding that may arise on disposals.

We have not made deductions to reflect purchasers’ acquisition costs.

8. VAT

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

9. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (“Assumption”). In this context, 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 Company has confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:

9.1 Title

We have not had access to the title deeds of any of the properties. Save as disclosed in the various Reports on Title prepared in the past by the vendor’s lawyers, Messrs Lupton Fawcett LLP and Messrs Land Law LLP, upon which you inform us the Company is relying, the Reports on Title being addressed to various parties, we have made an Assumption that the Company is possessed of good and marketable freehold and long leasehold titles in each case and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

9.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

As the properties are being acquired as ground rent investments, we have not undertaken inspections of the interior of any of the buildings. Therefore, we are unable to report that the properties are structurally sound or free from any defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and the appendices.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

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

significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

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

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

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

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

9.3 Environmental matters

We have made enquiries of your professional advisers and the Environment Agency website in order, so far as reasonably possible, to establish the risk of flooding at the properties and the potential existence of contamination arising out of previous or present uses of the sites and any adjoining sites.

Our inspections and enquiries have provided no evidence that there is a significant risk of contamination in respect of any of the properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market might, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Flooding

We have made an inspection of the Environment Agency website, which indicates that some of the properties fall inside the extent of the extreme flood.

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

You should be aware that the Association of British Insurers have issued guidance on insurance issues in which they state that, subject to Government commitment to have a longterm strategy to manage flood risk, insurers have committed to provide flood insurance for existing buildings until June 2013; however, no commitments have been made for buildings built after 1 January 2009.

9.4 Areas

As the properties are being acquired as ground rent investments, we have not undertaken any inspections of the flats at the various buildings, nor have we carried out any measured surveys.

9.5 Statutory requirements and planning

We have relied upon the information set out in the Reports on Title supplied to us in respect of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

We have made an Assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. 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.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have made an Assumption that the properties comply with all relevant statutory requirements.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates ("EPC") to be made available for all properties, prior to the marketing of the property, subject to certain exemptions. In respect of any of the subject properties which are not exempt from the requirements of this Directive, we have made an Assumption that an EPC is made available, free of charge, to the purchasers of the interests which are the subject of our valuation.

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

should need to rely upon the information given about town planning matters, your solicitors would be instructed to institute such formal searches.

9.6 Leasing

Subject to the provisions of the paragraph below, we have relied upon the information set out in the Reports on Title supplied to us. We have not read any of the leases.

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

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

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

9.7 Information

We have made an Assumption that the information the Company 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.

10. Landlord and Tenant Act 1987

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

In the event of an actual sale, the provisions of the Act are such that the sale of the interest in the property would achieve Fair Value but the time periods for the service of notices and agreement of terms could extend to seven months.



11. Valuation

We are of the opinion that the aggregate of the Fair Values, as at 2 July 2012, of the freehold and long leasehold interests in the properties described in the Schedule, subject to the Assumptions and comments made in this Valuation Report, was as follows:

Freehold	£4,580,830	(Four million, five hundred and eighty thousand eight hundred and thirty pounds)
Long leasehold	£5,035,170	(Five million, thirty five thousand one hundred and seventy pounds)
TOTAL	£9,616,000	(Nine million, six hundred and sixteen thousand pounds)

A long leasehold interest is defined as an interest with an unexpired term of more than 50 years.

12. Confidentiality and disclosure

The contents of this Valuation Report and Schedule may be used only for specific purpose to which they refer. Consequently, and in accordance with current practice, no responsibility is accepted to any party in respect of the whole or any part of their contents other than in connection with the Purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates the Special Assumptions and/or Departures referred to herein. For the avoidance of doubt, such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

N C Jacks FRICS
Director
For and on behalf of
DTZ Debenham Tie Leung Limited



Schedule of Properties

1) Properties that are owned freehold

Property	Description	Current rent as at 2 July 2012	Fair Value as at 2 July 2012
Hotwells House, 200 Hotwells Road, Bristol BS8 4US	Modern building comprising 40 flats and car parking area	£10,250	£241,177
Beetham Tower, 301 Deansgate, Manchester, M3 4LQ	Modern development comprising 219 apartments and a hotel	£56,431	£1,187,783
Bridge Court, Middleton Road, Banbury, Oxfordshire OX16 4AF	Modern building comprising 24 apartments and 2 commercial units	£5,400	£90,000
Bishops Place, 1 Charles Graven Court, Ely, Cambridgeshire CB7 4FN	Modern development comprising 2 residential flats, 6 garages and a car parking space	£350	£6,364
The Retreat, 1 The Paddocks, Stradbroke, Eye, Suffolk, IP21 5HE	Modern development comprising 1 flat and 4 garages	£200	£3,636
25, 27 and 29 Cedar Walk, Highlands Close, Needham Market, Suffolk, IP6 8BF	Modern development comprising 3 flats and 17 garages/car ports	£700	£12,727
Great Eastern Court, 1-45 Thorpe Road, Norwich, NR1 1EQ	Modern development of 44 flats	£4,820	£87,636
6 & 8 Barwell Road and 1, 3, 5 and 6-22 Qwysson Avenue, Bury St Edmunds, Suffolk IP33 1AH	Modern development comprising 9 flats and 40 garages and some car parking spaces	£1,900	£34,545
1 & 2 Fuggles Yard, 1,2,3,4,6,8,10,12 Drays Yard, 38 Kilderkin Way, 96 & 104 King Street, Morgan House & Pollypin Yard, Norwich NR1 1RD	Modern development of 65 flats, garages and parking spaces.	£8,020	£145,818
Trinity Heights, 11-25, 27-33, 30-46 Groves Close, Colchester, CO4 5BP	Modern development of 28 apartments	£2,790	£50,727
Meridian Place, 7 & 8, and 15-18 Pigg Lane & 11 & 12 Quayside, Norwich, NR3 1RS	Modern development of 7 apartments, ground floor shop and 12 parking spaces	£880	£16,000



Property	Description	Current rent as at 2 July 2012	Fair Value as at 2 July 2012
Mulberry Gardens, 1-6 Loke Road, 5 & 35 Porterbrush Avenue, 12-26 (even) 17, 19, 28-42 Even), 91 & 111 Bromdale Avenue, Mulbarton, Norwich, NR14 8GG	Modern development comprising 29 flats, 28 garages and number of parking spaces	£3,930	£71,456
St Mary's, 1-12 & 14-26 Padua House, IP4 4SD; 1-12 & 14-29 Simon House, IP4 4SP; 1-7 Holmway House, IP4 4SU	Modern development comprising 60 apartments	£6,000	£109,091
Brookhill Place, 41 Curtis Way, Kesgrove, Suffolk, IP5 2FF	Modern development comprising 1 flat and 4 garages	£200	£3,636
The Gatehaus, Leeds Road, Bradford, West Yorkshire, BD1 5BL	Modern development comprising 142 apartments, 2 commercial units and a number of car parking spaces	£105,138	£1,213,734
Enclave Court, 2 Dallington Street, London, EC1V 0BH	Modern development comprising 32 apartments	£6,350	£127,000
Azure House, Buckfast Street, London, E2 6GL	Modern development comprising 16 apartments	£5,200	£104,000
Ebony House, Buckfast Street, London, E2 6GL	Modern development comprising 27 apartments	£8,750	£175,000
Halcyon Wharf, 5 Wapping High Street, London, E1W 1LH	Modern development comprising 41 apartments	£16,450	£329,000
Maunder's portfolio	459 houses located in the North West of England	£34,290	£571,500
Aggregate		£278,049	£4,580,830



2) Properties that are owned leasehold

Property	Tenure	Description	Current rent as at 2 July 2012	Fair Value as at 2 July 2012
Block HI, Masshouse Plaza, Moor Street, Queensway, Birmingham, B5 5JF	150 years from 8 December 2003 at a rent of £1 per annum	Modern development comprising 173 apartments and 1 commercial unit	£42,135	£889,667
Castlegate, 2 Chester Road, Castlefield, Manchester M15 4QG	250 years from 1 July 2002 at a peppercorn ground rent.	Modern development of 84 apartments	£25,200	£504,000
Freedom Quay, Railway Street, Hull, HU1 2BE	250 years from 1 October 2007 at a rent of £1 per annum	Modern development of 51 apartments and 1 commercial unit	£15,300	£322,105
Block M, Masshouse Plaza, Moor Street, Queensway, Birmingham, B5 5JF	150 years from 8 December 2003 at a rent of £1 per annum	Modern development of 167 apartments, 2 commercial units and 44 car parking spaces	£56,762	£1,261,378
The Postbox, Upper Marshall Street, Birmingham, West Midlands, B1 1LA	150 years from 17 August 2004 at a peppercorn ground rent	Modern development comprising 258 apartments and 2 commercial units	£69,026	£1,380,520
XQ7, Taylorson Street South, Salford Quays, Manchester, M5 3FY	250 years from 13 November 2003 at a peppercorn ground rent	Modern development of 271 apartments	£33,875	£677,500
Aggregate			£242,298	£5,035,170

PART 7

TERMS AND CONDITIONS OF THE WARRANTS

Under the Placing and the Subscription, Warrants will be issued for nil consideration on the basis of one Warrant for every five Subscription Shares. The Warrants are constituted by, and will be issued subject to and with the benefit of the Warrant Instrument. Warrantheolders will be bound by all the terms and conditions set out in the Warrant Instrument.

A Warrantheolder shall have the right (“**Subscription Rights**”) to subscribe in cash (£1.00) (“**Exercise Amount**”) for the number of Ordinary Shares to which he is entitled on 31 August in each year following Admission up to and including 31 August 2022 (“**Subscription Date**”).

The number of Ordinary Shares to which each Warrant relates is (prior to any adjustment in accordance with the Warrant Instrument) one Share.

In order to exercise Subscription Rights (in whole or part) where a Warrant is held in certificated form a Warrantheolder must deliver to the Company a notice substantially in the form contained in the Warrant Instrument and a certificate evidencing the Warrantheolder’s entitlement to Warrants (Notice of Subscription) duly completed 28 days prior to the Subscription Date together with:

- (i) the certificate for the Warrants in respect of which Subscription Rights are being exercised; and
- (ii) a payment by cheque (or such other mode of payment as the Company and the Warrantheolder shall agree) for the aggregate Exercise Amount in respect of the Subscription Rights which are being exercised.

In order to exercise Subscription Rights (in whole or in part) where a Warrant is held in uncertificated form a Warrantheolder must provide an uncertified subscription notice (an authenticated dematerialised instruction) together with a payment through CREST for the Exercise Amount.

Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

The Ordinary Shares allotted pursuant to exercise of the Subscription Rights shall (a) be allotted and issued fully paid; (b) rank *pari passu* with the fully paid Ordinary Shares then in issue and have the rights set out in the Articles relating to the Ordinary Shares; and subject to the Articles, be entitled to receive any dividend or other distribution which has previously been announced or declared provided that the date by which the holder of Ordinary Shares must be registered to participate in such dividend or other distribution is after the Subscription Date.

The Warrants are freely transferable, in whole or in part, by any Warrantheolder. In the case of Warrants held in uncertificated form, by a properly authenticated dematerialised instruction and/or other instruction or notification. In the case of Warrants held in certificated form, by an instrument of transfer in any usual or common form.

If, on a date while any Warrants remain outstanding, an order is made for the winding-up or dissolution of the Company there would be a surplus available for distribution amongst the holders of Shares which would exceed £1 per Share each Warrantheolder shall be treated as if his Warrants had been exercised in full at £1 per Share and accordingly be entitled to receive out of the assets of liquidation *pari passu* with the holders of Shares an amount equal to the sum to which he would have become entitled had he been the holder of Ordinary Shares (after deducting a sum per Share equal to £1).

While any Warrants remain exercisable upon any subdivision or consolidation of Shares the numbers and/or nominal value of Shares to be subscribed on a subsequent exercise shall be increased (or as the case may be) reduced proportionately.

If any Warrants are outstanding and:

- (a) the Company makes an offer or invitation to the Shareholders to subscribe for further Shares or to purchase Shares from the Shareholders; or

(b) an offer or invitation is made to all the Shareholders otherwise than by the Company.

the Company must procure (in the case of third party offers or invitation, so far as it is able) that the same offer or invitation is made to the Warrantholders. Where such offer or invitation is made by the Company, the Directors are entitled to resolve that the Company shall not make the same offer or invitation to the Warrantholders but instead that the exercise price of, or subscription rights attaching to, each outstanding Warrant will be adjusted by such amount as the auditors certify to be fair and reasonable to take account of such offer or invitation.

If an order is made or resolution passed for the winding-up or dissolution of the Company and any Warrant remains outstanding, the Warrantholders may be entitled to share in amounts available for distribution to Shareholders. Such right shall arise where (on the assumption that all Warrants have been exercised and all monies due to the Company on exercise have been received) there is a surplus available for distribution amongst the Shareholders which exceeds, in respect of each Share, a sum equal to the exercise price of each Warrant. In such situation each Warrantholder is to be treated as if, immediately before the date of such order or resolution, its Warrants had been exercised in full. Each Warrantholder would therefore be entitled to receive, *pari passu* with the other Shareholders, an amount equal to the sum which he would have received had he been a Shareholder after deduction of a sum per Share equal to the exercise price of each Warrant.

All Subscription Rights shall lapse if not exercised on or before 31 August 2022.

No stamp duty or SDRT will be payable on the issue of Warrants.

A copy of the Warrant Instrument will be available on the Company's website from First Admission.

PART 8

RISK FACTORS

An investment in the Company is only suitable for investors who understand the potential risk of capital loss, that there may be limited liquidity in the underlying investments of the Company, for whom an investment in the Shares and Warrants 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 be able to bear any losses (which may be equal to the whole amount invested) which may result from such an investment.

The Directors have identified the risks described below as the material risks involved in an investment in the Shares and Warrants but additional risks and uncertainties not presently known to the Directors or that the Directors consider immaterial may also adversely affect the Company, its business, results of operations and/or financial condition, certain of such risks being inherent in any investment in equity securities. If any or a combination of the following risks materialise, the Company's business, financial condition and operational performance could be materially adversely affected. In that case, the trading price of the Shares could decline and potential investors may lose some or all of their investment.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

Prospective investors should carefully consider all the information in this document, including the risks described below. If in any doubt, prospective investors should immediately seek their own personal financial advice from their independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities or other advisers such as legal advisers and accountants.

Investment in the Company involves a degree of risk and Investors must rely on independent advice in respect of the legal, taxation, financial and other consequences of acquiring and holding Shares and Warrants in the Company, including the merits of subscribing and the risks involved. Investors should consider this section carefully and are recommended to seek independent professional advice on the suitability of this investment. Although not exhaustive, the following principal risk factors may, in addition to others not set out herein, be relevant.

RISKS RELATING TO THE COMPANY

The Company is a new company with no operating history

The Company was recently incorporated and has no operating history upon which to evaluate its likely performance. Although the Company has agreed to acquire the Initial Portfolio, the Company currently owns no Ground Rent assets and will not do so until after Admission. Although the Company is negotiating with vendors regarding potential Ground Rent acquisitions, the negotiations may not result in the execution of binding acquisition agreement, or result in any further investments being made. As a consequence, prior to Admission, prospective investors in the Company will have no opportunity to evaluate the terms of any potential investment opportunities or actual significant investments, or financial data to assist them in evaluating the prospects of the Company and the related merits of an investment in the Shares. Following Admission, Shareholders will only have a role in approving any investments the Company makes to the extent required under the CISX Listing Rules. There can be no guarantee that the Company will achieve its investment objective.

Market value of Shares

Following Admission, it is possible that the Company's share price will fluctuate and may not always accurately reflect the underlying value of the assets held by the Company. The value of Shares may go down as well as up and investors may lose some or all of the original sum invested. The price that investors may realise for their holdings of Shares, when they are able to do so, may be influenced by a large number of

factors, some of which are specific to the Company and others of which are extraneous. Such factors may include the possibility that the market for the Shares will be less liquid than for other equity securities and that the price of the Shares will be relatively volatile. In addition, further issues of shares may cause the market price of the Shares to decline.

CISX

Application has been made for up to 50 million Shares and 10 million Warrants to be admitted to the Daily Official List of the CISX. Investment in shares and warrants on CISX is perceived to involve a higher degree of risk and therefore may be less liquid than an investment in shares listed on the Official List of the UK Listing Authority. CISX has been in existence since October 1998 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. A prospective investor should be aware of the risks of investing in a company listed on the CISX and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

CISX listing and SETSqx trading

The Shares and Warrants will be admitted to listing on the Official List of the CISX and to trading on the SETSqx platform of the London Stock Exchange. SETSqx is an electronic trading platform, so that securities admitted to trading on SETSqx can either be traded through market makers or traded electronically. Shareholders should therefore be aware that not all London Stock Exchange member firms operate on SETSqx so that there may be no market makers in the Company's Shares and Warrants if they are admitted to trading on SETSqx – and if there are no market makers, the Shares and Warrants will have to trade electronically, such that a London Stock Exchange member firm will have to make an order on behalf of a Shareholder and wait for it to match electronically. The Company and the Adviser will seek to ensure that there are market makers making price quotations in the Company's Shares and Warrants.

No assurance that an active trading market will develop

Although an application has been made for up to 50 million Shares and 10 million Warrants to be admitted to CISX and to trading on the SETSqx platform of the London Stock Exchange, as there has been no public trading market for the Shares, there can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. Shareholders who need to dispose of their Shares may be forced to do so at prices that do not fully reflect the Net Asset Value per Share.

No right of redemption

The Company has been established as a closed-ended investment company and, accordingly, Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. While the Company intends that the Directors will be authorised from time to time to effect repurchases of Shares, they are under no obligation to use such powers at any time and investors should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company will, therefore, be required to dispose of their Shares on the market. Accordingly, Shareholders' ability to realise their investment at Net Asset Value or at all is dependent on the existence of a liquid market in the Shares, of which there is no guarantee.

Risks relating to the Warrants

The market price of the Warrants may be more volatile than the market price of the Shares and there is a risk that they may become valueless.

Investors should be aware that the subscription rights attached to the Warrants are exercisable only on the 31 August in each year for a period of ten years following Admission.

The exercise of the Warrants will result in a dilution of Shareholders' interests if the Net Asset Value per Share exceeds the exercise price payable on the exercise of a Warrant at the relevant time. The exercise of the Warrants may also dilute the voting rights of Shareholders.

The intrinsic value of a Warrant at any time will be the prevailing market price of a Share less the exercise price payable per Warrant and, as such, is expected to rise or fall depending on whether the price of a Share rises or falls. The market price of a Warrant may be higher than the intrinsic value of a Warrant, reflecting the potential geared returns available from an investment in the Warrants. The market price of the Warrants will be determined by market forces and there is no guarantee that they will have a market value.

The Warrants, in so far as they give an entitlement to subscribe for Shares, are affected by the same risk factors as the Shares as set out in this section.

Value

The value of the Shares and the income derived from them may go down as well as up and an Investor's entire investment may be lost. No guarantees as to investment performance, from either an income or capital perspective, are given, either expressly or by implication.

The Company may be forced to dispose of its investments at a time when it will not be able to obtain the best value for its investments

Unless Shareholders vote to amend the relevant provisions of the Articles, following the tenth anniversary of Admission, the Board shall convene a general meeting at which a special resolution shall be proposed pursuant to s84 of the Insolvency Act 1986 requiring the Company to be wound up voluntarily unless the Board shall have previously been released from its obligations to do so. In addition, the Company may, from time to time, be required to dispose of assets in order to create working capital to satisfy obligations to which the Company is subject.

There can be no assurance that, at the time the Company seeks to dispose of its assets, conditions in the relevant market will be favourable or that the Company will be able to maximise the returns on such disposed assets. As property assets are relatively illiquid, such illiquidity may affect the Company's ability to dispose of or liquidate its portfolio in a timely fashion and at satisfactory prices. To the extent that market conditions are not favourable, the Company may not be able to dispose of property assets at a gain. If the Company were required to dispose of or liquidate an investment on unsatisfactory terms, it may realise less than the value at which the investment was previously recorded, which could result in a decrease in Net Asset Value. As a result of the foregoing, there can be no assurances that the Company's portfolio can generate attractive returns for its Shareholders.

Dividends

The Company's investment objective is to generate consistent and significant income returns for Shareholders. There is no guarantee that any dividends will be paid in respect of any financial year or period, including the first accounting period following Admission. The ability to pay dividends is dependent on a number of factors including the net revenue profits available for that purpose. Income returns from the portfolio will be dependent, among other things, upon the Company successfully pursuing its investment policy. The success of the Company will depend on the Adviser's ability to identify, acquire and realise investments in accordance with the Company's investment policy. There can be no assurance that the Adviser will be able to do so. The Company may pay dividends only to the extent that it has distributable revenue profits available for that purpose and if that is the case in any accounting year, 90 per cent. of distributable income profits arising from the Group's Qualifying Property Rental business must be distributed in order to comply with the Company's REIT obligations. In addition, if there are dividends, these may fluctuate.

It is intended that the Company will seek shareholder and court approval for a capital reduction to create sufficient distributable reserves to enable distributions to be made. This process will be completed prior to the first dividend payment which is intended to be in December 2012. In the event a share capital reduction is not carried out the Company will not be able to pay a dividend until it has sufficient distributable revenue profits.

General economic and market conditions

The success of the Group's activities and the value of the Shares may be affected by general economic and market conditions, by conditions within the UK property market generally or by the particular financial condition of other parties doing business with the Company. In addition, the success of the Group's activities and the value of the Shares may be affected by conditions such as interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices (including the market price of the Shares), the value of property and the liquidity of the Group's investments. Illiquidity could impair the value and profitability of the Group's investments and have a material adverse effect on the business, financial condition and results of operations of the Company.

The financial operations of the Company may be adversely affected if the services of the Adviser and/or the Management Team (including key personnel employed by the Adviser) cease to be available to the Group by general economic conditions, by conditions within the UK property market or by the particular financial condition of the property vendors and other parties doing business with the Company.

Economic recession

A global economic recession could materially detrimentally affect prices of freeholds and head leases.

Availability of and terms of bank finance

The Company intends to finance its acquisition of Ground Rents and its working capital needs from its own resources. It is possible that the Company will, in the future decide to employ a short-term funding strategy for acquisitions with borrowings at a level of not more than 25 per cent. loan to value, pending the refinancing of those borrowings with an issue of equity. It is not certain that such facilities will be able to be secured at levels or on terms acceptable to the Directors. Any amounts that are secured under a bank facility are likely to rank ahead of Shareholders' entitlements and, accordingly, should the Company's assets not grow at a sufficient rate to cover the costs of establishing and operating the Company's debt, Shareholders may not recover their initial investment. A rise in interest rates is likely to adversely affect the Company's profitability.

Lending banks may choose not to renew existing facilities when they mature and/or may choose to withdraw from lending to the Company due to changes in their own banking policy or an inability to agree lending terms. Were this to happen, it may not be possible to replace the bank loans on such favourable terms, or at all, in which case the development and profitability of the Company might be adversely affected.

In the event that the Company enters into a bank facility agreement(s) or arrangement(s), such agreement(s) or arrangement(s) may contain financial covenants. In particular, the agreement may require that the value of a specific property exceeds a fixed percentage of the value of any loan drawn down. If the value of the specific property falls such that any financial covenant is breached, or if any other covenant is breached, the Company may be required to sell, in a limited time, part or all of its assets, potentially in circumstances where there has been a downturn in land or property values generally, such that the realisation proceeds do not reflect the valuation of the land or property. Amounts arising under any bank facilities will rank ahead of Shareholders' entitlement and Shareholders' returns may, therefore, be adversely affected by an early repayment.

RISKS RELATING TO THE COMPANY'S INVESTMENT POLICY

Lower returns could be experienced until the Company's capital is fully invested

Suitable investment opportunities may not be available to the Group at the time of completion of the Placing or in the future for a number of reasons (including negative market conditions). The Company cannot definitively predict how long it will take to deploy its capital fully. In addition, the Company may not be able to re-invest the proceeds of any investments that are subsequently realised in other suitable property assets.

Until such time as all of the net proceeds of the Placing are applied by the Company to fund investments, the unapplied portion of the net proceeds will be held by the Company on interest bearing deposit in anticipation of future investment and to meet the running costs of the Group (although interest earned will not be

sufficient to fund running costs and future investments). Such deposits are likely to yield lower returns than the expected returns from investment and substantially below the target investment returns and may themselves involve investment risk. The Company can give no assurance as to how long it will take it to invest any or all of the net proceeds of the Placing, if at all, and the longer the period the greater the likely impact on the Group's results of operations and financial condition.

No forecasts

Historical facts, information and trends gained from historic experiences, present facts, circumstances and information, and assumptions from all or any of these, do not guide the future. Aims, targets, plans, intentions and projections referred to are no more than that and so do not imply a forecast. Actual results may vary materially from any projections in this document. Past performance is not necessarily a guide to future performance and nothing in this document should be taken as an express or implied performance forecast.

Property values

The Company's business plan depends to a significant extent on Ground Rent values in the UK. An overall downturn in the UK property market could have a materially adverse effect upon the value of the property owned by the Company and ultimately upon the value of its Shares. The values ascribed to Ground Rents in the Company are the opinion of the valuation agent and may not be realisable.

Legislation

The information in this document is based on the Directors' understanding of current law and practice. Changes may adversely affect Ground Rent values, income levels, growth prospects and tax liabilities. Neither the Company, the Directors, the Sponsor, the Adviser nor Singer Capital Markets nor any of their advisers can accept responsibility if there is any change in the law, in HMRC practice or in the tax treatment of the Company or of any investors in the Company.

Alternative Investment Fund Managers Directive (AIFMD)

In the future the Company may become subject to the AIFMD if, *inter alia*, the Adviser manages assets of alternative investment funds with an aggregate value of more than €100 million. All alternative investment fund managers (AIFM) will be subject to authorisation and registration requirements which includes the risk management function being functionally and hierarchically separated from operating units, including portfolio management. If the Company fails to comply with the requirements of AIFMD as and when it falls within its remit the Company will not be able to attract new capital from investors within the European Union.

Hedging

The Directors have absolute discretion to utilise hedging techniques in relation to the Company. There is no guarantee that hedging, if used, will achieve its aims.

Availability of bank finance

One or more SPVs may be required to enter into a bank facility agreement(s) or arrangement(s) that contain financial covenants. In particular, the agreement may provide for cross default of other SPVs in the Portfolio. Should such clauses be unavoidable, Investors should be aware that, in such circumstances, if one SPV defaults it could lead to the bank enforcing its security on other SPVs.

Non-recourse debt

The Directors may seek to secure non-recourse financing on satisfactory terms. The Directors will seek to limit any lender's recourse only to the assets of the acquiring entity to which the borrowings are made available. The Directors intend to ring-fence the risks associated with those assets from the Group's other assets.

To the extent that the Directors are able to procure commercially acceptable non-recourse financing if the Group is (i) unable to service this debt (both interest and principal) or comply with the covenants of the loans and/or (ii) should any fall in the underlying asset value or revenues result in the Company or another member of the Group breaching financial covenants given to any lender, the Company or that member of the Group may be required to repay such borrowings in whole or in part together with any related costs. If the Company or that member of the Group is required to repay all or part of its borrowings, it may be required to sell assets at less than their market value or below the acquisition value.

Whilst the Company intends to fund its acquisitions using non-recourse debt, if this cannot be achieved the assets of the Group as a whole may be at risk and (whilst the Board does not presently intend to have cross-default provisions between ring-fenced portfolios) any cross-default provisions in the Group's other loan facilities could magnify the effect of a default under a particular loan facility if such a provision were exercised.

The Company's incurrence of floating rate debt will expose it to risks associated with movements in interest rates

The Company anticipates incurring debt with interest payable based on LIBOR or other fluctuating base rates. Whilst the Company intends to hedge its interest rate exposure on such borrowings such measures may not be sufficient to protect the Company from risks associated with movements in prevailing interest rates, to the extent that the interest rate risk on such borrowings is unhedged or such hedges are inadequate to fully protect against interest rate fluctuations. In addition, hedging arrangements expose the Company to credit risk in respect of the hedging counterparty. Increased exposure to interest rate movements may have a material adverse effect on the Company's results of operations.

REITs are not subject to any express borrowing restrictions. However, there will be a tax charge if the income profits of the Company's Qualifying Property Rental Business do not cover its related financing costs at least 1.25 times.

The Group's financial strategy to hedge its interest rate exposures will expose the Group to mark-to-market movements and credit risk of its counterparties

The Group's financial strategy will be to look to hedge the majority of any interest rate exposure on its borrowings. Derivative instruments may be used for hedging purposes, including forward contracts, options, swaps or other forms of derivative instruments which are exposed to general mark-to-market movements which may be positive or negative.

If the Group terminates a derivative instrument early because, for example, it disposes of the underlying investment, then the mark-to-market movement will crystallise either a gain or a loss for the Group. The crystallisation of a loss on a termination of a derivative instrument may have a material adverse effect on the Group's operating results and financial position.

Furthermore, the entry into such derivative instruments by the Group will expose the Group to the credit risk of its counterparties and their ability to satisfy the terms of such instruments. Should a counterparty fail, the Group may be subject to interest rate risk and changes in interest rates could have a material adverse effect on the Group's operating results, financial position and business prospects.

Dependence on the Adviser, key individuals and relationships

The Company's ability to provide returns to Shareholders and achieve its investment objective is substantively dependent upon the performance of the Adviser and the Management Team in the identification of suitable acquisitions and disposals and the management of such investments. The Company will depend to a significant extent on the experience, diligence, skill and network of business contacts of the Adviser and its key personnel and the information and opportunities presented to the Directors by them during the normal course of their activities. Failure by the Adviser and the Management Team to identify, secure and manage investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

The success of the Company depends largely upon the expertise of the Directors, all of whom will be engaged in a non-executive capacity, who will seek the advice of the Adviser before acquiring any property. The Directors will monitor the performance of the Adviser but its performance cannot be guaranteed. The Company's success depends on the ability of the Directors to manage this relationship and the ability and willingness of the Adviser to continue to provide the services under the terms of its contract with the Company. If the Adviser is unable or unwilling to continue to provide services, the Company's business would be disrupted and it might not be able to find a replacement on a timely basis or with the same level of skill and experience. Finding and hiring such a replacement could be costly and might require the Company to amend the terms of its existing contract with the Adviser, which could adversely impact on the Company's financial results.

In addition, the Company has no employees other than the Directors and, as such, is reliant on the Adviser and the Management Team. If the Adviser or the Company terminated the Property Adviser Agreement or members of the Management Team were to depart from the Adviser, there is a risk that suitable and effective replacements may not be found. Therefore, the Company's business, results of operations and financial condition may be adversely affected.

Insurance cover

It may not be possible to make a successful claim against the insurance cover, in which case the Company may not receive the full amount of any insurance anticipated under the terms of the Company's insurance policies.

Competitive industry

The Company will be operating in a competitive industry where the commercial risks are high. The Company may not be able to acquire as many Ground Rents as it would like, which would adversely affect the profitability and growth of the Company. Accordingly, the investment described in this document is speculative and investors may not recover all or any of the amount of their original investment.

Lower than anticipated net income

The net income from the Portfolio may be lower than anticipated, due to unforeseen costs. This will result in lower income to the Company.

Availability of equity

The Company may require additional capital in the future for expansion and/or business development which may significantly dilute the interests of existing Shareholders. If the Company fails to generate sufficient cash through the returns from investments, then the Company may need to raise additional capital from equity or debt sources to fund any such expansion or development. If the Company is unable to obtain financing on terms acceptable to it then it may be forced to curtail its planned acquisitions. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of each Shareholder may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Shares. There can be no guarantee that any further capital raisings will be successful.

No investors' compensation scheme

The Investors' Compensation Scheme as established by the Financial Services Authority in the UK is not available for claims relating to investment in the Company.

No assurance

There can be no assurance that the Company's management or exit strategies will be available or practical.

There may be circumstances where Directors have a conflict of interest

There may be circumstances in which a Director has (for example Simon Wombwell, is also a director of Brooks Macdonald and Braemar Group and is therefore considered to have an interest in any agreement between the Company and the Adviser), directly or indirectly, a material interest in a transaction being considered by the Company. Any of the Directors and/or any person connected with them may from time to time act as director, investor or be otherwise involved in other investment vehicles (including vehicles that may have investment strategies similar to the Company's), subject at all times to the provisions governing such conflicts of interest both in law and in the Articles. Although procedures have been put in place to manage conflicts of interest, it is possible that any of the Non-executive Directors and/or their connected persons may have potential conflicts of interest with the Company.

Any costs associated with potential investments which do not proceed to completion will affect the Company's performance

The Company expects to incur certain third party costs associated with the sourcing and acquisition of suitable assets. The Company can give no assurance as to the level of such costs, and given that there can be no guarantee that the Company will be successful in its negotiations to acquire any given property, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Group's results of operations and financial condition.

Due diligence to be undertaken by the Adviser on potential investments and the making of recommendations to the Company

Before the Company makes a property or property-related investment, the Adviser will arrange due diligence to be conducted for the Company that the Directors deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When considering the due diligence, the Adviser will be expected to evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to recommend that the Company proceeds with an investment. External consultants, legal advisers, accountants, surveyors and property valuers and environmental agents and other professional advisers are expected to be involved with the due diligence process in varying degrees. Throughout the due diligence process, the Adviser, and ultimately the Company, as advised by the Adviser, will be required to rely on resources available to it, including information provided by the owners of the target investment and, in some cases, third party investigations.

Accordingly, there can be no assurance that the due diligence process carried out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity. There can also be no assurance that such an investigation will result in an investment being successful. In many cases, the Company's due diligence into a potential investment may be the only comfort it receives before committing to a transaction and there can be no assurance that following the consummation of a transaction or the making of an investment, liabilities or other unforeseen matters of an adverse nature, such as an undiscovered latent environmental contamination liability, may come to light which had not been revealed by the due diligence carried out in respect of such transaction or investment. Were this to happen in relation to any of the investments made by the Company, it could have a material adverse effect on the investment in question, the Company's Net Asset Value, its financial condition and/or results of operations.

Risks Relating to Property

Legislation

The information in this document is based on the Directors' understanding of current law and practice. Changes may adversely affect Ground Rent values, income levels, growth prospects and tax liabilities. Neither the Company, the Directors, the Sponsor, the Adviser or Singer Capital Markets nor any of their advisers can accept responsibility if there is any change in the law, in HMRC practice or in the tax treatment of Group or of any investors in Company.

Liquidity

Investments in property are relatively illiquid and more difficult to realise than investments in either equities or bonds. Such illiquidity may affect the Group'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 Group's financial condition and results of operations.

Environmental issues

Under various environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of properties, the Company may be exposed to such costs. The cost of defending against environmental claims, compliance with environmental regulatory requirements or remediating any contaminated property could materially adversely affect the Company's business, assets or results of operations and, consequently, amounts available for dividends to Shareholders.

The Group could suffer civil or criminal penalties if it fails to comply with the laws and regulations that are applicable to its business

The Group's operations are subject to laws and regulations. If the Group fails to comply with the laws and regulations that are applicable to its business, it could suffer civil and/or criminal penalties or it could be required to cease operations. There can be no assurance that its operations will not be subject to increased or changing regulations or laws which could have an adverse effect on the Group's business (including, without limitation, increasing its administrative or regulatory compliance costs or by restricting the Group's operations). There can be no assurance that the Group will be able to comply with any new regulations or laws to which it might become subject.

RISK FACTORS RELATING TO TAX

REIT status

The Group cannot guarantee continued compliance with all of the REIT conditions and there is a risk that the REIT regime may cease to apply in some circumstances. HMRC may require the Group to exit the REIT regime if:

- it regards a breach of the conditions or failure to satisfy the conditions relating to the Qualifying Property Rental Business, or an attempt to obtain a tax advantage, as sufficiently serious;
- if the Group has committed a certain number of breaches in a specified period; or
- if HMRC has given the Group at least two notices in relation to the obtaining a tax advantage within a ten year period.

In addition, if the conditions for REIT status relating to the share capital of the Company or the prohibition on entering into loans with abnormal returns are breached, or the Company ceases to be UK resident, becomes dual resident or an open ended investment company, the Group will automatically lose REIT status. The Group could also lose its status as a REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a REIT or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe.

If the Group fails to remain qualified as a REIT, its rental income/capital gains will be subject to UK taxation.

If within 10 years of joining the REIT regime, the Group were to be required by HMRC to leave the REIT regime, or if it automatically loses its REIT status, HMRC has wide powers to direct how it is to be taxed,

including in relation to the date on which the Group is treated as exiting the REIT regime. This could substantially reduce the Group's reserves available to make distributions to Shareholders and the yield on the Shares. 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.

Changes in taxation and laws

This document is prepared in accordance with current taxation rules and laws in the UK. UK taxation practices and their interpretation of the law may differ from that set out in the Taxation section (Part 9). In addition, legislation and practice may also change over time. A change in the interpretation of the taxation position or a change in the taxation treatment of the Company or any of its assets may alter the net return to Investors. The UK Government has been known to introduce retrospective tax legislation and this cannot be ruled out in the future.

Taxation relating to certain classes of Investor

The comments in this document relating to taxation are intended to be a brief description of some of the tax consequences of acquiring Shares in the Company. The comments are based on current understanding of applicable law and country taxation practices as at the date of this document. They do not apply to certain classes of UK Investors such as financial traders who hold property as trading stock or to non-UK resident Investors. Prospective Investors who are in any doubt as to their position should consult their authorised financial adviser. Investors should seek their own advice on the taxation consequences of investment in the Company as the Company's legal and taxation advisers, or any other adviser, take no responsibility in this regard.

Adverse changes in the tax position of the Company and its subsidiaries

Investors should consider the information given in Part 9 of this document and should take professional advice about the consequences of them investing in the Company. References in this document to taxes and the rates of tax reflect the position at the date of this document. Any change in the Company's or any other member of the Group's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the Company's ability to pay dividends, dividend growth and/or the market value of the Shares.

References in this document to the tax positions of Shareholders assume that such persons are resident in the UK for tax purposes. Different treatment may apply in the case of non-UK-resident taxpayers, who should take their own advice concerning their tax positions (or, indeed, whether an investment into the Company is suitable for their personal circumstances).

Levels of and reliefs from taxation may change

The levels of, and reliefs from, taxation may change. Whilst a general guide to corporate and personal taxation has been set out in this document at Part 9, investors should not rely on such general guidance and should seek their own advice. This is particularly important as some of the aspects of this guidance deal with tax law which is currently in the process of being amended or is being consulted on by the UK Government.

There can be no guarantee that the rates of taxation envisaged by the Directors will be the ongoing rates of taxation paid by the Company and other members of the Group.

Distribution requirements may limit the Company's flexibility in executing its acquisition plans

The Company's business model contemplates growth through acquisitions. However, the REIT distribution requirements limit the Company's ability to fund acquisitions and capital expenditures through retained income earnings. To obtain full exemption from UK tax on the Qualifying Property Rental Business, the Company is required, amongst other things, to distribute annually (either in cash or by way of stock dividend) to Shareholders an amount sufficient to meet the 90 per cent. distribution test by way of Property Income Distribution, or PID. 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 test each year. Therefore, the Company's ability to grow through acquisitions would be limited if the Company were unable to obtain debt or equity financing.

In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the REIT rules 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.

Balance of business requirements may limit the Company's ability to generate other sources of income.

The Group is required to limit the business that it undertakes such that 75 per cent. or more of its profits and assets relate to that of a Qualifying Property Rental Business in order to maintain its status as a REIT. This may restrict its acquisition plans and limit its ability to generate other sources of income.

The Company's status as a REIT may restrict business consolidation opportunities and distribution opportunities to Shareholders

If the Company is acquired by an entity that is not a REIT, the Company is likely in most cases to fail to meet the requirements for being a REIT. If so, the Company will be treated as leaving the REIT regime at the end of the accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from the regime's tax exemptions. In addition, a REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a Substantial Shareholder. This additional tax charge will not be incurred if the REIT has taken reasonable steps to avoid paying dividends to a Substantial Shareholder. Therefore, the Articles contain provisions designed to avoid the situation where dividends may become payable to a Substantial Shareholder and these provisions are summarised at paragraph 4.22 of Part 10 of this document. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Shares that form part of a Substantial Shareholding, unless certain conditions are met.

The Articles also allow the Board to require the disposal of Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions.

Accordingly, while there is no prohibition on the Company being acquired by another entity, there might be potentially negative tax consequences of such an acquisition if made by an entity which itself is not a REIT which might make such an acquisition less likely than would be the case for other types of companies.

PART 9

TAXATION

Introduction

The following paragraphs are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC practice, each of which is subject to change, possibly with retrospective effect. They are not advice.

Under the REIT regime, corporate entities with a UK Qualifying Property Rental Business no longer pay UK direct taxes on income and capital gains from their Qualifying Property Rental Businesses in the UK and elsewhere (the Qualifying Property Rental Business) provided that certain conditions are satisfied. Instead, distributions relating to the Qualifying Property Rental Business (as determined by the legislation), and in particular distributions required to meet the minimum distributions requirement under the REIT rules, are treated for UK tax purposes as UK property income in the hands of Shareholders. However, corporation tax is still payable in the normal way in respect of income and gains from the Group's business (generally including any property trading business) not included in the Qualifying Property Rental Business. Dividends relating to this business (as determined by the legislation) are treated for UK tax purposes as normal dividends. 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 in this section as a Property Income Distribution ("**PID**"). Any normal dividend paid by the Company is referred to a Non-PID Dividend. Following enactment of the Finance (No 3) Act 2010, both PIDs and Non-PID Dividends may be satisfied by stock dividends.

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of Shares in the Company, in each case after the Company becomes a REIT. They apply only to Shareholders who are the absolute beneficial owners of both the Shares in and dividends from the Company and hold their Shares as investments and, except where otherwise indicated, they apply only to Shareholders who are both resident and ordinarily resident for tax purposes solely in the United Kingdom. They do not apply to Substantial Shareholders. Nor do they apply to certain categories of Shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their Shares by reason of their or another's employment, persons who hold their Shares by virtue of an interest in any partnership, collective investment schemes, insurance companies, life assurance companies, mutual companies, or Lloyds members. They apply to charities, trustees, pension scheme administrators or persons who hold their Shares in connection with a UK branch, agency or permanent establishment only where indicated below.

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

UK Taxation of PIDs

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 Corporation Tax Act 2010 applies is 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. No dividend tax credit (equal to one ninth of the

amount of the dividend) will be available in respect of PIDs. However, a tax credit will be available in respect of the basic rate tax withheld by the Company (where required) on the PID.

Please see also paragraph “*Withholding tax*” below for further detail.

UK taxation of 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 Corporation Tax Act 2009 (“**Part 4 property business**”). A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 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 Part 4 property business profits.

Please see also paragraph “*Withholding tax*” below.

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.

Please see also paragraph “*Withholding tax*” below.

Withholding tax

(i) General

Subject to certain exceptions summarised at paragraph (iv) 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.

(ii) Shareholders solely resident and ordinarily 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 corporates will generally be liable to pay corporation tax on their PID (see “*UK taxation of corporate Shareholders*” above) 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.

(iii) 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.

(iv) Exceptions to requirement to withhold income tax

Prospective investors should note that in certain circumstances the Company must not 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 charity 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. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account

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

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

UK taxation of Non-PID Dividends

Non-PID Dividends paid by the Company will be taxed in the same way as dividends paid by a Company which does not have REIT status, whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK. This will also be the case for any dividends paid out of income arising prior to the Company entering the REIT regime, regardless of its source.

The Company will not be required to withhold tax at source when paying a Non-PID Dividend (whether in cash or in the form of a stock dividend).

Non-PID Dividends – UK resident Shareholders

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 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 42.5 per cent. (anticipated to be 37.5 per cent. from 6 April 2013). The gross dividend will 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 32.5 per cent. (anticipated to be 27.5 per cent. from 6 April 2013) of the gross dividend (which is also equal to approximately 36 per cent. (anticipated to be 31 per cent. from 6 April 2013) 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.

Non-PID Dividends paid by the Company to a UK corporate shareholder should normally be exempt from Corporation Tax. Such Shareholders will not be able to claim repayment of tax credits attaching to Non-PID Dividends.

Non-PID Dividends – non-UK resident Shareholders

Non-UK resident Shareholders holding their shares directly will not be liable to UK income tax on Non-PID Dividends received from the Company.

The right of a Shareholder, who is not resident for tax purposes in the UK, to a tax credit in respect of a Non-PID Dividend received from the Company and to claim payment of any part of that tax credit will depend on the existing terms of any double taxation convention between the UK and the country in which the holder

is resident. Shareholders who are not solely resident in the UK should consult their own tax adviser concerning their tax liabilities on dividends received, whether they are entitled to claim any part of that tax credit and, if so, the procedure for doing so.

UK taxation of chargeable gains, stamp duty and stamp duty reserve tax in respect of Shares in the Company

UK taxation of chargeable gains

For the purpose of UK tax on chargeable gains, the amount paid by a Shareholder for Shares will constitute the base cost of his holding. If a Shareholder disposes of all or some of his Shares, a liability to tax on chargeable gains may arise. This will depend on the base cost which can be allocated against the proceeds, 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 shares.

The current rate of tax on capital gains is up to 28 per cent. for individuals, trustees and person representatives and up to 24 per cent. (anticipated to be reducing 1 per cent. per annum to 22 per cent.) for corporate Shareholders.

The exercise of Warrants by a UK resident or ordinarily resident Warrantholder will not constitute a disposal for the purposes of UK capital gains tax. The base cost (if any) of the Warrants together with the amount paid on exercise will form the base cost in computing any gain or loss arising on a subsequent disposal of the Ordinary Shares acquired.

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, professional or vocation in the UK through a branch or agency with which their Shares are connected or through a permanent establishment).

Individual Shareholders who are temporarily neither UK resident nor ordinarily resident may be liable to UK capital gains tax on chargeable gains realised on their return to the UK.

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

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

Paperless transfers of Shares within CREST will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the consideration paid. Euroclear UK & Ireland Limited is obliged to collect SDRT on relevant transactions within CREST.

No stamp duty or SDRT should be payable on the issue of Shares.

PART 10

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 7 of this document, accept full responsibility for the information contained in this document and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. The Company

- 2.1 The Company was incorporated in England and Wales on 23 April 2012 with registered number 8041022 as a public company under the Companies Act.
- 2.2 The Company operates under the Companies Act. The Company is not authorised or regulated as a collective investment scheme by the FSA.
- 2.3 The principal place of business and the registered office of the Company is 111 Park Street, London W1K 7JL.
- 2.4 As a company whose shares are admitted to the official list of the CISX, the Company is subject to the CISX Listing Rules and as a company whose shares are admitted to trading on SETSqx, the Company is subject to 'Admission and Disclosure Standards' published by the London Stock Exchange.
- 2.5 The Company has received a certificate under section 761 of the Companies Act entitling it to commence business and to exercise its borrowing powers.
- 2.6 Save for its entry into those material contracts to which it is a party as described in paragraph 12 of this Part 10 and the acquisition of the Ground Rents referred to in Part 5 of this document to allow the Group to qualify for group REIT status as at Admission, the Group has not commenced operations since the date of its incorporation, no statutory financial statements have been prepared prior to or as at the date of this document and no dividends have been declared since its incorporation.

3. Share Capital and Warrants

- 3.1 On incorporation, one ordinary share of £1 was issued for the purposes of incorporation to Inhoco Formations Limited as subscriber to the Company's Memorandum of Association.
- 3.2 To enable the Company to obtain a certificate of entitlement to conduct business and to borrow under Section 761 of the Companies Act, on 21 May 2012, 50,000 redeemable preference shares were allotted to Brooks Macdonald Funds against its irrevocable undertaking to pay £0.25 in cash for each such redeemable preference share on or before the date of Admission. Such redeemable preference shares will be paid up in full on Admission and redeemed in full out of the proceeds of the Placing.
- 3.3 Pursuant to the Companies Act there is no requirement for the Company to have an authorised share capital. Accordingly, the Company has no restriction on the number of shares that can be issued.
- 3.4 As at the date of this document Brooks Macdonald Funds hold the entire issued share capital in the Company being 50,000 Redeemable Preference Shares of £1 each (partly paid at a price of 25 pence per Share) and two Ordinary Shares of 50 pence each.
- 3.5 Pursuant to board resolutions:
 - 3.5.1 on 21 May 2012 the Company issued 50,000 Redeemable Preference Shares to Brooks Macdonald Funds. A trading certificate was issued on 8 June 2012. It is intended that the Redeemable Preference Shares are redeemed on Admission; and

- 3.5.2 on 28 June 2012 the Company subdivided the one ordinary share of £1 in issue into two Ordinary Shares of 50p each.
- 3.6 Pursuant to resolutions passed at a general meeting of the Company held on 24 July 2012:
- 3.6.1 the Directors were authorised to allot Shares pursuant to Section 551 Companies Act up to an aggregate nominal value of £65 million (such authority expiring on 24 July 2017);
- 3.6.2 the Directors were empowered (pursuant to sections 570 and 573 of the Companies Act) to allot shares pursuant to Section 551 Companies Act and up to 10 per cent. of the issued Share capital as if section 561(1) of the Companies Act did not apply to any such allotment provided that such power is expressed to expire on 23 October 2013 or, if earlier on the conclusion of the first annual general meeting of the Company but so that the Directors may, at any time before such expiry, make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired; and
- 3.6.3 the Company was authorised generally to purchase up to such number of Shares which represents 14.99 per cent. of the issued Share capital of the Company immediately following Admission, such purchases to be made in accordance with the CISX Listing Rules and the Companies Act. This authority will expire on 23 October 2013 or, if earlier on the conclusion of the first annual general meeting of the Company.
- 3.7 It is anticipated that a general meeting of the Company will be convened following Admission to approve a share capital reduction although no such date for such a meeting has been set.
- 3.8
- | | |
|------------------------------------|---|
| Number of shares issued | 2 Ordinary Shares |
| | 50,000 Redeemable Preference Shares |
| Amount paid up | £12,501 |
| Ordinary Share rights | The Ordinary Shares have attached to them full voting, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption. |
| Redeemable Preference Share rights | The Redeemable Preference Shares have attached to them no right to vote at a general meeting, no right to a dividend and no right to the acquisition of shares or securities. Upon repayment the shares do not carry a right to an amount exceeding the original consideration. |
- 3.9 Assuming the Placing and the Subscription are fully subscribed and following redemption of the Redeemable Preference Shares, following Admission the issued Share capital of the Company will consist of up to 50 million Shares and up to 10 million Warrants will be in issue.
- 3.10 The provisions of section 561(1) of the Companies Act (which, to the extent not disapplied pursuant to sections 570 and 573 of the Companies Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to issues by the Company of equity securities.
- 3.11 In accordance with the power granted to the Directors by the resolution mentioned in paragraph 3.6.1 above, it is expected that the Shares and the Warrants will be allotted (conditional upon Admission) pursuant to a resolution of the Board to be passed shortly before Admission. The terms and conditions of the Warrants are set out in Part 7 of this document.
- 3.12 All of the Shares and the Warrants will be in registered form and will be eligible for settlement in CREST.
- 3.13 Temporary documents of title will not be issued.

3.14 Save as disclosed in this document:

3.14.1 no share or loan capital of any member of the Group has been issued or is proposed to be issued;

3.14.2 no person has any preferential subscription rights for any share capital of any member of the Group;

3.14.3 no share or loan capital of any member of the Group is currently under option or agreed conditionally or unconditionally to be put under option; and

3.14.4 no commissions, discounts, brokerages or other special terms have been granted by any member of the Group since its incorporation in connection with the issue or sale of any share or loan capital of any member of the Group.

3.15 As a closed-ended company listed on the CISX other than through the exercise of options and/or warrants granted subject to the Listing Rules, Shares of the same class may not be issued at a price which is less than the Net Asset Value per Share of that class, at the time of such issue unless authorised by a majority of the Shareholders of that class or offered first on a *pro rata* basis to those Shareholders.

4. Articles of Association

The Articles of Association (which are available for inspection at the registered office of the Company) were adopted prior to Admission, pursuant to a special resolution passed at a general meeting of the Company held on 11 July 2012, and contain provisions, *inter alia*, to the following effect:

4.1 *Life*

The Articles require the Directors to convene a general meeting after the tenth anniversary of Admission but on or before the eleventh anniversary of Admission at which a Wind-up Resolution will be proposed.

If the Wind-Up resolution referred to above is not passed, the Directors will be required to convene a general meeting on the fifteenth anniversary at which a Wind-Up Resolution will be proposed (and the same process will apply in each 5 year period).

4.2 *Issue of shares*

Subject to the provisions of the Companies Act and without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or if the Company has not so determined, as the Directors may determine).

4.3 *Redemption of shares*

Any share may be issued which is or is to be liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such share.

4.4 *Dividends*

Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the shareholders but no dividends shall exceed the amount recommended by the Directors. Subject to the provisions of the Companies Act, the Directors may pay interim dividends, or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Company available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares ranking after those with preferential rights.

Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and so that the Company shall not thereby be constituted a trustee in respect thereof. If any dividend shall have remained unclaimed for at least twelve years after the same became payable the Board may forfeit the same, and after such forfeiture no member or other person shall have any right to or claim in respect of such dividend.

4.5 *Scrip Dividends*

The Board may, if authorised by an ordinary resolution of the Company, offer any holders of Ordinary Shares the right to elect to receive further Ordinary 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:

- (a) The ordinary resolution may specify a particular dividend (whether or not already declared) or may specify all or any dividends declared within a specified period, but such period may not end later than the conclusion of the fifth annual general meeting of the Issuer to be held following the date of the meeting at which the ordinary resolution is passed.
- (b) The basis of allotment shall be decided by the Board so that, as nearly as may be considered convenient, the value of the further shares, including any fractional entitlement, is equal to the amount of the cash dividend which would otherwise have been paid.
- (c) The entitlement of each holder of Ordinary Shares to new Ordinary Shares shall be such that the relevant value of the entitlement shall be the cash amount, disregarding any tax credit, (or as near to such cash amount as the Board considers appropriate) that such holder would have received by dividend. For this purpose the relevant value shall be calculated by reference to the average of the middle market quotations for a Ordinary Share, as shown on CISX, for the day on which such shares are first quoted “ex” the relevant dividend and the four subsequent dealing days or in such other manner as determined by or in accordance with an ordinary resolution.
- (d) The Board shall give notice to the eligible shareholders of their rights of election in respect of the Scrip Dividend and shall specify the procedure to be followed in order to make an election.
- (e) 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 made and the Board shall capitalise a sum to the aggregate nominal amount of the Ordinary Shares to be allotted out of such sums available for the purpose as the Directors may consider appropriate.
- (f) 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.
- (g) The Board may decide that the right to elect for any Scrip Dividend shall not be made available to shareholders resident in any territory where, in the opinion of the Board, compliance with local laws or regulations would be impossible or unduly onerous.
- (h) The Board shall disregard the rounding up or down or carrying forward of fractional entitlements, in whole or in part, or the accrual of the benefit of fractional entitlements to the Company (rather than to the holders concerned);

- (i) 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 and be binding on every successor in title to the holder of such Shares.
- (j) The Board shall not make a Scrip Dividend available unless the Company has sufficient unissued shares and undistributed profits or reserves to give effect to elections which could be made to receive that Scrip Dividend.

4.6 ***Voting rights***

Subject to any rights or restrictions attached to any shares and to any modification of voting rights pursuant to the Articles, on a show of hands every shareholder present in person has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote, and on a poll every shareholder (whether present in person or by proxy) has one vote for every share of which he is the holder. A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

No shareholder shall have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

4.7 ***Transfer of shares***

A share in certificated form may be transferred by an instrument of transfer, which may be in any usual form or in any other form approved by the Directors, executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. A share in uncertificated form may be transferred by means of the relevant electronic system concerned and the Uncertificated Securities Regulations 2001.

Subject to the Articles and Companies Act the Directors may refuse to register the transfer of a share in certificated form which is not fully paid. The Directors may also refuse to register a transfer of a share in certificated form unless the instrument of transfer:

- (i) is lodged, duly stamped, at the registered office of the Company or such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) is in respect of only one class of share; and
- (iii) is not in favour of more than four transferees.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse to register the transfer under the Uncertificated Securities Regulations 2001.

If the Directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the Company or, in the case of an uncertificated share, the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the Uncertificated Securities Regulations 2001 send to the transferee notice of refusal.

No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

4.8 ***Variation of rights***

Subject to the provisions of the Companies Act, the rights attached to any class of shares for the time being forming part of the capital of the Company may be varied or abrogated, either while the Company is a going concern or during or in contemplation of a winding-up, with the consent in writing of the holders of three-fourths of the issued shares of the class, or with the sanction of a special resolution passed at a separate meeting of holders of the shares of the class. To every such separate meeting all the provisions of the Articles relating to general meetings of the Company or the proceedings thereat shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy and holding at least one-third in nominal value of the issued shares of the class, and at an adjourned meeting shall be one person holding shares of the class or his proxy, and that every holder of shares of the class present in person or by proxy shall, on a poll, have one vote in respect of every share of the class held by him and shall be entitled to demand a poll.

4.9 ***Alteration of capital***

The Company may: (a) alter its share capital in any way subject to the Companies Act; and (b) confer any preference or other advantage on one or more of the shares resulting from any division or subdivision of its share capital as compared with the others and make any such share subject to any restriction as compared with the others.

4.10 ***Distribution of assets on a winding-up***

If the Company is wound up, subject to the Companies Act or any other applicable law, the liquidator may divide among the shareholders *in specie* the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. With the like sanction, the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the shareholders as he may with the like sanction determine, but no shareholder shall be compelled to accept any shares or other securities upon which there is a liability.

4.11 ***Restrictions on rights: failure to respond to a section 793 notice***

If a shareholder, or any other person appearing to be interested in shares held by that shareholder, fails to provide the information requested in a notice given to him under section 793 of the Companies Act by the Company in relation his interest in shares (the “default shares”) within 14 days of the notice, sanctions may apply. The sanctions available are the suspension of the right to attend or vote at any general meeting or on a poll, or to exercise any other rights conferred by membership in relation to the meeting or poll and, where the default shares represent at least 0.25 per cent. of their class, the withholding of any dividend or other distribution amount payable in respect of those shares satisfied, not entitled to elect to receive shares instead of a dividend, and the restriction of the transfer of any shares (subject to certain exceptions).

4.12 ***Untraced shareholders***

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

4.13 ***Appointment and removal of Directors***

Unless the Company determines otherwise by ordinary resolution, the number of Directors (other than alternate Directors) shall not be subject to any maximum but shall not be less than two.

Subject to the Articles, the Company may by ordinary resolution appoint a person who is willing to act as, and is permitted by law to do so, to be a Director either to fill a vacancy or as an additional

Director. The Directors may appoint a person who is willing to act, and is permitted by law to do so, to be a Director, either to fill a vacancy or as an additional Director. A person appointed as a Director by the other Directors is required to retire at the Company's next annual general meeting and shall then be eligible for reappointment.

The office of a Director shall be vacated in the event of, amongst other things: (a) if he resigns his office by notice in writing delivered to the registered office or submitted to a meeting of the Board or his resignation in writing is accepted by the Board; (b) he only held office for a fixed term and such term expires; (c) either (i) he is admitted to hospital in pursuance of an application for admission for treatment under any legislation relating to mental health; or (ii) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; (d) if, without leave, he is absent from meetings of the Board (whether or not any alternate Director appointed by him attends) for six consecutive months, and the Board resolves that his office is vacated; (e) if he is removed from office pursuant to the Articles or by virtue of any provision of the Companies Act or prohibited by law from being a Director; (f) if all other Directors resolve that he be removed as a Director; (g) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency; (h) in the case of a Director who holds executive office his appointment is terminated or expires and the Board resolves his office be vacated; and (h) in the case of a director who is an employee of the Group ceases to be employed (other than where the Board resolves the director continues in a non-executive capacity).

In the event a Director is removed from office prior to the expiry of the agreed term, a Director may have the right to claim damages under any service contract he has with the Company.

4.14 *Powers of Directors*

The business of the Company shall be managed by the Directors who, subject to the provisions of the Articles and to any directions given by special resolution to take, or refrain from taking, specified action, may exercise all the powers of the Company.

Any Director may appoint any other Director, or any other person approved by resolution of the Directors and willing to act and permitted by law to do so, to be an alternate Director.

4.15 *Directors' remuneration*

Until otherwise determined by the Company by ordinary resolution, there shall be paid to the Directors (other than alternate directors) such fees for their services in the office of director as the Directors may determine, not exceeding £100,000 per annum or such larger amount as the Company may by ordinary resolution decide, divided between the Directors as they may determine. Such remuneration shall be deemed to accrue from day to day. If any Director, being willing and having been called upon to do so, shall render or perform extra or special services of any kind, including services on any committee of the Board, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, as the Board shall determine.

4.16 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present or future) uncalled capital and, subject to any relevant statutes, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company (and its subsidiary undertakings) so as to ensure that the aggregate principal amount outstanding in respect of monies borrowed does not at any time, without the previous sanction of an ordinary resolution, exceed a sum equal to ten times the adjusted capital and reserves.

4.17 *Voting at board meetings*

No business shall be transacted in any meeting of the Directors unless a quorum is present and the quorum may be fixed by the Directors; unless so fixed at any other number the quorum shall be two. A Director shall not be counted in the quorum present in relation to a matter or resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. An alternate Director who is not himself a Director shall, if his appointor is not present, be counted in the quorum. Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

4.18 *Restrictions on voting*

Subject to any other provision of the Articles, a Director shall not vote at a meeting of the Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless his interest arises only because the case falls within certain limited categories specified in the Articles.

4.19 *Directors' interests*

Subject to the provisions of the Companies Act and provided that the Director has disclosed to the other Directors the nature and extent of any material interest of his, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is interested.

4.20 *Indemnity*

Subject to the Companies Act, the Company may: (a) indemnify any Director against any liability incurred by the director to a person other than the Company, or on any other basis as is then lawful, as the Board may decide; and (b) purchase and maintain for any Director insurance against any liability.

4.21 *General meetings*

In the case of the annual general meeting, twenty one clear days' notice at the least shall be given to all the members and to the auditors. All other general meetings shall be convened by not less than fourteen clear days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen clear days has been passed (such a resolution has not been passed) in which case a general meeting may be convened by not less than fourteen clear days' notice in writing.

No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a shareholder or a proxy for a shareholder or a duly authorised representative of a corporation which is a shareholder, shall be a quorum.

A shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. A shareholder may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Subject to the provisions of the Companies Act, any corporation (other than the Company itself) which is a shareholder may, by resolution of its directors or other governing body, authorise such person(s) to act as its representative(s) at any meeting of the Company, or at any separate meeting of the holders of any class of shares. Delivery of an appointment of proxy shall not preclude a shareholder from attending and voting at the meeting or at any adjournment of it. Directors may attend and speak at general meetings, whether or not they are shareholders.

A poll on a resolution may be demanded at a general meeting either before a vote on a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

4.22 *Real Estate Investment Trust*

The Articles contain provisions designed to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to any Substantial Shareholder.

If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge.

The Articles therefore:

- (a) provide the Directors with powers to identify Substantial Shareholders (if any);
- (b) prohibit the payment of dividends on Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (c) allow dividends to be paid on Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Shares; and
- (d) seek to ensure that if a dividend is paid on Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in the preceding paragraph are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend;

as further explained below.

(i) *Identification of Substantial Shareholders*

The Articles require a Substantial Shareholder and any registered Shareholder holding Shares on behalf of a Substantial Shareholder to notify the Company if his Shares form part of a Substantial Shareholding. Such a notice must be given within two business days. The Articles give the Directors the right to require any person to provide information in relation to any Shares in order to determine whether the Shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which is seven days after a request is made or such other period as the Directors may decide), the Directors may impose sanctions, including withholding dividends (as described in paragraph (ii) below) and/or requiring the transfer of the Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph (v) below).

(ii) *Preventing payment of a dividend to a Substantial Shareholder*

The Articles provide that a dividend will not be paid on any Shares that the Directors believe may form part of a Substantial Shareholding unless the Directors are satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the Directors are satisfied that:

- (a) the shareholding is not part of a Substantial Shareholding or the Substantial Shareholder concerned is not beneficially entitled to the dividend (in which case the dividend will be paid in respect of the whole shareholding concerned);
- (b) all or some of the Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividend will be paid in respect of those transferred shares); or
- (c) sufficient Shares have been transferred (together with the right to the dividends) such that the Shares retained are no longer part of a Substantial Shareholding (in which case the dividend will be paid in respect of those retained shares).

For this purpose references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of that Share.

(iii) *Payment of a dividend where rights to it have been transferred*

The Articles provide that dividends may be paid on Shares that form part of a Substantial Shareholding if the Directors are satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder. The Board may be so satisfied if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate should be in such form as the Directors may specify and the Directors may in their discretion require further information, certifications or declarations to be given. The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the Directors believe that a certificate given in these circumstances is or has become inaccurate then they may withhold payment of future dividends (as described in paragraph (ii) above). In addition, the Directors may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate. The Directors may require a sale of the relevant shares and may retain the amount claimed from the proceeds. Any such amount may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Substantial Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

(iv) *Trust arrangements where rights to dividends have not been disposed of by Substantial Shareholder*

The Articles provide that if a dividend is in fact paid on Shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any two or more persons (who are not Substantial Shareholders) nominated by the Substantial Shareholder concerned. The persons nominated as the beneficiaries could include the purchaser of the Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or such charity as the Board may nominate.

If the recipient of the dividend passes it on to another without being aware that the Shares in respect of which the dividend was paid were part of a Substantial Shareholding, the recipient will have no liability as a result. However, the Substantial Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

(v) *Mandatory sale of Substantial Shareholdings*

The Articles also allow the Directors to require the disposal of Shares forming part of a Substantial Shareholding if:

- (a) a Substantial Shareholder has been identified and a dividend has been announced or declared and the Directors have not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- (b) there has been a failure to provide information requested by the Directors pursuant to the provisions described in this paragraph 4.22; or
- (c) any information provided by any person pursuant to the provisions described in this paragraph 4.22 proves materially inaccurate or misleading.

If a disposal of Shares required by the Directors is not completed within the timeframe specified by them or of the Company incurs a charge to tax as a result of a dividend having been paid on a Substantial Shareholding, the Directors may arrange for the sale of the relevant Shares.

(vi) *Takeovers*

The Articles do not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained in Risk Factors in Part 8 of this document such an event may cause the Group to cease to qualify as a REIT.

(vii) *Other*

The Articles also give the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificates or declarations as the Board may require to establish the Shareholder's entitlement to that treatment.

The Articles may be amended by special resolution passed by the Shareholders in the future, including to give powers to the Directors to ensure that the Company can comply with the conditions required to comply with the REIT regime, which powers may include the ability to arrange for the sale of Shares on behalf of Substantial Shareholders. Further details of these requirements are set out in the Risk Factors in Part 8 and Taxation in Part 9 of this document.

5. Directors' and Other Interests

5.1 No Directors nor any of their associates, directly or indirectly, holds voting rights in the share capital of the Company immediately following Admission.

5.2 So far as the Company is aware, the following persons (other than the Directors) will hold voting rights, directly or indirectly, in respect of 10 per cent. or more of the Company's issued share capital immediately following Admission:

	<i>Number of Shares</i>	<i>per cent. of issued share capital</i>
Brooks Macdonald Asset Management	10,699,800	21.4%
Architas	9,500,000	19.5%
Henderson Global Investors	5,000,000	10.0%

* Assumes the Placing and Subscription is fully subscribed.

Save as set out in this paragraph 5.2, the Company is not aware of any person who holds or will immediately following Admission hold voting rights, directly or indirectly, in 10 per cent. or more of the issued share capital of the Company.

5.3 None of the Shareholders referred to in paragraph 5.2 above has different voting rights from any other holder of Shares in respect of any Shares held by them.

5.4 The Company is not aware of any person who immediately following Admission, directly or indirectly, jointly or severally, will own or could exercise control over the Company.

- 5.5 Save for the interest of Simon Wombwell in Brooks Macdonald Funds and Braemar Group disclosed in Part 3, there is no contract or arrangement subsisting at the date of this document in which a Director is materially interested and which is significant to the business of the Company.
- 5.6 There are no outstanding loans by the Company to the Directors and no guarantees provided by the Company for their benefit.
- 5.7 Paul Craig is an employee of Henderson Global Investors Limited (“HGI”). HGI will invest in the Company on behalf of clients to which HGI acts as discretionary investment manager.

6. Terms of Directors’ Appointment

- 6.1 Each Director has entered into a letter of appointment with the Company, effective on Admission. The letter of appointment for each Director is subject to the provisions of the Articles. The fees payable to the Directors with effect from Admission will be set by the Board and will initially be as follows:

<i>Director</i>	<i>Annual fee (£)</i>
Malcolm Naish	30,000
Paul Craig	25,000
Simon Wombwell	20,000

In addition to the fees and benefits mentioned above, the Company will reimburse all expenses reasonably incurred by the Directors in the proper performance of their duties and intends to obtain directors’ and officers’ liability insurance cover.

The appointment of each Director is terminable in accordance with the Articles and does not give rise to any entitlement of the relevant Director to compensation for loss of office.

- 6.2 Save as set out in paragraph 6.1 of this Part 10, there are no existing or proposed service agreements or letters of appointment between any Director and the Company or any Group company providing for benefits upon termination of employment.
- 6.3 The aggregate of the remuneration payable to, and benefits in kind receivable by, the Directors under the arrangements in force at the date of this document is £75,000 per annum.

7. Other Directorships

- 7.1 In addition to their directorships of the Company, the Directors hold or have held the following directorships and are or were members of the following partnerships, within the five years prior to the date of this document.

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Paul Craig	Aberdeen Emerging Markets Smaller Companies Trust plc DIT Income Services Limited Diverse Income Trust plc F&C Barrow Hanley US Trust plc Golden Prospect Precious Metals Limited The Healthcare REIT plc	New Star Asset Management Limited
Simon Wombwell	Braemar Group Limited Brooks Macdonald Funds Limited Brooks Macdonald Group plc Future Screen Partners 2006 No. 2 LLP Scion Films Premier (Third) Limited Partnership	

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Malcolm Naish	Aurora Europe General Partner Limited Mapledurham Glade Management Company Limited SWAMF (GP) Limited SWAMF Nominee (1) Limited SWAMF Nominee (2) Limited SWIP & CWI Luxembourg (NO1) Holding Company S.A.R.L SWIP Holdings (Luxembourg) S.A.R.L SWIP Luxembourg S.A.R.L	DTZ Investment Management Limited

7.2 In the five years before the date of this document, none of the Directors has:

- 7.2.1 any unspent convictions in relation to indictable offences;
- 7.2.2 at any time been adjudged bankrupt or been the subject of any form of individual voluntary arrangement;
- 7.2.3 been a director of a company at the time of, or within the 12 months preceding the date of, its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors;
- 7.2.4 been a partner in a partnership at the time of, or within the 12 months preceding the date of, its compulsory liquidation, administration or partnership voluntary arrangement;
- 7.2.5 owned any asset which has been placed in receivership or been a partner of any partnership at the time at which, or within the 12 months preceding the date on which, any asset of that partnership has been placed in receivership;
- 7.2.6 been subject to any public criticism by any statutory or regulatory authority (including a recognised professional body); or
- 7.2.7 been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

8. City Code on Takeovers and Mergers

8.1 Mandatory bid

The City Code applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in Shares which, when taken together with Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in Shares which increase the percentage of Shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for any interests in the Shares by the acquirer or its concert parties during the previous 12 months.

8.2 *Compulsory Acquisition*

Under sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Such sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

9. **Working Capital**

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the resources available to the Company (including the estimated net proceeds of the Placing and the Subscription), the Company will have sufficient working capital for its present requirements, that is, for at least the 12 months following the date of Admission.

10. **Material Adverse Change**

There has been no material adverse change in the financial or trading position of the Company since 23 April 2012, the date on which the Company was incorporated.

11. **Legal and Arbitration Proceedings**

The Company is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since incorporation which may have, or have had, a significant effect on the financial position or profitability of the Company or any future Group.

12. **Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years immediately preceding the date of this document and are, or may be, material:

12.1 *Property Adviser Agreement*

The Property Adviser Agreement to be entered into immediately prior to First Admission between the Company and the Adviser pursuant to which the Adviser has agreed to provide certain management services to the Company as more particularly described in Part 2 of this document. In addition, the Adviser has agreed to provide certain administrative and company secretarial services to the Company.

The Company has agreed to pay the Adviser a management fee and agency fees, details of which are set out in Part 2 of this document. The Adviser is also entitled to retain 50 per cent. of all insurance

commission in respect of the properties, further details of which are also set out in Part 2 of this document.

The Property Adviser Agreement may be terminated immediately in the following circumstances:

- (i) an event of insolvency in relation to the Adviser;
- (ii) the failure by the Adviser to remedy in all material respects a material breach by the Adviser of an obligation under the Property Adviser Agreement after notice from the Company allowing it reasonable time to do so;
- (iii) a breach or breaches of an obligation or obligations under the Property Adviser Agreement by the Adviser which are individually or cumulatively of such seriousness as to permit the Company to treat the Property Adviser Agreement as repudiated by breach;
- (iv) a change of control of the Adviser (other than as a result of a takeover of Brooks Macdonald); and
- (v) the winding up of the Company.

The Property Adviser Agreement may be terminated by either party serving not less than nine months' prior written notice on the other provided that such notice shall not expire before the third anniversary of the Property Adviser Agreement.

On termination of the Property Adviser Agreement, the Adviser will be entitled to receive all payments to be made to it which have accrued up to the date of such termination but will not be entitled to any other payment or to compensation in respect of such termination.

The Adviser has undertaken to the Company that:

- (i) it has full corporate power and has taken all necessary corporate action to enable it to enter into and perform its obligations under the Property Adviser Agreement;
- (ii) the Property Adviser Agreement will create obligations which are valid and binding on the Adviser and enforceable in accordance with their terms; and
- (iii) it does not require the consent, approval or authority of any other person to enter into or perform its obligations under the Property Adviser Agreement and its entry into the Property Adviser Agreement will not constitute any breach of or default under any contractual, governmental or public obligation binding upon it.

The Adviser will not be liable for the acts or omissions of any agent or sub-contractor properly appointed by the Adviser provided that prior to appointing such agent or sub-contractor the Adviser shall procure that the agent or sub-contractor shall enter into a duty of care in favour of the Company and an undertaking that such agent or sub-contractor has appropriate insurance cover to an amount at least equal to the insurance cover the Adviser is required to maintain.

The Company has agreed to indemnify the Adviser out of the assets of the Company against all claims, liability, damages and costs which the Adviser has properly and reasonably suffered or incurred other than due to the Adviser's negligence, fraudulent act or omission or wilful misconduct or bad faith.

The Property Adviser Agreement is governed by the laws of England and Wales.

12.2 *Placing Agreement*

The Placing Agreement dated 24 July 2012 between the Company, the Adviser, Brooks Macdonald Funds and Singer Capital Markets, pursuant to which, subject to certain conditions, Singer Capital Markets has agreed to use reasonable endeavours to procure subscribers for Placing Shares at the Placing Price. The Placing Agreement may be terminated by Singer Capital Markets in certain customary circumstances prior to First Admission.

The obligation of the Company to issue the Placing Shares and the obligation of Singer Capital Markets to use its reasonable endeavours to procure subscribers for Placing Shares is subject to certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) First Admission occurring and becoming effective by 8.00 a.m. London time on or prior to 13 August 2012 (or such later time and/or date, not being later than 13 September 2012, as the Company and Singer Capital Markets may agree); (ii) the Placing Agreement not having been terminated in accordance with its terms; (iii) commitments being received pursuant to the Placing and the Subscription for an aggregate amount of not less than £35 million before by 3.00 p.m. on 13 September 2012; and (iv) the passing of the resolution by the Braemar PCC Shareholders in relation to the Acquisition Agreement.

The Company and the Adviser have given warranties to Singer Capital Markets concerning, *inter alia*, the accuracy of the information contained in this document. The Company and the Adviser have also given indemnities to Singer Capital Markets. The warranties and indemnities given by the Company and the Adviser are standard for an agreement of this nature.

Under the terms of the Placing Agreement the Company is required to (a) pay the expenses of the Placing, the Subscription and Admission, (b) pay to Brooks Macdonald Funds an amount equal to 2 per cent. of the aggregate value of Shares issued pursuant to the Subscription and 1 per cent. of the aggregate value of shares issued to certain placees introduced by Brooks Macdonald Funds (such amounts being the **Expenses**). In addition to the Expenses the Company is required to pay to Singer Capital Markets an amount equal to the greater of (a) the amount by which the Expenses are less than 2 per cent. of the aggregate amount raised pursuant to the Placing and the Subscription Offer, (b) £350,000 and (c) an amount equal to one per cent. of the aggregate amount raised pursuant to the Placing and the Subscription Offer.

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

12.3 ***Sponsorship Agreement***

The sponsorship agreement dated 10 July 2012 between the Company and the Sponsor pursuant to which the Sponsor has agreed to act as sponsor to the application by the Company to the CISX and to act as sponsor on a continuing basis. For the provision of these services, the Sponsor is entitled a fee of £5,000 for the initial listing payable on issue of an invoice by the Sponsor following the grant of listing by the CISX and, following the listing, an annual fee of £4,000, payable on each anniversary of the date of the listing (and *pro-rata* in the first year of listing). In addition to the annual fee, the Sponsor is entitled to receive additional fees on a time incurred basis where the time spent by the Sponsor in advising the Company exceeds four hours in any given year.

The agreement may be terminated on written notice by either party. The Company has given an indemnity to the Sponsor that is standard for an agreement of this nature.

The agreement is governed by the laws of the Island of Guernsey.

12.4 ***Registrar Agreement***

The Registrar Agreement between the Company and Capita Registrars dated 24 July 2012, pursuant to which the Registrar has been appointed as registrar to the Company. The Registrar shall be entitled to receive an annual registration fee from the Company based on activity and subject to an annual minimum charge of £7,500 (exclusive of any VAT) in the first year and £5,000 following this. The Registrar shall also be entitled to reimbursement of all reasonable out of pocket expenses incurred in connection with the Agreement. Out of pocket expenses shall include but not be limited to postage, Euroclear UK & Ireland message and network charges, reports, telephony services, electronic transmission charges, mailing, stationery, banking charges, printing, photocopying, courier expenses, and reasonable travelling expenses incurred in connection with the provision of the services. Capita is entitled to increase the fees payable annually at the rate of the Retail Prices Index (as well as being able to increase the fees payable annually as a result of a change in applicable laws which affect the obligations of Capita).

The initial term is for one year, after this any party may terminate the Registrar Agreement on not less than six months' notice in writing to the other party. Following the initial term the Registrar Agreement will automatically renew for successive periods of 12 months. Any party may terminate the Registrar Agreement: (i) by service of 3 months' written notice should the parties not reach an agreement regarding any increase of the fees payable under the Registrar Agreement; or (ii) upon service of written notice if the other party commits a material breach of its obligations under the Registrar Agreement (including any payment default) which that party has failed to remedy within 45 days of receipt of a written notice to do so from the first party; or (iii) upon service of written notice if a resolution is passed or an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction) is appointed over the whole of or a substantial part of the other party or its assets or undertakings.

The Registrar Agreement limits the Registrar's liability thereunder to the lesser of £500,000 or an amount equal to five times the annual fee payable to the Registrar pursuant to the Registrar Agreement. The Company indemnifies the Registrar against all claims arising out of or connected to the Registrar Agreement, save in the case of fraud, wilful default or negligence on the part of the Registrar.

The Registrar Agreement is governed by the laws of England and Wales.

12.7 ***Broker agreement***

The financial advisor and broker agreement to be entered into immediately prior to First Admission between the Company and Singer Capital Markets pursuant to which the Company has engaged Singer Capital Markets to act as its financial adviser and corporate broker on an ongoing basis. The Company shall pay to Singer Capital Markets a retainer of £30,000 per annum payable quarterly in advance (exclusive of VAT). If, during the course of the engagement: (i) a takeover offer is made to the Company or the Company proposes to undertake an acquisition or disposal of any of the Group's assets or business, Singer Capital Markets has the right, but not the obligation, to act as sole financial adviser and corporate broker to the Company in relation to such transaction; or (ii) the Company determines to conduct an offering, Singer Capital Markets shall have the right, but not the obligation, to act as lead manager, underwriter and co-ordinator for any such offering, the fees for such work to be agreed in good faith at normal market rates. The engagement may be terminated on 30 days' written notice by either party or immediately on written notice of any material breach of the agreement by the other party. The agreement is governed by English law.

12.8 ***Acquisition Agreement***

A summary of the Acquisition Agreement is set out in Part 5 of this document.

Details of the Initial Portfolio are set out at Part 6. The Initial Portfolio is held in the following SPVs which are being acquired:

- TM3 003 Limited;
- Midlands Ground Rents Limited;
- Masshouse Residential Block HI Limited;
- Masshouse Block HI Limited;
- Nikal Humber Quay Residential Limited;
- North West Ground Rents Limited;
- Postbox Ground Rents Limited;
- Northwest Houses Ground Rents Limited;
- East Anglia Ground Rents Limited
- Banbury Ground Rents Limited;

- Yorkshire Ground Rents Limited;
- Masshouse Ground Rents Limited;
- The Manchester Ground Rent Company Limited;
- Ebony House Ground Rents Limited;
- Enclave Court Ground Rents Limited;
- Azure House Ground Rents Limited;
- Halcyon Wharf Ground Rents Limited; and
- XQ7 Ground Rents Limited.

The following SPVs are being acquired despite not holding any property assets:

- Gateway (Leeds) Ground Rents Limited;
- Hill Ground Rents Limited; and
- Clapham One Ground Rents Limited.

13. Consent

Each of Singer Capital Markets, Appleby Securities (Channel Islands) Ltd, DTZ and the Adviser have given and has not withdrawn its written consent to the inclusion of its name in this document in the form and the context in which it is included.

14. General

- 14.1 PricewaterhouseCoopers LLP, which has its registered office at 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW, Chartered Accountants regulated by the Institute of Chartered Accountants in England and Wales was appointed as the Group's auditors on 24 July 2012.
- 14.2 The total costs, charges and expenses payable by the Company in connection with the Placing, the Subscription and Admission are estimated to be £1 million.
- 14.3 The register of members of the Company and the other statutory registers of the Company are kept at the registered office of the Registrars, as set out in the section entitled "*Directors, Company Secretary, Registered Office and Advisers*".
- 14.4 The Directors confirm that the diagrams in Part 1 of this document have been accurately reproduced and, so far as the Directors are aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.5 This document together with the Warrant Instrument will form the Listing Document for the purpose of the application to list the Shares and Warrants on the Official List of the CISX.

15. Documents for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's registered office and Appleby Securities (Channel Islands) Ltd for not less than 14 days from the date of First Admission:

- (a) the Articles of the Company;
- (b) the material contracts referred to in paragraph 12 of this Part 10;
- (c) the written consents referred to in paragraph 14 of this Part 10;
- (d) the valuation referred to in Part 6;
- (e) the Warrant Instrument referred to in Part 7;
- (f) the Circular to shareholders in Braemar PCC dated 16 July 2012.

Dated: 24 July 2012

PART 11

DEFINITIONS

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

“Acquisition Agreement”	the conditional sale and purchase agreement dated 16 July 2012 between the Company and Braemar PCC in relation to the proposed purchase by the Company of the Initial Portfolio;
“Admission”	First Admission or Second Admission as the context requires;
“Admission and Disclosure Standards”	rules published by the London Stock Exchange;
“Adviser”	the property and investment adviser Braemar Estates (Residential) Limited, a company incorporated in England and Wales with registered number 4178736;
“AGM”	annual general meeting;
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part 10 of this document as the same may be amended, varied, modified or replaced from time to time;
“BMAM”	Brooks Macdonald Asset Management, a company incorporated in England and Wales with registered number 3417519;
“Board” or “Directors”	the directors of the Company from time to time, the names of the directors at the date of this document being set out on page 7 of this document;
“Braemar Group”	Braemar Group Limited, a company incorporated in England and Wales with registered number 5084921, and its subsidiaries;
“Braemar PCC”	Braemar Group PCC Limited, a company incorporated in Guernsey registered with number 48236;
“Braemar PCC’s Ground Rents Cell”	the ground rents cell of Braemar Group PCC Limited;
“Braemar PCC Shareholders”	Shareholders in the Braemar PCC’s Ground Rents Cell to whom Shares are to be offered;
“Brooks Macdonald”	Brooks Macdonald Group plc, a company incorporated in England and Wales with registered number 4402058;
“Brooks Macdonald Funds”	Brooks Macdonald Funds Limited, a company incorporated in England and Wales with registered number 5730097;
“business day”	any day where banks in London and the Channel Islands are open for business (excluding Saturdays and Sundays and public holidays);
“Capita Registrars”	a trading name of Capita Registrars Limited;
“certificated” or “in certificated form”	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST);
“CISX”	the Channel Islands Stock Exchange, LBG;

“CISX Listing Rules”	the listing rules produced by the CISX for companies whose securities are listed on the CISX, as amended from time to time;
“City Code”	the City Code on Takeovers and Mergers;
“Companies Act”	the United Kingdom Companies Act 2006;
“Company”	Ground Rents Income Fund plc, a company incorporated in England and Wales with registered number 8041022;
“Corporation Tax Act”	the Corporation Tax Act 2010, as amended from time to time;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) to facilitate the transfer of title to shares in uncertificated form in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the Uncertificated Securities Regulations 2001);
“DTZ”	DTZ Debenham Tie Leung Limited, a company incorporated in England and Wales with registered number 2757768;
“Diluted Net Asset Value”	the Net Asset Value divided by the number of Shares in issue adjusted to take account of the dilution (if any) which would arise from the exercise of all the Warrants then in issue;
“Euroclear UK & Ireland Limited”	the operator of the CREST system;
“Finance Act”	the Finance Act 2006, as amended from time to time;
“First Admission”	the admission of certain Placing Shares and Warrants relating thereto (issued and to be issued) to listing on the Daily Official List of the CISX becoming effective in accordance with the CISX Listing Rules and to the SETSqx platform of the London Stock Exchange becoming effective in accordance with the London Stock Exchange rules;
“FSA”	the UK Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Ground Rents”	the right to receive an annual, pre-determined payment made by a lessee of a property to the freeholder or head leaseholder of that property;
“Group”	the Company and its subsidiaries from time to time and for the purposes of taxation a Group is as defined in Section 152 of the Corporation Taxes Act;
“HMRC”	Her Majesty’s Revenue & Customs;
“IFRS”	International Financial Reporting Standards;
“Initial Portfolio”	the ground rent assets to be purchased pursuant to the Acquisition Agreement;
“Investor”	any person, vehicle or company which invests in the Company, and the term “Investors” shall be construed accordingly;
“LIBOR”	the London Interbank Offered Rate as determined from time to time;
“Long Dated”	a Ground Rent which has an unexpired term in excess of 80 years;
“Management Team”	the management team of the Adviser as described in Part 2 of this document;

“Market Value”	the price at which an asset would trade in an open market as determined by RICS accredited “Red Book” principles;
“Net Asset Value” or “NAV”	the value of the assets of the Group less its liabilities, calculated in accordance with the accounting principles adopted by the Group from time to time;
“Net Asset Value per Share”	the Net Asset Value divided by the number of Shares in issue or deemed to be in issue at the time of such valuation;
“Non-PID Dividends”	a dividend paid by the Company which is not a PIDs;
“Ordinary Shares”	the ordinary shares in the Company of 50 pence nominal value;
“Panel”	the Panel on Takeovers and Mergers;
“PID” or “PIDs”	a dividend or distribution paid by the Company in respect of profits or gains of the Qualifying Property Rental Business of the Company arising at a time when the Company is a REIT insofar as they derive from its Qualifying Property Rental Business;
“Placing”	the conditional placing by Singer Capital Markets, as agent for the Company, of the Placing Shares and Warrants at the Placing Price as described in this document;
“Placing Agreement”	the conditional placing agreement dated 24 July 2012 between the Company, the Adviser, Brooks Macdonald Funds and Singer Capital Markets Limited, further details of which are set out at paragraph 12.2 of Part 10 of this document;
“Placing Price”	100p per Placing Share;
“Placing Shares”	Shares (with Warrants attached on a one for five basis) to be issued pursuant to the Placing;
“Portfolio”	the portfolio of Ground Rents or the SPVs that own the Ground Rents, as described in this document;
“Property Adviser Agreement”	the Property Adviser Agreement to be entered into immediately prior to First Admission between the Company and the Adviser, a summary of which is set out in paragraph 12.1 of Part 10 of this document;
“Qualifying Property Rental Business”	a property rental business fulfilling the conditions in section 529 of the Corporation Tax Act;
“Redeemable Preference Shares”	the redeemable preference shares in the Company of £1 nominal value;
“Registrar”	Capita Registrars;
“Registrar Agreement”	the registrar agreement dated 24 July 2012 between the Company and Capita Registrars, a summary of which is set out in paragraph 12.4 of Part 10 of this document;
“REIT”	a company or group to which Part 12 of the Corporation Tax Act applies;
“SDLT”	stamp duty land tax;
“Second Admission”	the admission of certain Placing Shares, the Subscription Shares and Warrants relating thereto to listing on the Daily Official List of the CISX becoming effective in accordance with the CISX Listing Rules and to the SETSqx platform of the London Stock Exchange

	becoming effective in accordance with the London Stock Exchange rules;
“Securities Act”	the US Securities Act of 1933, as amended;
“SETSqx”	the London Stock Exchange Electronic Trading service (quotes and cross) trading platform;
“Shareholders”	the holders of Shares from time to time;
“Shares”	the ordinary shares of 50 pence nominal value each in the share capital of the Company;
“Singer Capital Markets”	Singer Capital Markets Limited incorporated in England and Wales with registered number 5792780;
“Sponsor”	Appleby Securities (Channel Islands) Limited;
“Sponsorship Agreement”	the sponsorship agreement dated 10 July 2012 between the Company and the Sponsor, a summary of which is set out in paragraph 12.3 of Part 10 of this document;
“SPV”	special purpose vehicle;
“Subscription”	the conditional issue of the Subscription Shares and Warrants relating thereto at the Subscription Price, as described in this document to Braemar PCC Shareholders;
“Subscription Price”	100p per Subscription Share;
“Subscription Shares”	Shares (with Warrants attached on a one for five basis) to be issued pursuant to the Subscription;
“subsidiary”	as construed in accordance with section 1261 Companies Act;
“Substantial Shareholder”	a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent. or more of the distributions paid by the Company or share capital of the Company, or which controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company;
“Substantial Shareholding”	the holding of Shares by a Substantial Shareholder;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“uncertificated” or “in uncertificated form”	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US Person”	a US person as defined in Regulation S of the US Securities Act of 1933, as amended;
“VAT”	value added tax;
“Warrants”	warrants to subscribe for Shares to be issued by the Company, on terms and conditions set out in the Warrant Instrument;
“Warrantholders”	holders of warrants;
“Warrant Instrument”	the deed dated 24 July 2012 signed by the Company and which constitutes the Warrants, details of which are set out in Part 7 of this document; and

“Wind-up Resolution”

the special resolution that the Company be wound-up voluntarily to be proposed at a general meeting to be convened after the tenth anniversary of Admission but before the eleventh anniversary of Admission pursuant to the Articles.

PART 12

GLOSSARY

“yield”

a measure of return on an asset and is the income arising on an asset expressed as a percentage of the total cost of the asset, including costs